THE COMMUNITY FOUNDATION OF

NORTH LOUISIANA

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SHREVEPORT, LOUISIANA

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April 25, 2019

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, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2018 and 2017, 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
Cash and cash equivalents	373,760	188,810
Prepaid expenses	21,583	26,737
Accounts receivable	391	-
Investments	129,941,654	133,492,123
Beneficial interest in trusts and estates	816,000	871,000
Beneficial interest in Estate of Carolyn Querbes Nelson	-	329,261
Fixed assets, net	101,998	167,685
Cash surrender value of life insurance	109,601	110,248
Total assets	131,364,987	135,185,864

LIABILITIES AND NET ASSETS	2018	2017
Liabilities:		
Accounts payable and advance dues	330,320	244,394
Grants payable	530,468	373,349
Funds held as agency endowments	8,023,633	8,610,510
Total liabilities	8,884,421	9,228,253
Net assets:		
Without donor restrictions:		
Designated for donor advised grants	11,534,384	10,982,452
Designated for operations	1,816,210	1,730,030
Designated for discretionary grants	50,996,456	54,399,704
Designated by board for endowment	141,004	167,871
Invested in property and equipment, net	101,998	167,685
Total without donor restrictions	64,590,052	67,447,742
With donor restrictions:		
Restricted in perpetuity - endowment	48,956,488	49,061,858
Restricted for specified purpose	8,118,026	8,577,011
Restricted for passage of time	816,000	871,000
Total with donor restrictions	57,890,514	58,509,869
Total net assets	122,480,566	125,957,611
Total liabilities and net assets	131,364,987	135,185,864

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and gains:			
Contributions:			
Membership	228,909	-	228,909
Other	3,975,786	3,904,810	7,880,596
Net investment income	(1,788,844)	(1,797,418)	(3,586,262)
Grants	150,500	25,000	175,500
Rental income	40	-	40
Other income	29,659	270	29,929
Total support, revenues and gains	2,596,050	2,132,662	4,728,712
Net assets released from restrictions pursuant to endowment spending rate distribution	1,632,152	(1,632,152)	-
Net assets released from restrictions - other	1,119,865	(1,119,865)	-
Net assets released from restrictions	2,752,017	(2,752,017)	-
Total support, revenue, gains, and reclassifications	5,348,067	(619,355)	4,728,712
Expenses:			
Program services:			
Grants	6,911,315	-	6,911,315
Community programs	651,569	-	651,569
Management and general	462,616	-	462,616
Fundraising and development	180,257	-	180,257
Total expenses	8,205,757	-	8,205,757
Change in net assets	(2,857,690)	(619,355)	(3,477,045)
Net assets at beginning of period	67,447,742	58,509,869	125,957,611
Net assets at end of period	64,590,052	57,890,514	122,480,566

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and gains:			
Contributions:			
Membership	240,272	-	240,272
Other	2,659,811	1,110,892	3,770,703
Net investment income	6,518,520	5,936,662	12,455,182
Grants	150,000	1,430	151,430
Rental income	280	-	280
Other income	131,229	16,436	147,665
Total support, revenues and gains	9,700,112	7,065,420	16,765,532
Net assets released from restrictions pursuant to endowment spending rate distribution	1,157,963	(1,157,963)	-
Net assets released from restrictions - other	870,468	(870,468)	-
Net assets released from restrictions	2,028,431	(2,028,431)	-
Total support, revenue, gains, and reclassifications	11,728,543	5,036,989	16,765,532
Expenses:			
Program services:			
Grants	6,144,795	-	6,144,795
Community programs	552,683	-	552,683
Management and general	467,025	-	467,025
Fundraising and development	173,287	-	173,287
Total expenses	7,337,790	-	7,337,790
Change in net assets	4,390,753	5,036,989	9,427,742
Net assets at beginning of period	63,056,989	53,472,880	116,529,869
Net assets at end of period	67,447,742	58,509,869	125,957,611

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				
	Grants	Community Programs	Management and General	Fundraising and Development	Total
Amortization of leasehold improvements	-	-	52,285	-	52,285
Community programs	-	219,070	-	-	219,070
Depreciation	-	-	21,196	-	21,196
Dues and subscriptions	-	3,854	3,426	1,285	8,565
Equipment rental and maintenance	-	6,838	9,117	6,838	22,793
Grants	6,911,315	-	-	-	6,911,315
Health insurance	-	26,209	18,346	7,863	52,418
Insurance	-	-	10,955	-	10,955
Office supplies and expense	-	9,490	9,494	9,490	28,474
Parking	-	-	9,788	-	9,788
Payroll taxes	-	21,366	14,957	6,410	42,733
Postage	-	1,505	1,505	1,505	4,515
Printing	-	4,624	9,248	9,248	23,120
Professional fees	-	-	50,049	-	50,049
Public relations	-	35,775	-	20,915	56,690
Rent	-	27,141	36,188	27,141	90,470
Retirement plan expense	-	5,172	3,620	1,552	10,344
Salaries	-	277,527	194,269	83,258	555,054
Seminars and travel	-	4,887	6,491	3,665	15,043
Special events	-	2,436	-	-	2,436
Telephone	-	2,175	362	1,087	3,624
Other	-	3,500	11,320	-	14,820
	6,911,315	651,569	462,616	180,257	8,205,757

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				
	Grants	Community Programs	Management and General	Fundraising and Development	Total
Amortization of leasehold improvements	-	-	52,160	-	52,160
Community programs		107,778	-	-	107,778
Depreciation	-	-	21,204	-	21,204
Dues and subscriptions	-	1,058	940	353	2,351
Equipment rental and maintenance	-	7,554	10,072	7,554	25,180
Grants	6,144,795	-	-	-	6,144,795
Health insurance	-	27,932	19,066	7,364	54,362
Insurance	-	-	10,947	-	10,947
Office supplies and expense	-	7,715	7,715	7,715	23,145
Parking	-	1,120	8,757	-	9,877
Payroll taxes	-	22,281	15,209	5,874	43,364
Postage	-	2,062	2,062	2,062	6,186
Printing	-	4,571	9,141	9,141	22,853
Professional fees	-	-	43,951	-	43,951
Public relations	-	33,606	-	25,270	58,876
Rent	-	26,625	35,500	26,625	88,750
Retirement plan expense	-	10,616	7,246	2,799	20,661
Salaries	-	280,897	191,742	74,052	546,691
Seminars and travel	-	4,618	5,792	3,464	13,874
Special events	-	8,722	14,495	-	23,217
Telephone	-	2,028	338	1,014	3,380
Other	-	3,500	10,688	-	14,188
	6,144,795	552,683	467,025	173,287	7,337,790

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	(3,477,045)	9,427,742
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	21,196	21,204
Amortization of leasehold improvements	52,285	52,160
Realized and unrealized loss (gain) on investments	3,586,262	(13,402,387)
Decrease (increase) in interest in charitable remainder trusts and estates	55,000	(73,000)
Distributions from Estate of Carolyn Querbes Nelson	329,261	30,000
Decrease in prepaid expenses and other assets	5,154	5,159
(Increase) decrease in accounts receivable	(391)	692
Decrease in cash surrender value of life insurance	647	444
Increase (decrease) in accounts payable and advance dues	85,926	(32,806)
Increase (decrease) in grants payable	157,119	(514,177)
Net cash provided (used) by operating activities	815,414	(4,484,969)
Cash flows from investing activities:		
Proceeds from sale of investments	32,665,186	14,614,478
Purchase of investments	(32,702,174)	(11,177,814)
Leasehold improvements	(1,500)	-
Purchase of equipment and furnishings	(5,098)	(5,496)
Net cash (used) provided by investing activities	(43,586)	3,431,168
Cash flows from financing activities:		
(Decrease) increase in funds held as agency endowments	(586,878)	720,990
Net cash (used) provided by financing activities	(586,878)	720,990
Net increase (decrease) in cash and cash equivalents	184,950	(332,811)
Cash and cash equivalents at beginning of year	188,810	521,621
Cash and cash equivalents at end of year	373,760	188,810

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

1. **Nature of Operations**
The consolidated financial statements include The Community Foundation of North Louisiana (the Foundation), CFNLA Properties, LLC, 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. 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.

CFNLA Properties, LLC (the Company) was formed during 2014. Its sole member is the Foundation.

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 accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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. Funds designated for donor advised grants are available for distribution upon recommendation by the donor. The Board of Directors has designated, from net assets without donor restrictions, net assets for endowment, operations and discretionary grants. The Foundation's policy is to designate unrestricted donor gifts at the discretion of the Board of Directors. Net assets without donor restriction also include the investment in property and equipment net of accumulated depreciation.

2. **Summary of Significant Accounting Policies** **(Continued)**

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. The foundation may report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions. As of December 31, 2018 and 2017, the Foundation's net assets with donor restrictions are restricted for funding various community educational and philanthropic programs specified by the donors.

(b) Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments purchased with original maturities of three months or less, which are not held within our investment portfolios, to be cash and cash equivalents. Cash and highly liquid financial instruments included in our investment portfolios are excluded from this definition.

(c) Income Taxes

The Foundation, Trust and Company 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. The Company has been deemed a disregarded entity and all transactions have been recorded by the Foundation. 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. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation and Trust file U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

(d) Investments

The Foundation records investments at fair value, based on quoted market prices, where available. Mineral interests are valued using a multiple of earnings or discounted estimated cash flow methodology. Alternative investments consist of those investments which are not valued based upon a quoted market price and include non-marketable hedge fund, real estate funds, and private equity assets. These funds invest in various partnership interests, managed accounts, and other vehicles to generate investment return. These funds are reported at estimated fair value as measured by their net asset value as reported by fund managers. That amount represents the Foundation's proportionate interest in the capital of the invested funds. 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. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Cost and market values are disclosed in Note 3.

2. Summary of Significant Accounting Policies (Continued)

(e) Fixed Assets, Depreciation, and Amortization

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

(f) Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

(g) Functional Allocation of Expenses

The costs of program services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the community programs, management and general, and fundraising expenses. Certain administrative costs associated with the grant process are not included under grants on the statement of functional expenses and have been more appropriately reflected under community programs.

(h) 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.

(i) 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 few individual donors represented 54% and 12% of total contributions for the years ended December 31, 2018 and 2017, respectively.

(j) Accounting Changes

In August of 2016, the FASB issued ASU 2016-14, “*Not-for-Profits Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*.” The amendments provided by this update improve the net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. Management elected to early-adopt the standard for the year ended December 31, 2017.

(k) Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

2. Summary of Significant Accounting Policies (Continued)

(l) Accounting Guidance/Principles Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires 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 ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This standard is effective for fiscal years beginning after December 31, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Foundation has not yet selected a transition method nor have they determined the effect of the standard on their ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation is currently evaluating the potential impact of adopting this guidance on their financial statements.

3. Investments

Major classifications of investments at December 31, 2018 and 2017 follow:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Trusts (excluding Stiles)	12,903,167	13,780,748	12,502,346	15,123,430
Stiles trust	2,835,663	4,857,604	2,617,910	4,792,827
Long-term pool	77,861,286	89,136,494	74,921,455	91,628,488
Short-term pool	11,214,756	11,176,472	10,046,762	10,019,244
Other pools	10,796,939	10,613,202	10,988,066	11,477,625
Other	529,997	377,134	532,249	450,509
Total investments	116,141,808	129,941,654	111,608,788	133,492,123

Investments-other pools are funds established by donors in an amount over $250,000 whereby the donor is allowed to recommend a financial advisor. The performance of these funds is monitored by the Foundation Board and Investment Committee.

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	11,923,151	11,924,557	10,388,070	10,388,064
Fixed income	23,945,682	23,693,177	23,030,275	22,544,055
Equity	53,548,766	54,880,676	51,436,539	67,642,862
Hedge funds	12,058,068	13,013,267	12,820,307	13,632,612
Real estate and mineral interests	3,950,825	9,246,706	6,157,141	8,877,127
Other	10,715,316	17,183,271	7,776,456	10,407,403
	116,141,808	129,941,654	111,608,788	133,492,123

The Foundation adopted FASB Codification topic 820, "*Fair Value Measurement*" (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 include:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

3. Investments (Continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018 and 2017 are as follows:

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2018:				
Cash and cash equivalents	11,924,557	-	-	11,924,557
Fixed income	23,693,177	-	-	23,693,177
Equity	54,880,676	-	-	54,880,676
Hedge funds	-	-	631,341	631,341
Real estate and mineral interests	-	6,195,989	-	6,195,989
Other	-	3,000	328,897	331,897
Total assets in the fair value hierarchy	90,498,410	6,198,989	960,238	97,657,637
Investments measured at net asset value	-	-	-	32,284,017
Total investments	90,498,410	6,198,989	960,238	129,941,654
December 31, 2017:				
Cash and cash equivalents	10,388,064	-	-	10,388,064
Fixed income	9,993,156	12,550,899	-	22,544,055
Equity	67,642,862	-	-	67,642,862
Hedge funds	-	-	1,232,044	1,232,044
Real estate and mineral interests	-	6,102,030	-	6,102,030
Other	-	3,000	402,272	405,272
Total assets in the fair value hierarchy	88,024,082	18,655,929	1,634,316	108,314,327
Investments measured at net asset value	-	-	-	25,177,796
Total investments	88,024,082	18,655,929	1,634,316	133,492,123

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

	Hedge Funds	Other	Total
Balance-December 31, 2016	1,177,327	425,721	1,603,048
Gains (losses) realized and unrealized	54,717	(8,695)	46,022
Purchases, issuances, and settlements	-	(14,754)	(14,754)
Transfers in and/or out of Level 3, net	-	-	-
Balance-December 31, 2017	1,232,044	402,272	1,634,316
Gains (losses) realized and unrealized	(600,703)	(73,375)	(674,078)
Purchases, issuances, and settlements	-	-	-
Transfers in and/or out of Level 3, net	-	-	-
Balance-December 31, 2018	631,341	328,897	960,238

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

The following table summarizes investments measured at fair value based on net asset value (NAVs) per share as of December 31, 2018 and 2017, respectively.

	NAV in Funds	Amount Unfunded Commitments	Redemption Terms	Redemption Restrictions
December 31, 2018:				
Hedge funds				
Multi-strategy fund	2,653,303	-	Quarterly	(a)
Multi-strategy fund	3,692,730	-	Quarterly	N/A*
Multi-strategy fund	6,035,893	-	Quarterly	(b)
Emerging markets fund	1,583,136	-	Monthly	(c)
International fund	4,696,707	-	Monthly	(d)
Real estate-illiquid funds				
Real estate	3,050,717	916,816	N/A	N/A*
Natural resources	4,717,777	329,196	N/A	N/A*
Private equity funds				
Distressed, buyout, and venture capital and energy	1,626,323	2,076,359	N/A	N/A*
Energy	1,944,959	276,331	N/A	N/A*
Real estate	2,282,472	1,850,000	N/A	N/A*
	32,284,017	5,448,702		
December 31, 2017:				
Hedge funds				
Multi-strategy fund	2,897,088	-	Quarterly	(a)
Multi-strategy fund	3,622,218	-	Quarterly	N/A*
Multi-strategy fund	5,881,262	-	Quarterly	(b)
Real estate-illiquid funds				
Real estate	2,775,097	1,209,186	N/A	N/A*
Natural resources	4,515,118	770,551	N/A	N/A*
Private equity funds				
Distressed, buyout, and venture capital and energy	1,961,188	116,642	N/A	N/A*
Energy	1,774,605	522,879	N/A	N/A*
Real estate	1,751,220	300,000	N/A	N/A*
	25,177,796	2,919,258		

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

*These funds are in a private equity or partnership structure with no ability to redeem.

(a) 10% may be redeemed each year; full redemption on a rolling two year lock-up.
(b) Up to 25% may be redeemed quarterly.
(c) This class includes emerging market index funds, a comingled actively managed fund that invests only in emerging market public equities. This class may invest in derivatives.
(d) This class includes a commingled fund that invests in large and mid-cap value public equities. This account has no short positions.

4. **Fixed Assets**

A summary of fixed assets at December 31, 2018 and 2017 is as follows:

	2018	2017
Equipment and furnishings	211,514	206,415
Leasehold improvements	342,161	340,661
Less-accumulated depreciation and amortization	(451,677)	(379,391)
Total fixed assets	101,998	167,685

5. **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, 2018 and 2017, the Foundation was the owner of forty-five and forty-three, respectively, agency endowment funds with a combined value of $8,023,633 and $8,610,510, respectively. The following table summarizes activity in such funds during the years ended December 31, 2018 and 2017:

	2018	2017
Agency endowment fund balances at beginning of year	8,610,510	7,889,520
Contributions	54,044	255,199
Interfund contributions	100	50
Net investment income	(268,202)	940,992
Net transfer to Community Foundation	-	(123,885)
Grants	(293,752)	(275,490)
Administrative expenses	(78,490)	(75,587)
Other expenses	(577)	(289)
Agency endowment fund balances at end of year	8,023,633	8,610,510

6. **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 net assets with donor restrictions 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, 2018 and 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2016	153,021	44,649,479	44,802,500
Contributions	600	1,053,145	1,053,745
Net investment income	16,708	4,517,197	4,533,905
Appropriation of endowment assets for expenditure	(2,458)	(1,157,963)	(1,160,421)
Endowment net assets, December 31, 2017	167,871	49,061,858	49,229,729
Contributions	4,100	3,562,501	3,566,601
Net investment income	(4,754)	(2,035,719)	(2,040,473)
Appropriation of endowment assets for expenditure	(26,213)	(1,632,152)	(1,658,365)
Endowment net assets, December 31, 2018	141,004	48,956,488	49,097,492

6. Endowed Net Assets (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below corpus. These deficiencies could result 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 net assets with donor restrictions or an increase in net assets without donor restrictions as applicable. There were no reported deficiencies in endowed net assets as of December 31, 2018 and 2017.

7. Liquidity and Availability

The Foundation manages its cash available to meet general expenditures and grants following two guiding principles:

- Operating within a prudent range of financial soundness and stability, and
- Maintaining adequate liquid assets.

General Expenditures

General expenditures include management and general expenses, fundraising expenses, and some program expenses.

Financial assets at December 31, 2018 and 2017 designated by the board for operating purposes:

	2018	2017
Cash and cash equivalents	60,648	90,560
Investments - short term pool	1,679,748	1,480,925
Total	1,740,396	1,571,485

In addition to these funds available for general expenditures, the Foundation's Board of Directors has chosen to charge an 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 general expenditures required to operate the Foundation. The administrative fee rate is 1% for all funds with the exception of scholarship funds established after February 19, 2004, which incur fees at a rate of 1.5%. The fees are assessed on a quarterly basis. Administrative fees of $1,204,230 for 2018 and $1,141,304 for 2017 were charged to specific funds. Such administrative fee income (Operating Fund) and administrative fee expense (other funds) is netted in the presentation of the statement of activities. Estimated administrative fees available for general expenditures during 2019 are $1,249,191.

The Foundation manages its cash available for grant purposes by examining the purpose for which the fund was established, whether the fund is endowed or not. Most funds that are not endowed are invested in the Foundation's short term pool which includes an allocation to money market funds and an allocation to high quality fixed-income securities with maturities ranging from approximately one year to approximately five years. Funds held in the short term pool are subject to withdrawal at any time. Capital preservation and liquidity are paramount.

For those funds that are endowed or the fund operates according to our spending policy for granting, the funds are generally invested in the Foundation's long term pool. The amount available for granting is determined on an annual basis. This amount is calculated according to the Foundation's spending policy, which is currently 4% of the funds' average quarterly market value over the preceding twelve quarters. In order to protect the value of an endowment and not consume principal, no grant

7. Liquidity and Availability (Continued)

distributions are made that will cause the fund value to dip below the amounts contributed to the fund. Funds calculated as available for granting during 2017 and 2018 were $3,496,944 and $3,940,238 respectively. Amounts available for granting and to cover the administrative fees charged by the Foundation are transferred to the short term pool so that they are readily available. In addition, an estimated amount of $3,393,553 will be available for granting during 2019, at the Board's discretion.

8. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include dues and subscriptions, equipment rental and maintenance, health insurance, office supplies, payroll taxes, postage, printing, rent, retirement plan expense, salaries, seminars and travel, and telephone, all of which are allocated on the basis of estimates of time and effort or other reasonable bases.

9. Leases

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

2019	76,334

Lease expense recorded for the years ended December 31, 2018 and 2017 was $90,470 and $88,750, respectively.

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 $10,344 and $20,661 to the 403(b) plan for the years ended December 31, 2018 and 2017, 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. 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, 2018 and 2017:

	2018	2017
Assets:		
Investments	4,857,604	4,792,827
Total assets	4,857,604	4,792,827
Net assets with donor restrictions	4,857,604	4,792,827

Statement of Activities

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Net investment income	-	340,665	340,665
Total revenues, gains, and other support:	-	340,665	340,665
Net assets released from restrictions	275,888	(275,888)	-
Total revenues, gains, other support, and reclassifications	275,888	64,777	340,665
Distributions	(275,888)	-	(275,888)
Changes in net assets	-	64,777	64,777
Net assets at beginning of year	-	4,792,827	4,792,827
Net assets at end of year	-	4,857,604	4,857,604

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

Statement of Activities

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Net investment income	-	493,129	493,129
Total revenues, gains, and other support:	-	493,129	493,129
Net assets released from restrictions	558,329	(558,329)	-
Total revenues, gains, other support, and reclassifications	558,329	(65,200)	493,129
Distributions	(558,329)	-	(558,329)
Changes in net assets	-	(65,200)	(65,200)
Net assets at beginning of year	-	4,858,027	4,858,027
Net assets at end of year	-	4,792,827	4,792,827

The distributions of $275,888 and $558,329 from the Trust to the Foundation for the years ended December 31, 2018 and 2017, respectively, were eliminated in consolidation.

12. Interest in Estate of Carolyn Querbes Nelson

The Foundation was named as one of two residual legatees in the Last Will and Testament of Carolyn Querbes Nelson. Ms. Nelson died on May 1, 2013. At the conclusion of the succession, after all debt and taxes have been paid, a judgment of possession will be rendered by the court. During 2018 and 2017, respectively, $800,000 and $30,000 was received by the Foundation. Of the $800,000 received during 2018, $329,261 was used to reduce the Foundations beneficial interest in the estate with the remainder being recorded as contributions.

13. Lyndon Erroll Dawson, Jr. Succession

The Foundation is the residual legatee of the Succession of Lyndon Erroll Dawson, Jr. Cash will be distributed to the Foundation following the termination of the estate. A value of this estate is not presently determinable and has not been included in these financial statements. During 2018 and 2017, respectively, $2,553,982 and $500,000 was received by the Foundation.

14. Subsequent Events

The Foundation is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The Foundation performed such an evaluation through April 25, 2019, the date which the financial statements were available to be issued, and noted no subsequent events.