10274

THE COMMUNITY FOUNDATION OF

NORTH LOUISIANA

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 09 2013

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SHREVEPORT, LOUISIANA

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May 15, 2013

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, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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

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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, 2012 and 2011, 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 May 15, 2013 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, 2012 AND 2011

ASSETS	2012	2011
Cash and cash equivalents	298,685	226,011
Prepaid expenses and other assets	22,122	13,331
Accounts receivable-Note 14	2,208,250	25,000
Investments-trusts (excluding Stiles)-Note 3	12,813,728	11,608,309
Investments-Stiles trust-Note 3	7,430,901	4,237,322
Investments-long-term pool-Note 3	54,702,595	50,651,412
Investments-short-term pool-Note 3	7,543,458	5,905,661
Investments-Merrill Lynch pool-Note 3	-	987,001
Investments-other-Note 3	336,153	286,171
Interest in charitable remainder trusts and estate	1,045,000	1,012,000
Fixed assets-Note 4	12,930	13,957
Construction in progress-Note 4	30,358	-
Cash surrender value of life insurance	116,877	102,470
Total assets	86,561,057	75,068,645
LIABILITIES AND NET ASSETS		
Accounts payable and advance dues	313,386	274,156
Other liabilities	-	25,000
Grants payable-Note 5	285,990	462,142
Funds held as agency endowments-Note 6	6,449,535	5,888,102
Total liabilities	7,048,911	6,649,400
Net assets Note 7		
Unrestricted		
Donor advised	7,849,165	7,093,031
Field of interest	20,044,193	17,337,810
Scholarship	413,370	400,445
Designated	345,865	330,547
Undesignated	21,408,471	19,693,382
Total unrestricted	50,061,064	44,855,215
Temporarily restricted	8,913,421	5,225,810
Permanently restricted	20,537,661	18,338,220
Total net assets	79,512,146	68,419,245
Total liabilities and net assets	86,561,057	75,068,645

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, 2012 AND 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets				
Revenues and gains				
Contributions				
Membership	194,549	7,801	-	202,350
Other	1,285,308	227,475	994,022	2,506,805
Income on long-term investments	790,036	52,994	(49,408)	793,622
Other investment income	241,120	5,649,024	-	5,890,144
Net unrealized and realized gains (losses) on long-term investments-Note 3	3,746,577	611,159	1,254,827	5,612,563
Change in value of split interest agreements	-	33,000	-	33,000
Grant income	50,000	125,085	-	175,085
Other income	71,000	3,330	-	74,330
Total revenues and gains (losses)	6,378,590	6,709,868	2,199,441	15,287,899
Net assets released from restrictions	3,022,257	(3,022,257)	-	-
Total revenues, losses, and other support	9,400,847	3,687,611	2,199,441	15,287,899
Expenses.				
Management and general-Note 8	620,042	-	-	620,042
Community programs/initiatives-Note 13	279,849	-	-	279,849
Grants	2,606,967	-	-	2,606,967
Grants to agency endowments	50,000	-	-	50,000
Expenses of specific funds-Note 11	638,140	-	-	638,140
Total expenses	4,194,998	-	-	4,194,998
Change in net assets	5,205,849	3,687,611	2,199,441	11,092,901
Net assets at beginning of year	44,855,215	5,225,810	18,338,220	68,419,245
Net assets at end of year	50,061,064	8,913,421	20,537,661	79,512,146

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

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
198,916	9,879	-	208,795
1,399,199	114,790	61,516	1,575,505
2,105,251	181,033	(81,712)	2,204,572
224,656	619,439	-	844,095
(707,645)	115,410	(782,266)	(1,374,501)
(14,430)	49,000	-	34,570
50,000	385	-	50,385
55,122	100	-	55,222
3,311,069	1,090,036	(802,462)	3,598,643
723,325	(723,325)	-	-
4,034,394	366,711	(802,462)	3,598,643
646,631	-	-	646,631
210,272	-	-	210,272
2,943,793	-	-	2,943,793
-	-	-	-
203,695	-	-	203,695
4,004,391	-	-	4,004,391
30,003	366,711	(802,462)	(405,748)
44,825,212	4,859,099	19,140,682	68,824,993
44,855,215	5,225,810	18,338,220	68,419,245

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	11,092,901	(405,748)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,639	4,203
(Increase) in interest in charitable remainder trusts and estate	(33,000)	(34,570)
(Increase) decrease in prepaid expenses and other assets	(8,791)	14,738
(Increase) in accounts receivable	(2,183,250)	(25,000)
(Increase) decrease in cash surrender value of life insurance	(14,407)	4,962
Increase in accounts payable and advance dues	39,230	105,988
(Decrease) in grants payable	(176,152)	(73,125)
(Decrease) increase in other liabilities	(25,000)	25,000
Net unrealized and realized (gains) losses on long-term investments	(5,612,563)	1,374,501
Net cash provided by operating activities	3,083,607	990,949
Cash flows from investing activities:		
Proceeds from sale of investments	12,702,007	33,486,679
Purchase of investments	(15,716,209)	(34,570,702)
Purchase of equipment and furnishings	(3,612)	(2,957)
Construction in progress	(30,358)	-
Net cash (used) by investing activities	(3,048,172)	(1,086,980)
Cash flows from financing activities		
Increase in funds held as agency endowments	37,239	242,429
Net cash provided by financing activities	37,239	242,429
Net increase in cash and cash equivalents	72,674	146,398
Cash and cash equivalents at beginning of year	226,011	79,613
Cash and cash equivalents at end of year	298,685	226,011

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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 all of the Trust's marketable securities except for its investment in a hedge fund to the Foundation 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. <u>Summary of Significant Accounting Policies</u> (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 2009 and beyond remain subject to examination by the Internal Revenue Service.

(d) Investments
The Foundation records investments at market 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 and Depreciation
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

(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 33% and 19% and of total contributions for the years ended December 31, 2012 and 2011, respectively

3. Investments

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

	2012		2011	
	Cost	Market	Cost	Market
Investments-trusts (excluding Stiles).				
Cash and cash equivalents	1,012,876	1,012,876	759,878	759,878
Equity	3,842,820	4,038,437	5,644,713	5,430,109
Fixed income	3,745,072	3,922,657	1,891,212	1,950,946
Structured investments	1,759,434	1,880,694	1,683,022	1,604,146
Real estate and mineral interests	565,255	803,509	565,255	803,509
Other	1,203,193	1,155,555	1,075,672	1,059,721
	12,128,650	12,813,728	11,619,752	11,608,309
Investments-Stiles trust				
Cash and cash equivalents	3,223,559	3,223,559	230,979	230,979
Accrued income	40,650	40,650	47,481	47,481
Hedge fund*	-	-	47,565	39,073
Real estate and mineral interests	2,492,935	4,166,692	1,339,628	3,919,789
	5,757,144	7,430,901	1,665,653	4,237,322
Investments-long-term pool:				
Cash and cash equivalents	2,094,109	2,094,110	1,628,389	1,628,389
Equity	22,567,037	24,575,909	22,663,088	21,309,845
Fixed income	12,030,630	11,565,693	11,889,642	11,044,578
Hedge funds**	8,486,737	9,483,652	10,800,000	11,553,761
Real estate partnerships***	6,111,463	5,822,874	5,636,340	4,735,569
Energy funds****	640,101	645,354	376,976	379,270
Private equity fund*****	483,000	515,003	-	-
	52,413,077	54,702,595	52,994,435	50,651,412
Investments-short-term pool:				
Cash and cash equivalents	4,474,290	4,474,290	2,819,171	2,819,171
Fixed income	3,034,521	3,069,168	3,032,394	3,086,490
	7,508,811	7,543,458	5,851,565	5,905,661
Investments-Merrill Lynch pool				
Cash and cash equivalents	-	-	56,478	56,478
Equity	-	-	326,096	442,383
Fixed income	-	-	564,603	488,140
	-	-	947,177	987,001
Investments-other:				
Real estate and mineral interests	130,286	188,612	130,286	188,612
Other	143,702	147,541	93,720	97,559
	273,988	336,153	224,006	286,171

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

* The portion of the Stiles trust invested in a hedge fund is invested in the Austin Capital Safe Harbor Offshore Fund, Ltd ("the Fund"). The Fund is a multi-manager hedge fund-of-funds investment vehicle. The Fund seeks to produce a stable long-term investment return stream and an attractive risk/return profile This investment was sold during 2012

** 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"), and Balestra Spectrum Partners, LTD. 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 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. 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 Spectrum Partners, LTD (BSP) is a global macro hedge fund-of-funds. The investment objective of BSP is to seek optimum returns to investors, adjusted for risk BSP'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. BSP 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

*** 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 noninvestment 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, 2011, the Foundation had funded $4,000,165 with $999,835 remaining. As of December 31, 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, 2012, the Foundation had funded $2,528,022 toward its capital commitment, therefore, the Foundation's remaining capital commitment is $471,978. As of December 31, 2011, the Foundation had funded $2,612,487 with $387,513 remaining. 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

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

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, 2011, the Foundation had funded $400,000 toward its capital commitment; therefore, the Foundation's remaining capital commitment is $1 6 million. As of December 31, 2012, the Foundation had funded $1,248,659 with $751,341 remaining.

**** On November 17, 2010, the Foundation entered into a Subscription Agreement with Merit Energy Partners H, L P and committed to fund capital calls in the aggregate amount of $2 million Merit Energy 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, 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 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, 2012, the Foundation had funded $492,000 toward its capital commitment of $3 million; therefore the Foundation's remaining capital commitment is $2,508,000.

Net realized gains were $465,270 and net unrealized gains were $5,147,293 for 2012. Net realized gains were $1,902,724 and net unrealized losses were ($3,277,225) for 2011.

Investment custodial and management and consulting fees totaling $185,974 for 2012 and $121,437 for 2011 have been netted against income on long-term investments in the accompanying Statement of Activities

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

3. Investments (Continued)

- 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, 2012 and 2011 are as follows

	Level 1	Level 2	Level 3	Fair Value
December 31, 2012:				
Cash and cash equivalents	13,874,003	-	-	13,874,003
Accrued income	40,650	-	-	40,650
Fixed income	11,462,115	4,026,235	-	15,488,350
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
December 31, 2011:				
Cash and cash equivalents	5,494,895	-	-	5,494,895
Accrued income	47,481	-	-	47,481
Fixed income	16,570,154	-	-	16,570,154
Equity	27,182,337	-	-	27,182,337
Hedge funds	-	-	11,592,834	11,592,834
Real estate partnerships	-	-	4,735,569	4,735,569
Energy partnerships	-	-	379,270	379,270
Real estate and mineral interests	-	4,723,298	-	4,723,298
Structured investments	-	-	1,604,146	1,604,146
Other	-	1,345,892	-	1,345,892
	49,294,867	6,069,190	18,311,819	73,675,876

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, 2010	6,724,391	3,427,811	-	1,310,964	-	11,463,166
Gains (losses) realized and unrealized	(119,542)	1,208,488	2,294	(217,169)	-	874,071
Purchases, issuances, and settlements	5,000,000	99,270	376,976	510,351	-	5,986,597
Transfers in and/or out of Level 3, net	(12,015)	-	-	-	-	(12,015)
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

4. **Fixed Assets**
A summary of fixed assets at December 31, 2012 and 2011 is as follows.

	2012	2011
Equipment and furnishings	88,364	84,752
Less-accumulated depreciation	(75,434)	(70,795)
Book value-fixed assets	12,930	13,957

Depreciation expense was $4,639 and $4,203 for the years ended December 31, 2012 and 2011, respectively

The Foundation's Board of Directors approved expenditures/leasehold improvements related to the expansion of the Foundation The expansion, Community Central, is planned to be used as a state-of-the-art technology meeting space for collaborative community projects, nonprofit incubator space and nonprofit networking Contracts have been negotiated with Carter Construction, Ben Bledsoe, Bath Business Services, and Sound Minds. Total project costs are anticipated to be $410,000 Expenditures through December 31, 2012 total $30,358

5. **Commitments**
As of December 31, 2012, the Foundation had approved grants of $285,990 payable in 2013 As of December 31, 2011, the Foundation had approved grants of $462,142 payable in 2012

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

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, 2012 and 2011, the Foundation was the owner of thirty and twenty-nine agency endowment funds with a combined value of $6,449,535 and $5,888,102, respectively. The following table summarizes activity in such funds during the years ended December 31, 2012 and 2011.

	2012	2011
Agency endowment fund balances at beginning of year	5,888,102	5,745,050
Contributions	121,781	144,442
Income on long-term investments	68,748	245,920
Unrealized and realized investment gains (losses)-net	524,195	(99,377)
Grants	(102,271)	(101,936)
Administrative expenses	(51,020)	(45,997)
Agency endowment fund balances at year end	6,449,535	5,888,102

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.

Endowment funds net asset composition as of December 31, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2010	(259,444)	(155,602)	19,140,682	18,725,636
Contributions	-	-	61,516	61,516
Investment income	101,731	163,541	(81,712)	183,560
Net appreciation (depreciation)	(42,355)	(69,301)	(782,266)	(893,922)
Appropriation of endowment assets for expenditure	(19,566)	(65,090)	-	(84,656)
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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below corpus Deficiencies of this nature that are reported in temporarily restricted net assets were $27,906 and $272,860 as of December 31, 2012 and 2011, respectively Deficiencies of

7. **Endowed Net Assets** (Continued)

this nature that are reported in unrestricted net assets were $27,846 and $235,251 as of December 31, 2012 and 2011, respectively. 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.

8. **Management and General Expenses**

The management and general expenses incurred by the Foundation for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Anniversary celebration	5,000	19,638
Contractors/consultants	18,750	-
Depreciation	4,639	4,203
Dues and subscriptions	2,658	4,083
Equipment rental and maintenance	16,731	15,293
Indirect costs-workforce	(24,557)	-
Insurance	56,864	51,361
Legal and accounting	28,490	31,275
Life insurance expense	3,500	3,500
Miscellaneous	-	2,099
Office supplies and expense	26,590	23,223
Parking	9,755	8,110
Payroll taxes	27,933	28,835
Postage	4,111	4,255
Printing	17,793	19,934
Public relations	11,339	5,489
Rent	34,461	32,281
Retirement plan expense	14,107	16,456
Salaries	341,981	359,225
Seminars and travel	15,959	13,499
Telephone	3,938	3,872
	620,042	646,631

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. The administrative fee rate is 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% during 2011 Administrative fees of $644,777 for 2012 and $594,823 for 2011 were charged to specific funds Such administrative fee income and expense is netted in the presentation of the statement of activities. Effective October 7, 2012, the administrative rate for funds other than the aforementioned scholarship funds was increased to 1%.

9. **Leases**

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

2013	66,990
2014	74,772
2015	76,337
2016	78,079
2017	79,822
Thereafter	157,898
	533,898

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 $14,107 and $16,456 to the 403(b) plan for the years ended December 31, 2012 and 2011, respectively.

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, 2012 and 2011 are as follows·

	2012	2011
Accounting and other professional fees	8,347	16,262
Fiduciary fees	552,773	138,821
Real estate expense	45,582	28,014
Mineral expense	22,900	14,841
Miscellaneous	8,538	5,757
	638,140	203,695

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, 2012 and 2011·

Statement of Financial Position

	2012	2011
Assets:		
Investments-Stiles trust	7,430,901	4,237,322
Total assets	7,430,901	4,237,322
Temporarily restricted net assets	7,430,901	4,237,322

Statement of Activities

	2012		
	Unrestricted	Temporarily Restricted	Total
Revenues and gains			
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 and gains	-	5,869,735	5,869,735
Net assets released from restrictions	2,676,156	(2,676,156)	-
Total revenues, losses and other support	2,676,156	3,193,579	5,869,735

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

	2012		
	Unrestricted	Temporarily Restricted	Total
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

	2011		
	Unrestricted	Temporarily Restricted	Total
Revenues and gains			
Income on long-term investments	-	22	22
Other investment income	-	619,439	619,439
Net realized and unrealized gains on long-term investments	-	193,281	193,281
Total revenues and gains	-	812,742	812,742
Net assets released from restrictions	653,837	(653,837)	-
Total revenues, losses and other support	653,837	158,905	812,742
Expenses of specific funds	(104,724)	-	(104,724)
Distributions	(549,113)	-	(549,113)
Change in net assets	-	158,905	158,905
Net assets at beginning of year	-	4,078,417	4,078,417
Net assets at end of year	-	4,237,322	4,237,322

The distributions of $2,150,075 and $549,113 from the Trust to the Foundation for the years ended December 31, 2012 and 2011, 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. This grant expires on September 30, 2013 The Community Foundation is 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

Included in community programs/initiatives total for the year ended December 31, 2012, according to the approved budget, are expenses as follows related to this initiative.

13. Community Programs/Initiatives (Continued)

	2012			2011		
	WINLA	Others	Total	WINLA	Others	Total
Community Counts	-	20,000	20,000	-	20,000	20,000
Higher education study	-	-	-	-	115,837	115,837
Salaries and benefits	8,400	-	8,400	-	-	-
Travel	5,733	-	5,733	-	-	-
Indirect costs	24,557	-	24,557	-	-	-
Contractors/consultants	69,375	-	69,375	-	42,000	42,000
Partnership services	137,518	-	137,518	-	-	-
Miscellaneous	-	14,266	14,266	-	32,435	32,435
	245,583	34,266	279,849	-	210,272	210,272

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 is a multi-sector collaborative comprised of 18 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

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 is included in accounts receivable as of December 31, 2012.

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 May 15, 2013, the date which the financial statements were available to be issued, and noted no subsequent events.

OTHER REPORTS

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May 15, 2013

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

<u>Report on Internal Control Over Financial Reporting and on</u>
<u>Compliance and Other Matters Based on an Audit of Financial Statements</u>
<u>Performed in Accordance with *Government Auditing Standards*</u>

<u>Independent Auditor's Report</u>

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, 2012, 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 May 15, 2013

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

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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, 2012

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, 2012.

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, 2012

There were no findings and questioned costs fiom the prioı year.