THE COMMUNITY FOUNDATION OF

NORTH LOUISIANA

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SHREVEPORT, LOUISIANA

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April 28, 2014

The Audit Committee
The Community Foundation of North Louisiana
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of The Community Foundation of North Louisiana, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Foundation of North Louisiana as of December 31, 2013 and 2012, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014 on our consideration of The Community Foundation of North Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Community Foundation of North Louisiana's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012
Cash and cash equivalents	252,732	298,685
Prepaid expenses and other assets	19,390	22,122
Accounts receivable-Note 14	710,289	2,208,250
Investments-trusts (excluding Stiles)-Note 3	13,827,173	12,813,728
Investments-Stiles trust-Note 3	4,290,775	7,430,901
Investments-long-term pool-Note 3	66,257,171	54,702,595
Investments-short-term pool-Note 3	5,929,518	7,543,458
Investments-other-Note 3	324,770	336,153
Interest in charitable remainder trusts and estate	1,089,987	1,045,000
Fixed assets, net-Note 4	381,963	43,288
Cash surrender value of life insurance	112,019	116,877
Total assets	93,195,787	86,561,057
LIABILITIES AND NET ASSETS		
Accounts payable and advance dues	236,258	313,386
Other liabilities	100,000	-
Grants payable-Note 5	168,364	285,990
Funds held as agency endowments-Note 6	6,991,392	6,449,535
Total liabilities	7,496,014	7,048,911
Net assets: Note 7		
Unrestricted:		
Donor advised	8,128,531	7,849,165
Field of interest	24,245,619	20,044,193
Scholarship	436,111	413,370
Designated	367,659	345,865
Undesignated	24,442,101	21,408,471
Total unrestricted	57,620,021	50,061,064
Temporarily restricted	6,304,604	8,913,421
Permanently restricted	21,775,148	20,537,661
Total net assets	85,699,773	79,512,146
Total liabilities and net assets	93,195,787	86,561,057

The accompanying notes are an integral part of the consolidated financial statements.

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:				
Revenues, gains, and other support:				
Contributions:				
Membership	246,620	5,183	-	251,803
Other	2,200,310	174,420	160,679	2,535,409
Income on long-term investments	1,246,259	113,484	(107,848)	1,251,895
Other investment income	382,714	485,245	-	867,959
Net unrealized and realized gains on long-term investments-Note 3	4,354,231	447,115	1,121,293	5,922,639
Change in value of split interest agreements	(13,013)	58,000	-	44,987
Grant income	50,400	779,409	-	829,809
Rental income	363	-	-	363
Other income	73,553	3,112	-	76,665
Total revenues, gains, and other support	8,541,437	2,065,968	1,174,124	11,781,529
Net assets released from restrictions	4,674,785	(4,674,785)	-	-
Transfers between classifications	(63,363)	-	63,363	-
Total revenues, gains, other support and reclassifications	13,152,859	(2,608,817)	1,237,487	11,781,529
Expenses:				
Management and general-Note 8	696,250	-	-	696,250
Community programs/initiatives-Note 13	586,180	-	-	586,180
Grants	4,040,590	-	-	4,040,590
Grants to endowments	100	-	-	100
Expenses of specific funds-Note 11	270,782	-	-	270,782
Total expenses	5,593,902	-	-	5,593,902
Change in net assets	7,558,957	(2,608,817)	1,237,487	6,187,627
Net assets at beginning of year	50,061,064	8,913,421	20,537,661	79,512,146
Net assets at end of year	57,620,021	6,304,604	21,775,148	85,699,773

The accompanying notes are an integral part of the consolidated financial statements.

2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
194,549	7,801	-	202,350
1,285,308	227,475	994,022	2,506,805
790,036	52,994	(49,408)	793,622
241,120	5,649,024	-	5,890,144
3,746,577	611,159	1,254,827	5,612,563
-	33,000	-	33,000
50,000	125,085	-	175,085
-	-	-	-
71,000	3,330	-	74,330
6,378,590	6,709,868	2,199,441	15,287,899
3,022,257	(3,022,257)	-	-
-	-	-	-
9,400,847	3,687,611	2,199,441	15,287,899
620,042	-	-	620,042
279,849	-	-	279,849
2,606,967	-	-	2,606,967
50,000	-	-	50,000
638,140	-	-	638,140
4,194,998	-	-	4,194,998
5,205,849	3,687,611	2,199,441	11,092,901
44,855,215	5,225,810	18,338,220	68,419,245
50,061,064	8,913,421	20,537,661	79,512,146

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	6,187,627	11,092,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,693	4,639
Amortization of leasehold improvements	36,335	-
(Increase) in interest in charitable remainder trusts and estate	(44,987)	(33,000)
Decrease (increase) in prepaid expenses and other assets	2,732	(8,791)
Decrease (increase) in accounts receivable	1,497,961	(2,183,250)
Decrease (increase) in cash surrender value of life insurance	4,858	(14,407)
Decrease (increase) in accounts payable and advance dues	(77,128)	39,230
(Decrease) in grants payable	(117,626)	(176,152)
Increase (decrease) in other liabilities	100,000	(25,000)
Net unrealized and realized (gains) on long-term investments	(5,922,639)	(5,612,563)
Net cash provided by operating activities	1,679,826	3,083,607
Cash flows from investing activities:		
Proceeds from sale of investments	24,959,725	12,702,007
Purchase of investments	(26,232,326)	(15,716,209)
Purchase of equipment and furnishings	(95,081)	(3,612)
Addition of leasehold improvements	(292,622)	-
Construction in progress	-	(30,358)
Net cash (used) by investing activities	(1,660,304)	(3,048,172)
Cash flows from financing activities:		
Increase (decrease) in funds held as agency endowments	(65,475)	37,239
Net cash provided (used) by financing activities	(65,475)	37,239
Net increase (decrease) in cash and cash equivalents	(45,953)	72,674
Cash and cash equivalents at beginning of year	298,685	226,011
Cash and cash equivalents at end of year	252,732	298,685

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Operations

The consolidated financial statements include The Community Foundation of North Louisiana (the Foundation) and its supporting organization, the Annie Lowe Stiles Trust (the Trust). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Foundation (formerly The Community Foundation of Shreveport-Bossier) is a public nonprofit organization which was organized on June 26, 1961, to serve the needs of North Louisiana including the following parishes: Bienville, Bossier, Caddo, Claiborne, DeSoto, Jackson, Lincoln, Morehouse, Natchitoches, Ouachita, Red River, Sabine, Union and Webster. Grants are made by the Foundation for charitable, scientific, literary, educational and civic purposes.

The Trust is being administered by the trustees for the benefit of the Foundation which is both the income and principal beneficiary of the Trust. The trustees are directed to deliver the net income annually to the Foundation for its public, charitable, and educational uses. The trustees have full discretion to distribute any amount of principal to the Foundation and in the event the principal of the Trust should become inadequate to justify its continuance, they may terminate it by delivering its remaining property to the Foundation. Beginning in the year 2000, the Trust began making an annual distribution to the Foundation equal to five percent of the three year rolling average of the fair market value of the Trust's marketable securities. During 2010, the Trust distributed the Trust's marketable securities except for its investment in a hedge fund to the Foundation. The investment in the hedge fund was sold by the Trust and proceeds from sale were distributed to the Foundation during 2012. The net income from the Trust's real estate (royalties, rentals, and timber sales) is distributed to the Foundation quarterly. Such distributions are eliminated in consolidation.

2. Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) *Financial Statement Presentation*

The financial statements are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

In accordance with FASB Codification topic 958, "*Not-for-Profit Entities*" (FASB ASC 958) net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted funds are designated by the board for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

2. Summary of Significant Accounting Policies (Continued)

(b) ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

(c) ***Income Taxes***

The Foundation and the Trust are nonprofit organizations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has further determined that the Trust is a supporting organization as described in Section 509(a)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for the tax years 2010 and beyond remain subject to examination by the Internal Revenue Service.

(d) ***Investments***

The Foundation records investments at fair value, based on quoted market prices, where available. Mineral interests are valued using a multiple of earnings or discounted estimated cash flow methodology. Increases and decreases in market value are recognized in the periods in which they occur. Upon disposition, the cost of the specific investment is used to compute the realized gain or loss to be recognized. Cost and market values are disclosed in Note 3.

(e) ***Fixed Assets, Depreciation, and Amortization***

Fixed assets are recorded at cost, or if donated, at the fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Amortization of leasehold improvements is provided on a straight-line basis over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

(f) ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.

(g) ***Concentrations of Credit and Market Risk***

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

Contributions from a single donor represented 18% and 33% of total contributions for the years ended December 31, 2013 and 2012, respectively.

3. Investments

Investments-trusts, investments-bank pools, and investments-other are presented below with their respective costs and fair values at December 31:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Investments-trusts (excluding Stiles):				
Cash and cash equivalents	1,349,477	1,349,477	1,012,876	1,012,876
Equity	4,752,644	5,884,068	3,842,820	4,038,437
Fixed income	2,798,314	2,865,801	3,745,072	3,922,657
Structured investments	905,816	990,427	1,759,434	1,880,694
Real estate and mineral interests	565,255	833,008	565,255	803,509
Other	1,909,330	1,904,392	1,203,193	1,155,555
	12,280,836	13,827,173	12,128,650	12,813,728
Investments-Stiles trust:				
Cash and cash equivalents	234,798	234,798	3,223,559	3,223,559
Accrued income	655	655	40,650	40,650
Real estate and mineral interests	2,492,935	4,055,322	2,492,935	4,166,692
	2,728,388	4,290,775	5,757,144	7,430,901
Investments-long-term pool:				
Cash and cash equivalents	8,169,856	8,169,856	2,094,109	2,094,110
Equity	28,944,940	34,408,448	22,567,037	24,575,909
Fixed income	13,819,910	13,746,931	12,030,630	11,565,693
Hedge funds*	2,951,305	3,154,585	8,486,737	9,483,652
Real estate partnerships**	4,350,284	4,416,026	6,111,463	5,822,874
Energy funds***	633,554	643,613	640,101	645,354
Private equity fund****	1,242,310	1,717,712	483,000	515,003
	60,112,159	66,257,171	52,413,077	54,702,595
Investments-short-term pool:				
Cash and cash equivalents	2,906,214	2,906,214	4,474,290	4,474,290
Fixed income	3,022,268	3,023,304	3,034,521	3,069,168
	5,928,482	5,929,518	7,508,811	7,543,458
Investments-other:				
Real estate and mineral interests	130,286	170,255	130,286	188,612
Other	150,677	154,515	143,702	147,541
	280,963	324,770	273,988	336,153

* The portion of the long-term pool invested in hedge funds is invested in the Private Advisors Stable Value Fund, Ltd. ("Private Advisors"), ABS Offshore SPC Global Portfolio Class A Series ("ABS Global"), Balestra Spectrum Partners, LTD ("Balestra") and Fir Tree Value Fund ("Fir Tree"). Private Advisors' principal investment objective is to achieve consistent, positive returns, while attempting to reduce risk and volatility, by placing its capital with a variety of experienced portfolio managers who operate mainly as hedge funds. Such portfolio managers and hedge funds will employ a variety of trading styles or strategies, including, but not limited to, convertible and fixed income arbitrage, merger or risk arbitrage and other event-driven investing, distressed and other high yield debt, long/short equity, multi-strategy and other market-neutral strategies (i.e., strategies where

3. <u>Investments</u> (Continued)

returns are not necessarily correlated to traditional stock and bond indices). Private Advisors is structured as a multi-manager hedge fund-of-funds investment vehicle. As of December 31, 2013, the Foundation redeemed its entire interest in Private Advisors. (See Note 14.) ABS Global is a long/short hedge fund of funds. It aims to capture two-thirds of the equity market's upside while limiting losses to only one-third of the downside, and to ultimately outperform the global equity market with less volatility over a full market cycle. ABS Global focuses on small and middle sized long/short equity hedge funds across the globe, with a mix of bottom-up and top-down managers. ABS Global is diversified among different investment strategies and styles within the equity long/short sector. As of December 31, 2012, the Foundation redeemed its entire interest in ABS Global. (See Note 14.) Balestra is a global macro hedge fund-of-funds. The investment objective of Balestra is to seek optimum returns to investors, adjusted for risk. Balestra's primary investment criteria are investments which seek to limit risk, have the potential for positive rates of return and have limited correlation to stock market movements. The fund utilizes a broad range of investment strategies and securities. Balestra follows an aggressive investment strategy, focusing on specific investment strategies, industry sectors and asset classes which are expected to be affected by broad economic, political and social trends. As of December 31, 2013, the Foundation redeemed its entire interest in Balestra. (See Note 14.) Fir Tree is a multi-strategy hedge fund that opportunistically invests across a diverse set of themes in value equities, special situations, long-term arbitrage, distressed credit, performing credit and real estate related positions. As the firm's flagship fund, the Value Fund has a broad mandate that seeks value oriented investments across multiple asset classes, sectors, geographies and capital structures. Fir Tree believes its opportunistic value approach to investing provides the Funds with the flexibility to find the most compelling value oriented investments on a global basis. On November 12, 2013, the Foundation entered into a Subscription Agreement with Davidson Kempner International, Ltd. ("Davidson") and committed to fund capital calls of Davidson in the amount of $3 million. Davidson is a multi-strategy hedge fund that seeks to maintain a well-diversified portfolio across a wide range of uncorrelated strategies with single portfolio positions generally no larger than 10% of fund capital. The fund's primary strategy involves the purchase of stressed or distressed securities in companies that are experiencing financial distress, going through a restructuring, are involved in a bankruptcy and/or a substantial litigation. On a smaller scale, Davidson will also participate in merger arbitrage long/short equity arbitrage, equity, convertible and volatility arbitrage strategy positions. As of December 31, 2013, no capital investment in Davidson had been made; however, the Foundation funded its $3 million capital commitment in January 2014. On September 4, 2013, the Foundation entered into a Subscription Agreement with Elliott International Limited ("Elliott") and committed to fund capital calls of Elliott in the amount of $5 million. Elliott is a multi-strategy hedge fund that believes their opportunistic trading approach and ability to take advantage of complex situations is essential in its goal of generating an attractive absolute return across all types of market environments. Elliott invests in a diverse range of uncorrelated strategies where capital can be redeployed quickly to sectors that provide the most favorable risk/revenue profiles at any given time. A significant portion of the firm's positions include activist or distressed for control activities. Elliott's activist positions involve purchasing companies in order to make operational improvements by reducing costs and improving operational execution. This also involves helping companies to better execute their strategies to create value for shareholders by helping company management streamline operations to enhance profit margins, etc. Elliott's distressed for control investments involve purchasing debt in companies that are undergoing a bankruptcy event or going through litigation. As of December 31, 2013, no capital calls had been requested for Elliott.

** The portion of the long-term pool invested in real estate funds is invested in the INVESCO Real Estate Fund II, L.P. ("IRE Fund II"), the JER Real Estate Qualified Partners IV, L.P. ("JER Fund IV"), and the WCP Real Estate Fund III, L.P. ("WCP Fund III"). IRE Fund II seeks to achieve value-added returns on a property by property basis through recapitalization, purchases of high yield noninvest-

3. **Investments** **(Continued)**

ment grade commercial mortgage back securities debt, lease-ups, re-tenanting, renovation and development. On October 2, 2007, the Foundation entered into a Subscription Agreement with IRE Fund II and committed to fund capital calls of the IRE Fund II in the aggregate amount of $5 million. As of December 31, 2013 and 2012, the Foundation had funded $4,685,072 with $314,928 remaining. The investment objective of JER Fund IV is to make investments in real estate and real estate related assets. JER Fund IV may invest, directly or indirectly in any debt or equity interests in, or relating to, real estate assets of any type or real estate companies and real estate related companies. On February 22, 2008, the Foundation entered into a Subscription Agreement with JER Fund IV and committed to fund capital calls of the JER Fund IV in the aggregate amount of $3 million. As of December 31, 2013 and 2012, the Foundation had funded $2,528,022 toward its capital commitment; therefore, the Foundation's remaining capital commitment is $471,978. In September of 2011, the Foundation entered into a Subscription Agreement with WCP Fund III, and is committed to fund capital calls of the WCP Fund III in the aggregate amount of $2 million. The WCP Fund III will pursue a broad range of distressed and opportunistic real estate investment opportunities. Westport, the Investment Manager, will target investments that present potential for significant capital appreciation, while supplementing returns with current cash flow. The WCP Fund III will focus on distresses and opportunistic investments, including, without limitation, assets that have suffered from inadequate capitalization, prior mismanagement, and poor leasing. Westport seeks to capitalize on market inefficiencies. As of December 31, 2013 and 2012, the Foundation had funded $1,636,659 and $1,248,659, respectively, with $363,341 and $751,341 remaining, respectively.

*** On November 17, 2010, the Foundation entered into a Subscription Agreement with Merit Energy Partners H, L.P. ("Merit") and committed to fund capital calls in the aggregate amount of $2 million. Merit is committed to purchasing high quality oil and gas assets that fit their operating profiles, while providing their Limited Partners with diverse portfolios that continually generate attractive returns. They target mature, proved assets with quantifiable upside within their existing areas of operation as well as those that show potential growth. Merit owns and operates a wide spectrum of assets from flowing gas wells to more complex secondary and tertiary recovery operations and intricate processing plants. Their assets are spread across over twenty basins, numerous fields and formations, from New Mexico to Michigan. Merit looks to maximize production while minimizing costs, making operational control a fundamental aspect of their strategy. As of December 31, 2013 and 2012, the Foundation had funded $650,941 toward its capital commitment with $1,349,059 remaining.

**** On March 28, 2012, the Foundation entered into a Subscription Agreement with Amberbrook VI, LLC ("Amberbrook VI") and committed to fund capital calls in the aggregate amount of $3 million. Amberbrook VI is a private equity fund managed by Willowridge Partners that focuses exclusively on secondary purchases. These purchases can be limited partnership interests in other private equity funds or direct investments in private equity backed companies. Buying on the secondary market allows Willowridge to minimize the initial j-curve impact that is common with private equity investments. Willowridge is located in New York, New York. As of December 31, 2013 and 2012, the Foundation had funded $1,386,000 and $492,000, respectively, toward its capital commitment of $3 million; therefore the Foundation's remaining capital commitment is $1,614,000 and $2,508,000, respectively.

Net realized gains were $1,989,100 and net unrealized gains were $3,933,539 for 2013 in the accompanying Statement of Activities. Net realized gains were $465,270 and net unrealized gains were $5,147,293 for 2012 in the accompanying Statement of Activities.

Investment custodial and management and consulting fees totaling $242,374 for 2013 and $165,629 for 2012 have been netted against income on long-term investments in the accompanying Statement of Activities.

3. Investments (Continued)

The Foundation adopted FASB Codification topic 820, "*Financial Value Measurements and Disclosures*" (FASB ASC 820), as of January 1, 2008. FASB ASC 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	Level 1	Level 2	Level 3	Fair Value
December 31, 2013:				
Cash and cash equivalents	12,660,345	-	-	12,660,345
Accrued income	655	-	-	655
Fixed income	13,952,782	5,683,254	-	19,636,036
Equity	40,292,516	-	-	40,292,516
Hedge funds	-	-	3,154,585	3,154,585
Real estate partnerships	-	-	4,416,026	4,416,026
Energy partnerships	-	-	643,613	643,613
Real estate and mineral interests	-	4,888,330	-	4,888,330
Private equity fund	-	-	1,717,712	1,717,712
Structured investments	-	-	990,427	990,427
Other	-	2,229,162	-	2,229,162
	66,906,298	12,800,746	10,922,363	90,629,407
December 31, 2012:				
Cash and cash equivalents	10,804,835	-	-	10,804,835
Accrued income	40,650	-	-	40,650
Fixed income	14,531,283	4,026,235	-	18,557,518
Equity	28,614,346	-	-	28,614,346
Hedge funds	-	-	9,483,652	9,483,652
Real estate partnerships	-	-	5,822,874	5,822,874
Energy partnerships	-	-	645,354	645,354
Real estate and mineral interests	-	4,970,201	-	4,970,201
Private equity fund	-	-	515,003	515,003
Structured investments	-	-	1,880,694	1,880,694
Other	-	1,491,708	-	1,491,708
	53,991,114	10,488,144	18,347,577	82,826,835

3. Investments (Continued)

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Hedge Funds	Real Estate Partnerships	Energy Partnerships	Structured Investments	Private Equity	Total
Balance-December 31, 2011	11,592,834	4,735,569	379,270	1,604,146	-	18,311,819
Gains (losses) realized and unrealized	78,111	632,001	19,829	202,686	23,839	956,466
Purchases, issuances, and settlements	-	1,445,000	249,901	73,862	491,164	2,259,927
Transfers in and/or out of Level 3, net	(2,187,293)	(989,696)	(3,646)	-	-	(3,180,635)
Balance-December 31, 2012	9,483,652	5,822,874	645,354	1,880,694	515,003	18,347,577
Gains (losses) realized and unrealized	589,112	905,152	37,332	103,435	399,899	2,034,930
Purchases, issuances, and settlements	-	388,000	-	910,500	894,000	2,192,500
Transfers in and/or out of Level 3, net	(6,918,179)	(2,700,000)	(39,073)	(1,904,202)	(91,190)	(11,652,644)
Balance-December 31, 2013	3,154,585	4,416,026	643,613	990,427	1,717,712	10,922,363

4. Fixed Assets

During 2012, the Foundation's Board of Directors approved expenditures/leasehold improvements related to the expansion of the Foundation. The expansion, Community Central, is a state-of-the-art technology meeting space for collaborative community projects, nonprofit incubator space and nonprofit networking. Contracts were negotiated with Carter Construction, Ben Bledsoe, Bath Business Services, and Sound Minds. Construction was completed in April 2013.

A summary of fixed assets at December 31, 2013 and 2012 is as follows:

	2013	2012
Equipment and furnishings	183,446	88,364
Leasehold improvements	322,980	-
Construction in progress	-	30,358
Less-accumulated depreciation and amortization	(124,463)	(75,434)
Book value-fixed assets	381,963	43,288

Depreciation expense was $12,693 and $4,639 for the years ended December 31, 2013 and 2012, respectively. Amortization of leasehold improvements was $36,335 for the year ended December 31, 2013.

5. Commitments

As of December 31, 2013, the Foundation had approved grants of $168,364 payable in 2014. As of December 31, 2012, the Foundation had approved grants of $285,990 payable in 2013.

6. Agency Endowment Funds

FASB ASC 958 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. FASB ASC 958 specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

6. Agency Endowment Funds (Continued)

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At December 31, 2013 and 2012, the Foundation was the owner of thirty-two and thirty agency endowment funds with a combined value of $6,991,392 and $6,449,535, respectively. The following table summarizes activity in such funds during the years ended December 31, 2013 and 2012:

	2013	2012
Agency endowment fund balances at beginning of year	6,449,535	5,888,102
Contributions	85,462	121,781
Income on long-term investments	120,873	68,748
Realized investment gains (losses)-net	211,934	(19,853)
Unrealized investment gains (losses)-net	395,397	544,048
Grants	(211,701)	(102,271)
Administrative expenses	(60,108)	(51,020)
Agency endowment fund balances at year end	6,991,392	6,449,535

Investment custodial and management and consulting fees totaling $28,563 for 2013 and $20,345 for 2012 have been netted against income on long-term investments in the table above.

7. Endowed Net Assets

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

A spending rate is determined by the Foundation's Board of Directors. The rate is currently 4.0%. This determination is made with consideration given to market conditions and the spending levels of peer institutions. The spending rate approved by the Board is applied to the twelve-quarter moving average market value of the pooled assets by fund. Effective July 1, 2010, the Louisiana legislature enacted Act No. 168 ("Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. The Foundation's spending policy dictates that no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for spending.

The Foundation classifies as permanently restricted net assets the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

7. Endowed Net Assets (Continued)

Endowment funds net asset composition as of December 31, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2011	(219,634)	(126,452)	18,338,220	17,992,134
Contributions	-	3,330	994,022	997,352
Investment income	28,437	46,486	(49,408)	25,515
Net appreciation (depreciation)	217,216	351,676	1,254,827	1,823,719
Appropriation of endowment assets for expenditure	(28,365)	(70,478)	-	(98,843)
Endowment net assets, December 31, 2012	(2,346)	204,562	20,537,661	20,739,877
Contributions	-	3,113	160,679	163,792
Investment income	50,823	102,366	(107,848)	45,341
Net appreciation (depreciation)	253,676	511,054	1,121,293	1,886,023
Transfer to endowment	-	-	63,363	63,363
Appropriation of endowment assets for expenditure	(32,468)	(100,325)	-	(132,793)
Endowment net assets, December 31, 2013	269,685	720,770	21,775,148	22,765,603

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below corpus. Deficiencies of individual funds of this nature that are reported in temporarily restricted net assets were $27,906 as of December 31, 2012. Deficiencies of individual funds of this nature that are reported in unrestricted net assets were $27,846 as of December 31, 2012. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment funds to corpus will be classified as an increase in temporarily restricted net assets or an increase in unrestricted net assets as applicable. There were no reported deficiencies in temporarily restricted net assets or unrestricted net assets as of December 31, 2013.

8. Management and General Expenses

The management and general expenses incurred by the Foundation for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Anniversary celebration	-	5,000
Contractors/consultants	11,250	18,750
Depreciation	12,693	4,639
Amortization of leasehold improvements	36,335	-
Dues and subscriptions	2,612	2,658
Equipment rental and maintenance	17,790	16,731
Indirect costs-workforce	(41,261)	(24,557)

8. Management and General Expenses (Continued)

	2013	2012
Insurance	64,787	56,864
Legal and accounting	37,125	28,490
Life insurance expense	3,500	3,500
Office supplies and expense	23,792	26,590
Parking	10,780	9,755
Payroll taxes	26,952	27,933
Postage	6,198	4,111
Printing	15,552	17,793
Public relations	25,841	11,339
Rent	68,081	34,461
Retirement plan expense	17,568	14,107
Salaries	336,208	341,981
Seminars and travel	16,900	15,959
Telephone	3,547	3,938
	696,250	620,042

The Foundation's Board of Directors has chosen to charge an annual administrative fee to all funds based on the funds' average quarterly market value over the preceding twelve quarters or the number of quarters in existence to cover all administrative fees and other expenses required to operate the Foundation. Prior to October 2012, the administrative fee rate was 0.9% for all funds with the exception of scholarship funds established after February 19, 2004, which incur fees at a rate of 1.5%. Effective October 7, 2012, the administrative rate for funds other than the aforementioned scholarship funds was increased to 1.0%. Administrative fees of $722,984 for 2013 and $644,777 for 2012 were charged to specific funds. Such administrative fee income and expense is netted in the presentation of the statement of activities.

9. Leases

The Foundation leases office space under an operating lease which expires on November 30, 2019. Future minimum lease requirements are presented below:

2014	74,772
2015	76,337
2016	78,079
2017	79,822
2018	81,564
Thereafter	76,334
	466,908

10. Retirement Plan

Effective January 1, 2003, the assets of the 401(k) plan were rolled into a new 403(b) retirement plan. The 403(b) plan covers employees who have completed one year of eligibility service and are at least twenty-one years old. The Foundation matches employee contributions up to 6% of eligible wages.

Participants are fully vested in employer contributions after three years of service. The Foundation contributed $17,568 and $14,107 to the 403(b) plan for the years ended December 31, 2013 and 2012, respectively.

10. Retirement Plan (Continued)

Also effective January 1, 2003, the Foundation implemented a tax-deferred annuity plan. Participation in this plan is voluntary and the Foundation makes no contributions. Employees may begin participating in this plan on the first of the month following employment at the Foundation.

11. Expenses of Specific Funds

The expenses of specific funds incurred by the Foundation for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Accounting and other professional fees	68,808	14,338
Fiduciary fees	138,384	552,773
Real estate expense	27,967	45,582
Mineral expense	26,780	22,900
Miscellaneous	8,843	2,547
	270,782	638,140

12. Condensed Financial Statements of Annie Lowe Stiles Trust

Financial information pertaining only to the Annie Lowe Stiles Trust follows for the years ended December 31, 2013 and 2012:

Statement of Financial Position

	2013	2012
Assets:		
Investments-Stiles trust	4,290,775	7,430,901
Total assets	4,290,775	7,430,901
Temporarily restricted net assets	4,290,775	7,430,901

Statement of Activities

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Income on long-term investments	-	431	431
Other investment income	-	485,245	485,245
Net realized and unrealized gains on long-term investments	-	(111,387)	(111,387)
Total revenues, gains, and other support	-	374,289	374,289
Net assets released from restrictions	3,514,415	(3,514,415)	-

12. Condensed Financial Statements of Annie Lowe Stiles Trust (Continued)

	2013		
	Unrestricted	Temporarily Restricted	Total
Total revenues, gains, other support, and reclassifications	3,514,415	(3,140,126)	374,289
Expenses of specific funds	(150,433)	-	(150,433)
Distributions	(3,363,982)	-	(3,363,982)
Change in net assets	-	(3,140,126)	(3,140,126)
Net assets at beginning of year	-	7,430,901	7,430,901
Net assets at end of year	-	4,290,775	4,290,775

	2012		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Income on long-term investments	-	310	310
Other investment income	-	5,649,023	5,649,023
Net realized and unrealized gains on long-term investments	-	220,402	220,402
Total revenues, gains, and other support	-	5,869,735	5,869,735
Net assets released from restrictions	2,676,156	(2,676,156)	-
Total revenues, gains, other support, and reclassifications	2,676,156	3,193,579	5,869,735
Expenses of specific funds	(526,081)	-	(526,081)
Distributions	(2,150,075)	-	(2,150,075)
Change in net assets	-	3,193,579	3,193,579
Net assets at beginning of year	-	4,237,322	4,237,322
Net assets at end of year	-	7,430,901	7,430,901

The distributions of $3,363,982 and $2,150,075 from the Trust to the Foundation for the years ended December 31, 2013 and 2012, respectively, were eliminated in consolidation.

13. Community Programs/Initiatives

During 2012, the Foundation was awarded a grant in the amount of $316,000 from Jobs for the Future, in connection with its National Fund for Workforce Solutions initiative. The grant required the Foundation to obtain matching cash funds in the amount of $316,000 from regional collaborative

13. Community Programs/Initiatives (Continued)

funding sources. The Foundation provided the additional funds needed to cover expenses for WINLA. This grant expired on September 30, 2013. The Community Foundation was the lead organization and fiscal agent for the Workforce Innovations in Northwest Louisiana (WINLA). WINLA is a regional funding collaborative with the strategic vision of creating career pathways for unemployed and under-employed individuals and promoting economic vitality in northwest Louisiana. Effective October 1, 2013, North Louisiana Economic Partnership began serving as fiscal agent for WINLA.

In the fall of 2012, the Foundation was informed that it was selected as a recipient of a "Challenge for a Healthier Louisiana" grant in the amount of $588,485 by the Blue Cross and Blue Shield of Louisiana Foundation. The monies will be received and spent over a two-year period beginning in 2013. The Healthy Green and Into the Outdoors Obesity Prevention Project (HGIO) is a multi-sector collaborative comprised of eighteen partner organizations that will promote active living and healthy eating to prevent obesity in Shreveport. The Foundation will regrant the funds to eight nonprofit organizations over the two-year period.

During 2013, the Foundation began a new initiative called Step Forward. Step Forward's purpose is to serve as a catalyst for working together across sectors and geographical lines to prepare the students of Bossier, Caddo and DeSoto parishes for academic achievement, productive citizenship and global competitiveness, from cradle to career. Step Forward exists to create a civic infrastructure that aligns and supports the myriad efforts to drive excellence in education locally.

Included in community programs/initiatives expenses for the years ended December 31, 2013 and 2012, according to the approved budgets, are expenses as follows related to these initiatives:

	2013				
	WINLA	HGIO	Step Forward	Others	Total
Community Counts	-	-	-	30,000	30,000
Salaries and benefits	-	-	5,120	-	5,120
Travel	4,245	1,230	-	-	5,475
Indirect costs	38,372	2,889	-	-	41,261
Contractors/consultants	39,375	-	134,000	-	173,375
Partnership services	280,051	-	-	-	280,051
Miscellaneous	41	-	-	20,786	20,827
Other	30,071	-	-	-	30,071
	392,155	4,119	139,120	50,786	586,180

	2012				
	WINLA	HGIO	Step Forward	Others	Total
Community Counts	-	-	-	20,000	20,000
Salaries and benefits	8,400	-	-	-	8,400
Travel	5,733	-	-	-	5,733
Indirect costs	24,557	-	-	-	24,557
Contractors/consultants	69,375	-	-	-	69,375
Partnership services	137,518	-	-	-	137,518
Miscellaneous	-	-	-	14,266	14,266
	245,583	-	-	34,266	279,849

14. Accounts Receivable

The Foundation redeemed its entire interest in ABS Offshore SPC Global Portfolio Class B hedge fund as of December 31, 2012. Per the agreement with ABS, 95% of the redemption proceeds is to be received within thirty days of the redemption date and the remaining 5% no later than thirty days after the completion of the audit of ABS's books for the year of the redemption. Accordingly, $2,174,705 was included in accounts receivable as of December 31, 2012 and received during 2013.

During 2013, the Foundation redeemed its entire position in Private Advisors Stable Value Fund. Per Private Advisors' policy, the holdback amount of $102,256 will be distributed in 2014 after audited financial statements for Private Advisors Stable Value Fund are available. Accordingly, $102,256 is included in accounts receivable at December 31, 2013.

Also during 2013, the Foundation redeemed its interest in Balestra Spectrum Partners, Ltd. The holdback amount of $480,533 will be distributed in 2014 once audited financial statements of Balestra Spectrum Partners, Ltd. are complete. Accordingly, $480,533 is included in accounts receivable at December 31, 2013.

15. Subsequent Events

The Foundation is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The Foundation performed such an evaluation through April 28, 2014, the date which the financial statements were available to be issued, and noted no subsequent events.

OTHER REPORTS

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April 28, 2014

The Audit Committee
The Community Foundation of North Louisiana
Shreveport, Louisiana

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Community Foundation of North Louisiana, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Community Foundation of North Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Community Foundation of North Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of The Community Foundation of North Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Community Foundation of North Louisiana's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2013

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Community Foundation of North Louisiana.

2. No material weaknesses or significant deficiencies relating to the audit of the consolidated financial statements are reported.

3. No instances of noncompliance material to the consolidated financial statements of The Community Foundation of North Louisiana were disclosed during the audit.

4. The Community Foundation of North Louisiana was not subject to a Federal Single Audit for the year ended December 31, 2013.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable.

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2013

There were no findings and questioned costs from the prior year.