

THE GREATER NEW ORLEANS FOUNDATION

Audits of Combined Financial Statements

December 31, 2018 and 2017



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Independent Auditor's Report

To the Board of Directors
The Greater New Orleans Foundation

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Greater New Orleans Foundation (the Foundation) which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Greater New Orleans Foundation as of December 31, 2018 and 2017, and the 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, in 2018, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 5, 2019

THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 348,400	\$ 581,658
Interest Receivable	72,858	70,762
Unconditional Promises to Give, Net	3,899,519	4,377,510
Investments	309,790,587	319,622,217
Assets Held in Charitable Remainder Trusts	8,738,367	9,677,106
Beneficial Interests in Remainder Trusts and Lead Trusts	1,019,356	1,243,168
Property and Equipment, Net	12,535,786	12,774,923
Real Estate Held	2,947,500	2,947,500
Other Assets	371,037	357,379
Total Assets	\$ 339,723,410	\$ 351,652,223
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 405,915	\$ 325,327
Grants Payable	5,743,431	10,105,497
Liabilities Under Split-Interest Agreements	3,001,967	3,417,742
Agency Funds	18,294,459	18,823,875
Total Liabilities	27,445,772	32,672,441
Net Assets		
Without Donor Restrictions:		
Designated by Board for Endowment	151,643,842	162,948,453
Available for Grants	133,871,786	128,955,058
Operating	4,054,463	3,982,820
Invested in Property and Equipment, Net	12,535,786	12,774,923
With Donor Restrictions:		
Restricted to the Passage of Time	9,738,751	9,781,879
Restricted for Specified Purpose	433,010	536,649
Total Net Assets	312,277,638	318,979,782
Total Liabilities and Net Assets	\$ 339,723,410	\$ 351,652,223

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

THE GREATER NEW ORLEANS FOUNDATION
Combined Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 31,832,354	\$ 3,138,398	\$ 34,970,752
Fees, Net	165,377	-	165,377
Net Investment Loss	(11,330,318)	-	(11,330,318)
Change in Value of Split-Interest Agreements	179,587	(766,803)	(587,216)
Other Income	146,190	-	146,190
Net Assets Released from Restrictions	2,518,362	(2,518,362)	-
Total Support and Revenues	23,511,552	(146,767)	23,364,785
Expenses			
Program Services			
Grants	23,946,533	-	23,946,533
Program Initiatives	4,025,431	-	4,025,431
Supporting Services			
Management and General	1,167,773	-	1,167,773
Development and Fundraising	927,192	-	927,192
Total Expenses	30,066,929	-	30,066,929
Change in Net Assets	(6,555,377)	(146,767)	(6,702,144)
Net Assets, Beginning of Year	308,661,254	10,318,528	318,979,782
Net Assets, End of Year	\$ 302,105,877	\$ 10,171,761	\$ 312,277,638

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

THE GREATER NEW ORLEANS FOUNDATION
Combined Statement of Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 18,258,774	\$ 2,295,344	\$ 20,554,118
Fees, Net	154,146	-	154,146
Net Investment Return	36,551,776	-	36,551,776
Change in Value of Split-Interest Agreements	437,222	256,878	694,100
Other Income	290,493	-	290,493
Net Assets Released from Restrictions	2,589,731	(2,589,731)	-
Total Support and Revenues	58,282,142	(37,509)	58,244,633
Expenses			
Program Services			
Grants	23,505,055	-	23,505,055
Program Initiatives	2,938,928	-	2,938,928
Supporting Services			
Management and General	1,217,932	-	1,217,932
Development and Fundraising	814,683	-	814,683
Total Expenses	28,476,598	-	28,476,598
Change in Net Assets	29,805,544	(37,509)	29,768,035
Net Assets, Beginning of Year	278,855,710	10,356,037	289,211,747
Net Assets, End of Year	\$ 308,661,254	\$ 10,318,528	\$ 318,979,782

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

THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

Year Ended December 31, 2018	Program Services		Supporting Services		Total
	Grants Awarded	Program Initiatives	Management and General	Development and Fundraising	
Grants	\$ 23,946,533	\$ -	\$ -	\$ -	\$ 23,946,533
Salaries and Benefits	-	1,470,359	780,691	642,963	2,894,013
Travel, Education and Meetings	-	152,958	5,660	25,775	184,393
Communications and Development	-	352,575	25,244	85,712	463,531
Professional Fees	-	1,616,513	160,466	22,812	1,799,791
Office and Occupancy	-	37,900	17,736	13,935	69,571
Depreciation	-	131,520	73,651	57,870	263,041
Other Expenses	-	263,606	104,325	78,125	446,056
Total Functional Expenses	\$ 23,946,533	\$ 4,025,431	\$ 1,167,773	\$ 927,192	\$ 30,066,929

Year Ended December 31, 2017	Program Services		Supporting Services		Total
	Grants Awarded	Program Initiatives	Management and General	Development and Fundraising	
Grants	\$ 23,505,055	\$ -	\$ -	\$ -	\$ 23,505,055
Salaries and Benefits	-	1,323,580	756,372	537,744	2,617,696
Travel, Education and Meetings	-	127,581	10,534	28,752	166,867
Communications and Development	-	172,313	57,318	90,253	319,884
Professional Fees	-	877,999	208,487	16,547	1,103,033
Office and Occupancy	-	37,809	19,715	12,719	70,243
Depreciation	-	127,630	80,746	52,094	260,470
Other Expenses	-	272,016	84,760	76,574	433,350
Total Functional Expenses	\$ 23,505,055	\$ 2,938,928	\$ 1,217,932	\$ 814,683	\$ 28,476,598

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

THE GREATER NEW ORLEANS FOUNDATION
Combined Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (6,702,144)	\$ 29,768,035
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Net Realized and Unrealized Loss (Gain) on Investments	16,050,961	(32,640,385)
In-Kind Donations	(8,204,857)	(5,563,023)
Depreciation	263,041	260,470
Decrease (Increase) in Assets		
Interest Receivable	(2,096)	(21,814)
Unconditional Promises to Give	477,991	917,449
Note Receivable	-	739,186
Other Assets	(13,658)	(15,317)
(Decrease) Increase in Liabilities		
Accounts Payable	80,588	50,049
Grants Payable	(4,362,066)	(5,137,321)
Liabilities Under Split-Interest Agreements	(415,775)	(7,565)
Agency Funds	(529,416)	2,196,576
Net Cash Used in Operating Activities	(3,357,431)	(9,453,660)
Cash Flows from Investing Activities		
Decrease (Increase) in Assets Held in Charitable Remainder Trusts	938,739	(575,454)
Decrease in Beneficial Interests in Remainder Trusts and Lead Trusts	223,812	431,711
Proceeds from Sale of Investments	113,913,368	79,589,522
Purchases of Investments	(111,927,842)	(72,265,278)
Purchases of Property and Equipment	(23,904)	(322,400)
Net Cash Provided by Investing Activities	3,124,173	6,858,101
Net Decrease in Cash and Cash Equivalents	(233,258)	(2,595,559)
Cash and Cash Equivalents, Beginning of Year	581,658	3,177,217
Cash and Cash Equivalents, End of Year	\$ 348,400	\$ 581,658

The accompanying notes are an integral part of these combined 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.

Grants - 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.

Program Initiatives - The Foundation also provides program initiatives in the areas of civic leadership, economic opportunity, environment and workforce.

Basis of Accounting

The Foundation prepares its combined financial statements in accordance with accounting principles generally accepted in the United States of America, 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 combined financial statements of the Foundation include the accounts of The Greater New Orleans Foundation and ten supporting organizations. All significant inter-company accounts and transactions have been eliminated. Collectively, the entities are referred to as "the Foundation."

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, 2018 and 2017, were \$17,751,390 and \$19,281,868, respectively, and are included in net assets without donor restrictions.

Basis of Presentation

Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). In accordance with these standards, the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for general use and not subject to donor restrictions. This category also includes board-designated endowments.

Net assets with donor restrictions - Net assets representing contributed funds subject to specific donor-imposed restrictions contingent upon specific purpose or a specific passage of time.

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 net assets without donor restrictions. However, under the Foundation's governing instruments, certain 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 net assets without donor restrictions, but segregate the endowment funds from the remaining funds that are currently available for grants and administration.

Without Donor Restrictions

Endowment - Board-designated endowed net assets include those for which donors gave the Foundation variance power and a preference that the assets remain in perpetuity with the Foundation. The Board intends to spend from these assets only an amount allowable under its spending policy.

Available for Grants - Available for grants net assets include all non-endowed funds and that portion of endowed funds determined under the Foundation's spending policy to be available for grants.

Operating - Operating net assets include those used to provide supporting services for the Foundation and to produce income to offset administrative and operating expenses.

Investment in Property and Equipment, Net - Property and equipment net assets include all of the capital assets of the Foundation, net of accumulated depreciation.

With Donor Restrictions

Restricted to the Passage of Time and Restricted for Specified Purpose - Contributions with donor stipulated time or purpose restrictions are reported as revenues with donor restrictions. When the restrictions expire, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

New Donations

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

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB ASC, 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. Investments also include an allocation to the asset class commonly referred to as alternative investments with net asset value (NAV) investments in private equity, hedge funds, and pooled investment funds. The Foundation has significant transparency into the underlying positions of the private equity funds. The Foundation cannot independently assess the value of these underlying positions through a public exchange or over the counter market. These investments are structured as limited liability corporations and are reported at NAV, which approximates fair value.

Net investment return reported in the statements of activities includes interest and dividends, net realized and unrealized gains and losses, and investment expenses. Interest and dividends are accrued when earned. Net realized and unrealized gains and losses are included in the change in net assets in the period in which they occur. Investment expenses are recognized in the period they are charged to the various investment accounts.

Fair Values of Financial Instruments

The Foundation follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurement* Topic of the FASB ASC establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Pricing inputs are quoted prices in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Investments whose values are based on quoted market prices in active markets, and are therefore classified as Level 1, include equities, mutual funds, and money market securities.

Level 2 - Pricing inputs are other than quoted prices in active markets for identical assets, but the inputs are either directly or indirectly observable. Quoted prices are available but the assets are traded less frequently and thus valuation is accomplished using similar securities, the parameters of which can be directly observed.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments (Continued)

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, less liquid listed equities, state, municipal, and principal obligations, and most physical commodities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 - Pricing inputs are not observable in the market. Thus valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include contributions expected to be collected in future periods and convertible notes of a public benefit corporation. When observable prices are not available for these assets, the Foundation uses one or more valuation techniques (e.g. market approach, income approach, or cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs used by the Foundation in estimating the fair value of Level 3 investments include the original transaction price, recent transactions for the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs as an input, although those costs may have been capitalized as part of the security's cost. Due to the lack of observable inputs, assumptions used by the Foundation may significantly impact the resulting fair value and, therefore, the amounts reported in the Foundation's accompanying combined financial statements.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 12).

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Management closely monitors outstanding balances throughout the year and writes off all balances that are considered uncollectable. The Foundation believes that all promises to give at December 31, 2018 and 2017 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment, Net

Assets greater than \$2,500 are recorded at cost. Depreciation is provided on the straight-line method. Computer and office furniture and equipment are depreciated over a five- to ten-year period. Buildings are depreciated over fifty years.

Grants Payable

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. Gross revenues are reported net of related expenses to the various funds. Net revenues from such assessments totaled \$165,377 and \$154,146 in 2018 and 2017, 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 4.

Endowment Funds

The *Not-for-Profit Entities* Topic of the FASB ASC provides guidance on the net asset classification of endowment funds for a non-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This Topic requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), which are disclosed in Note 11.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities. The combined statements of functional expenses present the natural classification detail of expenses by function. Those expenses which cannot be specifically identified by function type are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits; travel, education and meetings; communications and development; professional fees; office and occupancy; depreciation; and other expenses, which are allocated to functions based upon headcount.

Income Tax

The Foundation is exempt from federal income 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.

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provided accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Foundation believes it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the combined financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Use of Estimates

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

Adoption of New Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adopted ASU 2016-14 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. There was no impact to net assets as a whole or the total change in net assets as a result of these reclassifications.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the effect that the standard will have on the combined financial statements.

Note 2. Liquidity and Availability

The Foundation's expenses include grants, program initiatives, management and general expenses, and development and fundraising expenses.

As of December 31, 2018, financial assets available for general operating purposes within one year of the combined statement of financial position date comprise of the following:

Cash and Cash Equivalents	\$ 264,356
Receivables and Other Assets	383,569
Short-Term Investments	1,817,610
Long-Term Investments Made Available for Current Use	<u>2,894,637</u>
Total	<u>\$ 5,360,172</u>

In addition to the funds above that are available for general operating purposes, an additional amount of approximately \$7.7 million based on the current spending rate of 4% will be made available for granting during 2019, at the Board's discretion.

The Foundation manages its cash available for grant purposes by examining the purpose for which the fund was established. The majority of the funds that are not endowed are invested in the Foundation's short-term pool which includes allocations to money market funds and fixed income securities. These funds are subject to withdrawal at any time.

Endowment funds and other funds that meet certain criteria are generally invested in the long-term investment pool. Due to the nature of endowments being held in perpetuity, the Foundation suspends payouts when the value of an endowment falls below its historic gift balance. For additional information on the endowment spending policy, see Note 11.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 3. Promises to Give

Unconditional promises to give at December 31, 2018 and 2017, respectively, are as follows:

	2018	2017
Receivable in Less than One Year	\$ 2,969,139	\$ 3,204,048
Receivable in One to Five Years	607,800	866,000
Receivable in More than Five years	500,000	500,000
Total Unconditional Promises to Give	4,076,939	4,570,048
Less Discounts to Net Present Value	(177,420)	(192,538)
Net Unconditional Promises to Give	\$ 3,899,519	\$ 4,377,510

Interest rate assumptions used to calculate the discounts on various promises to give range from 2.46% to 2.87%.

Note 4. Investments

Investments consist of the following as of December 31, 2018:

2018	Fair Market Value	Cost or Assigned Amount
Common Stocks	\$ 28,658,084	\$ 25,052,406
Equity Mutual Funds	49,530,888	46,693,016
Bond Mutual Funds	17,483,381	18,233,280
Corporate and Treasury Bonds	42,527,229	43,061,165
Money Market Funds	26,399,433	26,383,785
Limited Liability Entities	60,895,359	53,829,020
Private Equity Funds	26,460,269	23,123,773
Hedge Funds	43,112,977	44,442,005
Pooled Investment Fund	12,862,803	8,827,014
Annuity Policies	1,860,164	1,939,505
Total	\$ 309,790,587	\$ 291,584,969

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 4. Investments (Continued)

Investments consist of the following as of December 31, 2017:

2017	Fair Market Value	Cost or Assigned Amount
Common Stocks	\$ 46,032,463	\$ 33,718,721
Equity Mutual Funds	62,848,537	49,569,917
Bond Mutual Funds	17,002,336	17,190,558
Corporate and Treasury Bonds	36,523,295	36,945,183
Money Market Funds	14,277,499	14,247,171
Limited Liability Entities	59,919,501	45,743,286
Private Equity Funds	24,587,666	21,973,455
Hedge Funds	46,897,720	43,417,256
Pooled Investment Fund	11,533,200	9,723,485
Total	\$ 319,622,217	\$ 272,529,032

Note 5. Property and Equipment, Net

Property and equipment are summarized as follows by major classification at December 31st:

	2018	2017
Land	\$ 1,960,101	\$ 1,960,101
Building	10,658,692	10,658,692
Office Furniture and Equipment	499,854	475,951
Computer Equipment	7,225	7,225
	13,125,872	13,101,969
Less: Accumulated Depreciation	(590,086)	(327,046)
Property and Equipment, Net	\$ 12,535,786	\$ 12,774,923

Depreciation expense was \$263,041 and \$260,470 for the years ended December 31, 2018 and 2017, respectively.

THE GREATER NEW ORLEANS FOUNDATION

Notes to Combined Financial Statements

Note 6. 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, 2018 and 2017 are as follows:

	2018	2017
Funds Received	\$ 3,191,263	\$ 1,450,913
Interest and Dividends	132,202	129,402
(Loss) Gain on Investments	(895,611)	2,161,398
Disbursements to Beneficiaries	(2,875,490)	(1,468,321)
Administrative Fees	(81,780)	(76,816)
Net Change	(529,416)	2,196,576
Beginning of Year	18,823,875	16,627,299
End of Year	\$ 18,294,459	\$ 18,823,875

Note 7. Split-Interest Agreements

The Foundation's split-interest agreements at December 31, 2018, include seven charitable remainder unitrusts, one charitable remainder annuity trust, four charitable gift annuities, and two charitable lead annuity trusts. The Foundation is named trustee on six of the unitrusts, the remainder annuity trust and the four gift annuities.

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 contribution with donor restrictions in the combined statements of activities in the period the trust is established. Assets held in the charitable remainder trusts were \$8,738,367 and \$9,677,106, at December 31, 2018 and 2017, 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 values of the estimated future payments totaled \$2,705,405 and \$3,104,721, at December 31, 2018 and 2017, respectively, and are calculated using discount rates that range from 2.4% to 10.0% and applicable mortality tables.

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Notes to Combined Financial Statements

Note 7. Split-Interest Agreements (Continued)

The Foundation is the beneficiary of two charitable lead annuity trusts which are held by an unrelated third party. The beneficial interests in the trusts totaled \$774,827 and \$974,156 at December 31, 2018 and 2017, respectively. The trusts annually pay 5.0% to 9.3% of the respective initial net fair market values of the trusts. These assets are reported at the present value of the estimated future distributions expected to be received by the Foundation in the Foundation's combined statements of financial position.

The net asset value of the charitable remainder trust for which the Foundation is not the trustee was \$244,529 and \$269,011, at December 31, 2018 and 2017, respectively. This trust is reported as beneficial interests in remainder trusts and lead trusts in the Foundation's combined statements of financial position and is stated at fair market value of the assets held in trust less the present value of future payments to the designated income beneficiaries.

The portion of net assets related to the split-interest agreements that are classified as net assets with donor restrictions at December 31st are as follows:

	2018	2017
Assets Held in Charitable Remainder Trusts	\$ 8,738,367	\$ 9,677,106
Beneficial Interests in Charitable Remainder Trusts and Lead Trusts	1,019,356	1,243,168
Total Assets	9,757,723	10,920,274
Liabilities Under Charitable Remainder Trusts	2,713,442	3,104,721
Total Liabilities	2,713,442	3,104,721
Net Assets with Donor Restrictions	\$ 7,044,281	\$ 7,815,553

The Foundation manages a gift annuity program in which assets were transferred to the Foundation. As of December 31, 2018, the Foundation pays \$28,706 annually to the donors until the donors' deaths. The assets of \$439,172 and \$526,825, at December 31, 2018 and 2017, respectively, are included in investments and the present value of estimated future payments of \$296,562 and \$313,021, at December 31, 2018 and 2017, respectively, are included in the liabilities under split-interest agreements in the Foundation's combined statements of financial position.

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Notes to Combined Financial Statements

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31st have the following donor restrictions on them:

	2018	2017
Restricted for Specified Purpose:		
Hurricane Relief	\$ 433,010	\$ 536,649
Restricted to the Passage of Time:		
Program Funds	2,694,470	1,966,326
Charitable Remainder Trusts and Lead Trusts	7,044,281	7,815,553
Total	\$ 10,171,761	\$ 10,318,528

Note 9. Release of Net Assets with Donor Restrictions

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

	2018	2017
Restrictions Accomplished:		
Hurricane Relief Grants and Fees	\$ 103,639	\$ 49,359
Program Funds Grants and Fees	2,410,253	2,429,565
Split Interest - Other	4,470	110,807
Total	\$ 2,518,362	\$ 2,589,731

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 2018 and 2017. Contributions were \$168,094 and \$156,766, for the years ended December 31, 2018 and 2017, respectively.

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Notes to Combined Financial Statements

Note 11. Endowment Funds

As of December 31, 2018 and 2017, respectively, the Board of Directors had designated \$151,643,842 and \$162,948,453, of net assets for endowment purposes. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions.

The Foundation follows a total return spending policy for its endowment funds. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2018 and 2017 distributions is 4%. This percentage is evaluated each year and adjusted as necessary.

The primary financial objective for the Foundation is to increase the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of investment management. Endowment assets are invested in a well diversified asset mix, which includes equity securities, fixed income securities and alternative investments that is intended to meet this objective. The Foundation has established a 5% real rate of return objective for the Foundation's portfolio. Actual returns in any given year may vary from this amount. Investment assets and the allocation among asset classes and strategies are managed to not expose the endowment assets to unacceptable levels of risk.

Composition of and changes in endowment net assets for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Endowment Net Assets, Beginning of Year	\$ 162,948,453	\$ 146,498,765
Net Investment (Loss) Return	(6,872,617)	22,221,675
Contributions	2,214,520	1,197,275
Amounts Appropriated for Expenditure	(7,300,227)	(7,177,490)
Other Transfers	653,713	208,228
Endowment Net Assets, End of Year	\$ 151,643,842	\$ 162,948,453

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Notes to Combined Financial Statements

Note 12. Fair Value of Financial Instruments

The Foundation's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the *Fair Value Measurement* Topic of the FASB Accounting Standards Codification. See Note 1 for a description of the Foundation's policies and valuation procedures.

The valuation of the Foundation's assets measured at fair value on a recurring basis at December 31, 2018 and 2017 are as follows:

2018	Level 1	Level 2	Level 3	Net Balance
Common Stocks	\$ 28,658,084	\$ -	\$ -	\$ 28,658,084
Equity Mutual Funds	49,530,888	-	-	49,530,888
Bond Mutual Funds	17,483,381	-	-	17,483,381
Corporate and Treasury Bonds	-	41,937,229	590,000	42,527,229
Money Market Funds	26,399,433	-	-	26,399,433
Annuity Policies	-	1,860,164	-	1,860,164
Unconditional Promises to Give, Net	-	-	3,899,519	3,899,519
Total Assets in the Fair Value Hierarchy	\$ 122,071,786	\$ 43,797,393	\$ 4,489,519	170,358,698
Assets Measured at Net Asset Value^(a)				143,331,408
Total				\$ 313,690,106

2017	Level 1	Level 2	Level 3	Net Balance
Common Stocks	\$ 46,032,463	\$ -	\$ -	\$ 46,032,463
Equity Mutual Funds	62,848,537	-	-	62,848,537
Bond Mutual Funds	17,002,336	-	-	17,002,336
Corporate and Treasury Bonds	-	35,983,295	540,000	36,523,295
Money Market Funds	14,277,499	-	-	14,277,499
Unconditional Promises to Give, Net	-	-	4,377,510	4,377,510
Total Assets in the Fair Value Hierarchy	\$ 140,160,835	\$ 35,983,295	\$ 4,917,510	181,061,640
Assets Measured at Net Asset Value^(a)				142,938,087
Total				\$ 323,999,727

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statements of financial position.

The FASB issued a standards update pertaining to *Fair Value Measurements and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*. Fair values are determined by the use of calculated net asset value per ownership share.

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Notes to Combined Financial Statements

Note 12. Fair Value of Financial Instruments (Continued)

The Foundation's investments at December 31, 2018, that feature NAV per share are as follows:

Category of Investment	Adjusted Fair Value Calculated Using NAV	Number of Funds	Remaining Life	Unfunded Commitments	Redemption Terms	Redemption Restrictions and Terms in Place at Year End
Private Equity Funds (a)	\$ 26,460,269	21	1 to 10 years	\$ 12,217,322	Redemption not permitted during the life of the fund; distributions may be made at the discretion of the general partners	N/A
Hedge Funds (b)	43,112,977	16	Open ended	-	Full redemption with 90 day notice; 25% redeemed quarterly	Lockup of third tranche expires on 2 year anniversary (June 2021)
Limited Liability Entities (c)	60,895,359	8	Open ended	-	Current	N/A
Pooled Investment Fund (d)	<u>12,862,803</u>	1	Open ended	<u>3,318,100</u>	Quarterly redemptions with 180 day notice after initial lockup	Annual distribution election; minimum of 50% withdrawn paid in cash within 30 days; remainder up to 2 years
Total	<u>\$ 143,331,408</u>			<u>\$ 15,535,422</u>		

- (a) Each fund has a different objective, mainly to provide returns materially greater than the MSCI world index or to generate a net IRR of inflation plus 500 basis points over the life of the fund.
- (b) The main objective of these funds is to generate over rolling three-year periods an annualized return equal to or greater than 91-day Treasury bills plus 5%, net of all costs.
- (c) These are various entities structured to provide limited liability for its investors. The entities were formed as funds primarily holding equity securities to provide returns to its investors.
- (d) The fund is a core endowment solution with exposure to a globally diverse mix of public and private assets. The fund measures its performance versus a constructed index.

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Notes to Combined Financial Statements

Note 12. Fair Value of Financial Instruments (Continued)

The changes in investments and unconditional promises to give measured at fair value for which the Foundation has used Level 3 inputs to determine fair value are as follows:

	2018	Level 3 Beginning Balance	Net Realized and Unrealized Gains	Net Payments and Gifts	Net Purchases and Sales	Net Transfers In (Out) of Level 3	Level 3 Ending Balance
Unconditional Promises to Give, Net Corporate and Treasury Bonds	\$	4,377,510	\$ -	\$ (477,991)	\$ -	\$ -	\$ 3,899,519
		540,000	-	-	-	50,000	590,000
Total	\$	4,917,510	\$ -	\$ (477,991)	\$ -	\$ 50,000	\$ 4,489,519
	2017	Level 3 Beginning Balance	Net Realized and Unrealized Gains	Net Payments and Gifts	Net Purchases and Sales	Net Transfers In (Out) of Level 3	Level 3 Ending Balance
Unconditional Promises to Give, Net Corporate and Treasury Bonds	\$	5,294,959	\$ -	\$ (917,449)	\$ -	\$ -	\$ 4,377,510
		20,000	-	-	-	520,000	540,000
Total	\$	5,314,959	\$ -	\$ (917,449)	\$ -	\$ 520,000	\$ 4,917,510

The following disclosure is made in accordance with the requirements of the *Financial Instruments* Topic of the FASB ASC. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash. Listed below are the carrying amounts of financial instruments which approximate fair value.

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	\$ 348,400	\$ 348,400	\$ 581,658	\$ 581,658
Interest Receivable	72,858	72,858	70,762	70,762
Unconditional Promises to Give, Net Investments	3,899,519	3,899,519	4,377,510	4,377,510
	309,790,587	309,790,587	319,622,217	319,622,217
Assets Held in Charitable Remainder Trusts	8,738,367	8,738,367	9,677,106	9,677,106
Beneficial Interests in Charitable Remainder Trusts and Lead Trusts	1,019,356	1,019,356	1,243,168	1,243,168
Financial Liabilities				
Accounts Payable	\$ 405,915	\$ 405,915	\$ 325,327	\$ 325,327
Grants Payable	5,743,431	5,743,431	10,105,497	10,105,497
Liabilities Under Split-Interest Agreements	3,001,967	3,001,967	3,417,742	3,417,742

The carrying value of cash and cash equivalents, interest receivable, accounts payable, and grants payable approximate fair value because of the terms and relatively short maturity of these financial instruments.

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Note 13. Related Party Transactions

The majority of the board members and committee members of the Foundation also serve as board members of entities receiving grants and support from the Foundation. Each board member completes a conflict of interest declaration form annually. Those board members and committee members who have conflicts abstain from voting on grants if the beneficiary is one of these entities.

Note 14. Concentrations

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The amount in excess of the federally insured limits were approximately \$18,482,000 and \$9,575,000 for the years ended December 31, 2018 and 2017, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

In 2018, contributions from one donor totaled approximately \$9,000,000, representing approximately 25% of its contribution revenue for the year ended December 31, 2018. For the year ended December 31, 2017, there were no significant concentrations of donations that warranted disclosure.

Note 15. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 5, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after June 5, 2019 have been evaluated for inclusion in these combined financial statements.