

**THE GREATER NEW ORLEANS
FOUNDATION**

Audits of Combined Financial Statements

December 31, 2006 and 2005

Contents

Independent Auditor's Report	1
Combined Statements of Financial Position	2
Combined Statement of Activities for the Year Ended December 31, 2006	3
Combined Statement of Activities for the Year Ended December 31, 2005	4
Combined Statements of Cash Flows	5
Notes to Combined Financial Statements	6 – 13



Independent Auditor's Report

To the Board of Directors
The Greater New Orleans Foundation

We have audited the accompanying combined statements of financial position of The Greater New Orleans Foundation (the Foundation) as of December 31, 2006 and 2005, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of The Greater New Orleans Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Greater New Orleans Foundation as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A Professional Accounting Corporation

July 27, 2007

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THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Financial Position
December 31, 2006 and 2005

	2006	2005
Assets		
Cash and Cash Equivalents	\$ 1,325,081	\$ 2,517,963
Accounts and Interest Receivable	811,530	264,546
Unconditional Promises to Give (Net of Discount of \$194,956 for 2006 and 2005)	691,819	691,819
Investments	147,693,383	126,239,412
Assets Held in Charitable Remainder Trusts and Lead Trust	3,553,452	3,470,525
Beneficial Interests in Remainder Trusts	246,509	228,102
Depreciable Assets, Net	12,133	14,984
Real Estate Held	985,000	985,000
Other Assets	206,330	190,806
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Total Assets	\$ 155,525,237	\$ 134,603,157
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Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 132,015	\$ 119,928
Grants Payable	686,990	221,960
Liabilities Under Split-Interest Agreements	2,412,652	2,376,422
Agency Funds	8,688,096	7,657,285
	<hr/>	<hr/>
Total Liabilities	11,919,753	10,375,595
	<hr/>	<hr/>
Net Assets		
Unrestricted		
Endowment Purposes	67,418,725	64,890,975
Available for Grants	66,968,656	54,458,525
Temporarily Restricted	9,218,103	4,878,062
	<hr/>	<hr/>
Total Net Assets	143,605,484	124,227,562
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Total Liabilities and Net Assets	\$ 155,525,237	\$ 134,603,157
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The accompanying notes are an integral part of these financial statements.

THE GREATER NEW ORLEANS FOUNDATION
Combined Statement of Activities
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	\$ 16,919,750	\$ 7,641,015	\$ -	\$ 24,560,765
Fees	1,098,729	-	-	1,098,729
Interest, Dividends and Realized Gains	6,803,528	-	-	6,803,528
Change in Value of Split-Interest Agreements	(66,146)	111,337	-	45,191
Net Unrealized Gains on Investments	7,807,135	-	-	7,807,135
Other Income	1,829	-	-	1,829
Net Assets Released from Restriction	3,412,311	(3,412,311)	-	-
Total Support and Revenues	35,977,136	4,340,041	-	40,317,177
Expenses		-	-	-
Grants	18,601,087	-	-	18,601,087
Administrative Expenses	1,416,298	-	-	1,416,298
Administrative Fees	921,870	-	-	921,870
Total Expenses	20,939,255	-	-	20,939,255
Change in Net Assets	15,037,881	4,340,041	-	19,377,922
Net Assets, Beginning of Year	119,349,500	4,878,062	-	124,227,562
Net Assets, End of Year	\$ 134,387,381	\$ 9,218,103	\$ -	\$ 143,605,484

The accompanying notes are an integral part of these financial statements.

THE GREATER NEW ORLEANS FOUNDATION
Combined Statement of Activities
For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	\$ 10,682,411	\$ 3,411,780	\$ -	\$ 14,094,191
Fees	863,873	-	-	863,873
Interest, Dividends and Realized Gains	5,369,685	8	-	5,369,693
Change in Value of Split-Interest Agreements	(37,972)	(54,835)	-	(92,807)
Net Unrealized Gains on Investments	1,310,609	-	-	1,310,609
Other Income	3,444	-	-	3,444
Net Assets Released from Restriction	736,906	(736,906)	-	-
Total Support and Revenues	18,928,956	2,620,047	-	21,549,003
Expenses				
Grants	6,112,141	-	-	6,112,141
Administrative Expenses	1,175,161	-	-	1,175,161
Administrative Fees	789,642	-	-	789,642
Total Expenses	8,076,944	-	-	8,076,944
Change in Net Assets	10,852,012	2,620,047	-	13,472,059
Net Assets, Beginning of Year	108,497,488	2,258,015	-	110,755,503
Net Assets, End of Year	\$ 119,349,500	\$ 4,878,062	\$ -	\$ 124,227,562

The accompanying notes are an integral part of these financial statements.

THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Change in Net Assets	\$19,377,922	\$13,472,059
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Unrealized Gains on Investments	(7,807,135)	(1,310,609)
Depreciation	2,851	5,298
(Increase) Decrease in Assets Held in Trusts	(82,927)	258,166
(Increase) Decrease in Beneficial Interest in Remainder Trust	(18,407)	687,468
(Increase) Decrease in Accounts and Interest Receivable	(546,984)	37,085
Increase in Other Assets	(15,524)	(6,645)
Increase in Accounts Payable	12,087	50,242
Decrease in Taxes Payable	-	(53,251)
Increase (Decrease) in Grants Payable	465,030	(253,727)
Increase (Decrease) in Liabilities Under Split-Interest Agreements	36,230	(133,058)
Increase in Agency Funds	1,030,811	756,661
Net Cash Provided by Operating Activities	12,453,954	13,509,689
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	3,524,501	18,952,099
Purchase of Investments	(17,171,337)	(30,501,308)
Purchase of Depreciable Assets	-	(2,520)
Net Cash Used in Investing Activities	(13,646,836)	(11,551,729)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,192,882)	1,957,960
Cash and Cash Equivalents, Beginning of Year	2,517,963	560,003
Cash and Cash Equivalents, End of Year	\$ 1,325,081	\$ 2,517,963

The accompanying notes are an integral part of these financial statements.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

The Greater New Orleans Foundation and its supporting organizations (the Foundation) are a community foundation created to build charitable endowments and to assist the community in many areas. The Foundation administers many individual charitable funds, each established with a gift instrument describing either the general or specific purposes from which grants will be made. The Foundation's spending policy for endowed funds is based on a percentage of a twelve quarter rolling average. The Foundation improves the quality of life for all citizens of the area, now and for future generations. As a catalyst and resource for philanthropy, the Foundation demonstrates strategic grant making that invests in leaders and systematic change, builds irrevocable endowments for the community's changing issues and opportunities, and serves as a flexible and cost-effective vehicle for philanthropists to invest in their community.

Basis of Accounting

The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Combined Financial Statements

The financial statements of the Foundation include the accounts of The Greater New Orleans Foundation and eight supporting organizations.

Supporting Organizations

Supporting organizations are affiliated charitable organizations, which enjoy the continuing involvement of their founders yet gain public charity status through their affiliation with the Foundation. The net assets of the supporting organizations at December 31, 2006 and 2005, were \$20,168,448 and \$16,924,128, respectively, and are included in Unrestricted – Available for Grants net assets classification.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, the Foundation's contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets. However, under the Foundation's governing instruments, the assets are held as endowment funds until such time (if ever) as the governing body deems it prudent and appropriate to expend some part of the principal or appreciation. Accordingly, the combined financial statements classify all net assets that meet these criteria as unrestricted, but segregate the portion that is held as endowment from the funds that are currently available for grants and administration.

The Foundation received contributions of \$7,641,015 in 2006 and \$3,411,780 in 2005 designated for hurricane relief and for the rebuilding of New Orleans. At December 31, 2006 and 2005, these net assets were \$7,641,015 and \$3,394,019, respectively, and are included in temporarily restricted net assets in the Foundation's combined statement of financial position.

New Donations

New donations are accrued when all events required for the transfer of the assets from the donor to the Foundation have occurred.

Investments

In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Foundation's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the Combined Statements of Financial Position. Unrealized and realized gains and losses are included in the change in net assets. An investment in a non-publicly traded company is stated at the value established in the most recent valuation of the company.

Dividend and interest income is accrued when earned.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Depreciable Assets

Assets are recorded at cost. Depreciation is provided on the straight-line method. Computer and office equipment are depreciated over a five-year period. Leasehold improvements are depreciated over the life of the lease.

Grants

Grants payable are grants authorized but unpaid at year-end. The recipients of these grants are subject to routine performance requirements.

Administrative Fees

The Foundation charges administrative fees to the various funds. Revenues from such assessments totaled \$1,098,729 in 2006 and \$863,873 in 2005, respectively.

Cash and Cash Equivalents

The Foundation considers investments in money market accounts to be cash equivalents, except for certain money market accounts maintained with investments at financial institutions which are reported as investments, as disclosed in Note 3.

Income Taxes

The Foundation is exempt from federal tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Gifts to the Foundation are tax deductible.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Note 2. Agency Funds

Agency Funds are funds in which the Foundation acts as a trustee and has a duty to hold and manage assets for the benefit of a specific beneficiary. Activity related to agency funds for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Funds Received	\$ 2,511,226	\$ 2,833,014
Interest and Dividends	421,898	371,886
Gains on Investments	526,527	139,314
Disbursements to Beneficiaries	(2,384,805)	(2,547,292)
Administrative Fees	(44,035)	(40,261)
Net Change	1,030,811	756,661
Agency Funds		
Beginning of Year	7,657,285	6,900,624
End of Year	\$ 8,688,096	\$ 7,657,285

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 3. Investments

Investments consist of the following as of December 31, 2006:

	Fair Market Value	Cost or Assigned Amount
Equity Funds	\$ 92,752,471	\$ 70,123,414
Fixed Income Funds	29,430,069	30,070,301
Money Market Funds	14,204,177	15,269,671
Investment in Non-Publicly Traded Co.	516,428	3,794,522
Other Investments	10,790,238	9,535,000
Totals	<u>\$ 147,693,383</u>	<u>\$ 128,792,908</u>

Investments consist of the following as of December 31, 2005:

	Fair Market Value	Cost or Assigned Amount
Equity Funds	\$ 82,792,202	\$ 66,283,548
Fixed Income Funds	22,661,372	14,851,502
Money Market Funds	12,128,651	12,219,706
Investment in Non-Publicly Traded Company	516,428	3,794,522
Other Investments	8,140,759	8,015,000
Totals	<u>\$ 126,239,412</u>	<u>\$ 105,164,278</u>

Note 4. Split-Interest Agreements

The Foundation's split-interest agreements at December 31, 2006, include nine charitable remainder unitrusts, five charitable remainder annuity trusts, one charitable lead unitrust, and two charitable gift annuities. The Foundation is named trustee on seven of the unitrusts, the five annuity trusts and the two gift annuities.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 4. Split-Interest Agreements (Continued)

Charitable remainder trusts (unitrusts and annuity trusts) provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as a temporarily restricted contribution in the combined statement of activities in the period the trust is established. Assets held in the charitable remainder trusts were \$3,346,892 and \$3,273,455 at December 31, 2006 and 2005, respectively, and are reported at fair market value in the Foundation's combined statements of financial position. Changes in fair market value of charitable remainder trusts are reflected as a change in net assets in the Foundation's combined statements of activities. On a quarterly basis, the Foundation reviews the need to revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$2,047,778 and \$2,059,364 at December 31, 2006 and 2005, respectively) is calculated using discount rates that range from 3.8% to 10.0% and applicable mortality tables.

The net asset values of the charitable remainder trusts for which the Foundation is not the trustee were \$246,509 and \$228,102 at December 31, 2006 and 2005, respectively. One of the charitable remainder trusts for which the Foundation is not the trustee terminated in April of 2005. The Foundation received \$684,617 as the remainder portion of the trust. These trusts are reported as beneficial interest in remainder trusts in the Foundation's combined statements of financial position and are stated at fair market value of the assets held in trust less the present value of future payments to the designated income beneficiaries.

In 1998, a donor established a trust with a financial institution naming the Foundation as the lead beneficiary of a charitable lead unitrust. Under the terms of the split-interest agreement, the Foundation is to receive 10% of the net fair market value of the trust's assets as of the first day of each year for its unrestricted use until the trust term expires in 2008. At the end of the trust term, the trust is to continue for the benefit of others. Assets held in the lead trust were \$206,560 and \$197,070 at December 31, 2006 and 2005, respectively. Based on the trust term and the use of a 6.8% discount rate, the present value of future benefits expected to be available for others was estimated to be \$175,096 and \$146,734 at December 31, 2006 and 2005, respectively, which is included in Liabilities Under Split-Interest Agreements in the Foundation's combined statements of financial position.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 4. Split-Interest Agreements (Continued)

The portion of net assets related to the split-interest agreements that are classified as Temporarily Restricted Net Assets at December 31 are as follows:

	<u>2006</u>	<u>2005</u>
Assets Held in Charitable Remainder Trusts	\$ 3,346,892	\$ 3,273,455
Assets Held in Charitable Lead Trusts	206,560	197,070
Total Assets Held in Charitable Remainder Trusts and Lead Trusts	3,553,452	3,470,525
Beneficial Interests in Remainder Trusts	246,509	228,102
Total Assets	<u>3,799,961</u>	<u>3,698,627</u>
Liabilities Under Charitable Remainder Trusts	2,047,778	2,067,850
Liabilities Under Lead Trust	175,096	146,734
Total Liabilities	<u>2,222,874</u>	<u>2,214,584</u>
Temporarily Restricted Net Assets	<u>\$ 1,577,088</u>	<u>\$ 1,484,043</u>

Charitable gift annuities were established in 1998 and 2003 in which assets were transferred to the Foundation. The Foundation pays \$46,693 annually to the donors until the donors' death. The assets of \$274,893 and \$292,789 at December 31, 2006 and 2005, respectively, are included in investments and the present value of estimated future payments of \$189,778 and \$170,324 at December 31, 2006 and 2005, respectively, are included in the Liabilities Under Split-Interest Agreements in the Foundation's combined statements of financial position.

Note 5. Real Estate Held

The Foundation received a donation of real estate during 2001. The donation was a residential property with an appraised value of \$985,000, which was part of a life estate contract. This donation was recorded as a contribution in the combined statement of activities.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 6. Depreciable Assets

Depreciable assets are summarized as follows by major classification at December 31st:

	<u>2006</u>	<u>2005</u>
Computer Equipment	\$ 67,552	\$ 67,552
Office Equipment	27,596	27,596
Leasehold Improvements	<u>17,363</u>	<u>17,363</u>
	112,511	112,511
Less: Accumulated Depreciation	<u>(100,378)</u>	<u>(97,527)</u>
Net Depreciable Assets	<u>\$ 12,133</u>	<u>\$ 14,984</u>

Depreciation expense was \$2,851 in 2006 and \$5,298 in 2005.

Note 7. Restricted Assets

Temporarily restricted net assets as of December 31st have the following donor restrictions on them:

	<u>2006</u>	<u>2005</u>
Restricted for the Purpose of:		
Charitable Remainder Trusts	\$ 1,577,088	\$ 1,484,043
Hurricane Relief	<u>7,641,015</u>	<u>3,394,019</u>
Total	<u>\$ 9,218,103</u>	<u>\$ 4,878,062</u>

Note 8. Release of Restricted Assets

Net assets were released from restrictions by meeting the time restrictions or by incurring expenses satisfying the restricted purposes.

	<u>2006</u>	<u>2005</u>
Restrictions Accomplished:		
Hurricane Relief Grants and Fees	\$ 3,349,467	\$ 17,771
Charitable Lead Trust Grants	<u>62,844</u>	<u>719,135</u>
Total	<u>\$ 3,412,311</u>	<u>\$ 736,906</u>

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 9. Building Lease

The Foundation leases office space through August 31, 2008. Rental expense was \$143,630 in 2006 and \$109,349 in 2005, respectively. The Foundation subleased a portion of its space for a total of \$23,308 in 2006 and \$26,444 in 2005, respectively. Sublease payments are due monthly through August 2008. The Foundation was not charged rent for the months of September and October in 2005 due to the building being closed after Hurricane Katrina.

Minimum future obligations on the lease and sublease in effect as of December 31, 2006, are as follows:

	Lease Expense	Sublease Income
2007	\$ 117,645	\$ 20,870
2008	78,430	13,913
Totals	<u>\$ 196,075</u>	<u>\$ 34,783</u>

Note 10. Pension Plan

The Foundation has a defined contribution pension plan for all employees. Employees are eligible to participate in the plan after completing six months of service. This plan specifies that the Foundation contribute on behalf of the employees based on their annual compensation. The Foundation's contribution was 8% of the employees' compensation for 2006 and 2005. Contributions were \$36,796 and \$34,324 for 2006 and 2005, respectively.

Note 11. Contingency

The Internal Revenue Service (IRS) audited one of the Foundation's supporting organizations and is attempting to reclassify it to a private non-operating foundation and impose additional taxes as a result thereof. This matter is currently in the appeals process with the IRS. An estimate of the possible loss or range of loss cannot be made as of the date of the independent auditor's report.