

**NORTHSHORE COMMUNITY FOUNDATION
AND SUBSIDIARY
COVINGTON, LOUISIANA**

DECEMBER 31, 2009

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July 12, 2010

Independent Auditor's Report

To the Board of Directors
Northshore Community Foundation
Covington, Louisiana

We have audited the accompanying Consolidated Statement of Financial Position of Northshore Community Foundation (a nonprofit organization) and subsidiary as of December 31, 2009, and the related Consolidated Statements of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Northshore Community Foundation's 2008 financial statements and, in our report dated July 13, 2009, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northshore Community Foundation and subsidiary as of December 31, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Hannis T. Bourgeois, LLP

**NORTHSHORE COMMUNITY FOUNDATION
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2009
(With Comparative Totals for 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,318,825	\$ 1,668,030
Investments	8,655,055	7,482,675
Property and equipment, net	15,101	18,065
Other assets	4,436	4,436
Total assets	\$ 9,993,417	\$ 9,173,206
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 33,717	\$ 28,557
Amounts held on behalf of others	8,213,680	7,298,550
Total liabilities	8,247,397	7,327,107
NET ASSETS:		
Unrestricted:		
Undesignated	845,379	696,789
Board designated	58,991	38,881
Total unrestricted	904,370	735,670
Temporarily restricted	478,400	755,237
Permanently restricted	363,250	355,192
Total net assets	1,746,020	1,846,099
Total liabilities and net assets	\$ 9,993,417	\$ 9,173,206

The accompanying notes are an integral part of this statement.

**NORTHSHORE COMMUNITY FOUNDATION
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year ended December 31, 2009
(With Comparative Totals for 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT:					
Contributions	\$ 374,146	\$ 66,374	\$ 8,058	\$ 448,578	\$ 1,001,452
Support from Baton Rouge Area Foundation	220,000	-	-	220,000	234,974
Earnings (Losses) on investments and cash balances	<u>77,006</u>	<u>20,632</u>	<u>-</u>	<u>97,638</u>	<u>(22,058)</u>
Total revenue	671,152	87,006	8,058	766,216	1,214,368
Net assets released from restrictions	<u>363,843</u>	<u>(363,843)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and reclassifications	<u>1,034,995</u>	<u>(276,837)</u>	<u>8,058</u>	<u>766,216</u>	<u>1,214,368</u>
EXPENSES:					
Program:					
Grants	314,350	-	-	314,350	266,199
Other program expenses	<u>275,197</u>	<u>-</u>	<u>-</u>	<u>275,197</u>	<u>177,418</u>
Total program	589,547	-	-	589,547	443,617
Management and general	126,455	-	-	126,455	117,854
Fundraising	<u>150,293</u>	<u>-</u>	<u>-</u>	<u>150,293</u>	<u>181,402</u>
Total expenses	<u>866,295</u>	<u>-</u>	<u>-</u>	<u>866,295</u>	<u>742,873</u>
CHANGE IN NET ASSETS	168,700	(276,837)	8,058	(100,079)	471,495
Net assets - beginning of year	735,670	755,237	355,192	1,846,099	-
Transfer from Baton Rouge Area Foundation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,374,604</u>
Net assets - end of year	<u>\$ 904,370</u>	<u>\$ 478,400</u>	<u>\$ 363,250</u>	<u>\$ 1,746,020</u>	<u>\$ 1,846,099</u>

The accompanying notes are an integral part of this statement.

**NORTHSHORE COMMUNITY FOUNDATION
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended December 31, 2009

(With Comparative Totals for 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (100,079)	\$ 471,495
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,666	3,342
Contribution of land	(45,000)	-
Increase in other assets	-	(2,436)
Increase in accounts payable	5,160	18,457
Decrease in grants payable	-	(139,867)
Increase (decrease) in amounts held on behalf of others	915,130	(1,540,422)
Net loss (gain) on investments	(820,166)	1,891,823
Other increases in long-term investments:		
Cash contributions to endowments	(8,058)	(164,549)
Net cash provided by (used in) operating activities	(49,347)	537,843
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(702)	(6,595)
Net increase in investment pools held by		
Baton Rouge Area Foundation	(307,214)	(5,231,990)
Net cash used in investing activities	(307,916)	(5,238,585)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions to endowments	8,058	164,549
Net cash provided by financing activities	8,058	164,549
NET DECREASE IN CASH AND CASH EQUIVALENTS	(349,205)	(4,536,193)
Cash and cash equivalents - beginning of year	1,668,030	-
Transfer of cash and cash equivalents from Baton Rouge Area Foundation	-	6,204,223
Cash and cash equivalents - end of year	\$ 1,318,825	\$ 1,668,030

The accompanying notes are an integral part of this statement.

**NORTHSHORE COMMUNITY FOUNDATION
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

Note 1 - Summary of Significant Accounting Policies

Nature of activities

Northshore Community Foundation (NCF) was organized on January 11, 2007 as a non-profit corporation and is operated exclusively for religious, charitable, scientific, medical, literacy, or educational purposes through and for the benefit of Baton Rouge Area Foundation (BRAAF) and such other organizations located in the Louisiana Parishes of St. Helena, St. Tammany, Tangipahoa and Washington (Northshore Community). These entities are exempt from federal income tax under Section 501(c)(3) and qualify as non-private foundations under Sections 509(a)(1) and (2) of the Internal Revenue Code. NCF's office is located in Covington, Louisiana. NCF serves the needs of the Northshore Community through charitable grants made and other Foundation projects carried out at the discretion of the Board of Directors.

From its inception and during 2007, NCF was operated as a subsidiary of BRAAF. In 2008, NCF obtained its tax-exempt status as described in the preceding paragraph. Due to the approval of NCF's tax-exempt status, the assets and liabilities held by BRAAF for NCF were transferred to NCF as a separate and stand-alone entity on January 1, 2008. Accordingly, the transactions subsequent to this transfer are presented in these financial statements.

In addition to annual support, BRAAF continues to provide significant administrative and advisory services to NCF.

Northshore Community Capital Fund, Inc., a wholly-owned subsidiary of NCF, was organized on November 13, 2009 to promote community development through offering financial services to low income target markets in the St. Tammany, Tangipahoa, Washington and St. Helena parishes. This entity is not exempt from federal and state taxes and files its own separate tax return as a taxable corporation.

Basis of presentation

NCF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are resources that are free of donor-imposed or time restrictions and are available at the direction of the governing board. Temporarily restricted net assets are resources that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of NCF pursuant to those stipulations. Permanently restricted net assets are those resources whose use by NCF is limited to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of NCF.

Note 1 - Summary of Significant Accounting Policies (Continued)

Principles of consolidation

The consolidated financial statements include the accounts of NCF and its wholly-owned subsidiary, Northshore Community Capital Fund, Inc. All material interorganization transactions have been eliminated.

Contributions and expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Grants and contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions are permanently restricted by the donor. Investment earnings available for distribution are reclassified to unrestricted or temporarily restricted net assets as specified by the donor.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Gifts of marketable securities and other items

Gifts of marketable securities and other noncash donations are recorded as contributions at their fair values at the date of the donation.

Donated services

No amounts have been reflected in the financial statements for donated services. NCF generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist NCF in the performance of its projects and various committee activities.

Cash and cash equivalents

Generally all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents for the purposes of the statement of cash flows.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. The basis of property and equipment sold or otherwise disposed of and the accumulated depreciation thereon is eliminated and any gain or loss is reported in operations.

The estimated useful lives for office furniture and equipment range from three to ten years.

Investments

NCF participates in the various investment pools managed by and for the benefit of Baton Rouge Area Foundation. Certain pools are comprised of securities in the custody of a local bank trust department and various investment advisors are responsible for the investment management of these securities. Each investment manager has a different defined investment objective. Other investments within the pools consist of securities held in a Massachusetts bank's common trust fund and other mutual fund investments as well as alternative asset holdings. Investments held in the pools are stated at fair value. Increases and decreases in market value are recognized in the period in which they occur. Stocks, bonds, mutual funds and similar securities traded in established markets are valued at their quoted market price. Other securities are valued based on estimates prepared by the investment managers. Upon disposition, the cost of the specific investment is used to compute the realized gain or loss to be recognized except with regards to mutual funds whose costs are removed on the first-in, first-out basis.

Investments by BRAF in venture capital funds included in its investment pools are accounted for using the equity method of accounting and the net income or loss related to these investments is reflected in "earnings on investments and cash balances" on the accompanying statement of activities.

Grants

Grants are recorded as expenses at the time the recipient has met all the necessary qualifying conditions and has gained approval of the Board of Directors. Grants payable in future periods that do not require subsequent review and approval for continuance of payment are recorded as expenses and grants payable in the period the grant is approved.

Retirement plan

NCF has established a simplified employee plan (SEP) which is a defined contribution retirement plan covering all eligible employees with at least one year of service. Contributions are based upon employee compensation at rates determined annually by NCF not to exceed 15% of eligible compensation. During 2009 and 2008, the contribution rate was 12.5%. Contributions of \$34,160 and \$18,285 were made to the plan for the years ended December 31, 2009 and 2008.

Other employee benefit plans

NCF also provides group health and term life insurance coverage for all employees.

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional expenses

Functional expenses are allocated between program, fundraising, and general and administrative on the following basis: (1) personnel expenses are allocated based upon each employee's estimate of time spent on each function and (2) other costs that cannot be attributed directly to a particular function or activity are also allocated based on employee time.

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of NCF.

Advertising

NCF expenses advertising costs as incurred. Advertising expense was \$2,250 and \$5,505 for the years ended December 31, 2009 and 2008, respectively.

Income tax status

NCF is a not-for-profit organization that has qualified as a public charity under sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made, however, should NCF engage in activities unrelated to the purpose for which it was created, taxable income and related taxes could result.

NCF files income taxes in the U.S. federal jurisdiction. NCF is subject to federal income tax examinations by taxing authorities since its date of inception in 2007.

Reclassifications

Certain balances for the prior year have been reclassified to conform to current year's financial statement presentation.

Note 2 – Spending Policy

NCF uses the total return concept to determine the amount of grantmaking dollars available each year. Under the total return concept amounts available for distribution are determined based upon total investment return, which consists of investment income and realized and unrealized gains and losses. Under this policy, distributions made during the year are not dependent on the availability of cash investment earnings. In December of each year, the Board of Directors of NCF establishes the amount of dollars available for grants for the following year stated as a percentage of the fair value of the individual endowment funds as of the end of each calendar quarter. The percentage per quarter was 0.75% for 2009 and 1.25% for 2008 and is subject to change in the future at the discretion of the Board of Directors.

Note 3 - Investments

Investments at December 31, 2009 and 2008 are presented below:

	2009		2008	
	Number of Units	Fair Value	Number of Units	Fair Value
BRAF Investment Pools:				
Equities (including alternatives)	7,105,591	\$ 5,524,327	6,916,325	\$ 4,596,922
Fixed Income	2,773,490	3,082,812	2,720,015	2,883,175
Venture Capital	3,148	2,916	2,667	2,578
	<u>9,882,229</u>	<u>8,610,055</u>	<u>9,639,007</u>	<u>7,482,675</u>
Real Estate		45,000		-
		<u>\$ 8,655,055</u>		<u>\$ 7,482,675</u>

Earnings and losses on investments, cash balances, and other similar assets are as follows:

	2009	2008
Interest, dividends and other income from investments	\$ 138,087	\$ 239,322
Net realized and unrealized gains (losses)	<u>820,166</u>	<u>(1,935,149)</u>
	958,253	(1,695,827)
Less trust and investment fees	<u>(23,260)</u>	<u>(24,171)</u>
	934,993	(1,719,998)
Less earnings, losses and fees allocated to agency accounts	<u>837,355</u>	<u>(1,697,940)</u>
	<u>\$ 97,638</u>	<u>\$ (22,058)</u>

Earnings on pooled investments and cash balances are allocated based upon the relative asset values of the participating funds.

Note 4 – Fair Value Measurements

The Foundation has determined the fair value of its investments through a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs to the valuation methodology are based on unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets and/or based on inputs that are derived principally from or corroborated by observable market data. Level 3 inputs are unobservable and are based on assumptions market participants would utilize in pricing the asset.

Note 4 – Fair Value Measurements (Continued)

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The asset’s fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When available, valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of December 31, 2009 and 2008:

	<u>Assets at Fair Value as of December 31, 2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment - Baton Rouge Area Foundation	\$ <u> -</u>	\$ <u>8,607,139</u>	\$ <u> 2,916</u>	\$ <u>8,610,055</u>
	<u>Assets at Fair Value as of December 31, 2008</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment - Baton Rouge Area Foundation	\$ <u> -</u>	\$ <u>7,480,097</u>	\$ <u> 2,578</u>	\$ <u>7,482,675</u>

The investment at Baton Rouge Area Foundation (BRAAF) represents a pool of funds held by BRAAF for the benefit of the Foundation and other non-profit organizations. These funds are valued at the fair value of the underlying securities which are primarily determined from closing prices reported on the active market.

A summary of the changes in the fair value of Level 3 measurements follows:

Balance at January 1, 2009	\$	2,578
Gains (Losses)		36
Purchases, Sales, Issuances and Settlements, Net		302
Balance at December 31, 2009	\$	<u> 2,916</u>

Note 5 – Property and Equipment

Property and equipment as of December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Office Furniture and Equipment	\$ 24,735	\$ 24,033
Less: Accumulated Depreciation	<u>9,634</u>	<u>5,968</u>
	<u>\$ 15,101</u>	<u>\$ 18,065</u>
Depreciation Expense	<u>\$ 3,666</u>	<u>\$ 3,342</u>

Note 6 – Amounts Held on Behalf of Others

Amounts held on behalf of others represent pass-through transactions that are transfers of assets from resource providers (contributors) to intermediary not-for-profit organizations that act as agents for resource providers by transferring those assets to specified third-party recipients. When contributors, acting in other than an advisory capacity, designate specific beneficiaries, NCF has no discretion in distributing those assets. Consequently, the transactions only pass through NCF in route to the specified beneficiary.

Additionally, endowment funds of NCF set up by non-profit organizations for their own benefit are also amounts held on behalf of others. That is, NCF is acting as a trustee on behalf of the non-profit organization.

These transactions for the year ended December 31, 2009 and 2008 are scheduled as follows:

	<u>2009</u>	<u>2008</u>
Balance - beginning of year	\$ 7,298,550	\$ -
Transfer of liabilities from Baton Rouge Area Foundation	-	8,838,972
Amounts received on behalf of others	<u>77,775</u>	<u>157,518</u>
	<u>7,376,325</u>	<u>8,996,490</u>
Net Earnings (Losses) allocated to agency accounts	893,942	(1,634,812)
Less: administrative assessment	<u>(56,587)</u>	<u>(63,128)</u>
Net Earnings (Losses) allocated to agency accounts	<u>837,355</u>	<u>(1,697,940)</u>
Balance - end of year	<u>\$ 8,213,680</u>	<u>\$ 7,298,550</u>

Note 7 – Net Assets

Included in NCF's unrestricted net assets are approximately \$681,605 and \$511,050 of donor advised funds as of December 31, 2009 and 2008, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion as to the use of the funds lies with the Board of Directors.

NCF's temporarily restricted net assets consist of funds available for grant recipients as designated by donors. In 2009 and 2008, \$363,843 and \$381,571, respectively, of net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Permanently restricted net assets include donations that the donor intended to remain in perpetuity. Income derived from these assets is reported as unrestricted unless the donor has imposed a purpose restriction.

Note 8 – Endowment Net Assets

Since NCF is incorporated in the State of Louisiana which has not adopted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as of December 31, 2009, NCF follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted is spendable under UMIFA. NCF's donors have not limited the use of investment income or net appreciation resulting from the donor-restricted endowment funds.

Under the terms of the individual fund agreements, NCF has the ability to distribute so much of the original principal of any gift, devise, bequest, or fund as the Board of Directors in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

As a participant in BRAF's investment pools, NCF follows BRAF's investment policies and objectives. The primary long-term objectives are to maximize returns without exposure to undue risk, long-term appreciation of the assets, and consistency of total return on the portfolio. Diversification of assets is employed to ensure that adverse results from one asset class will not have an unduly detrimental effect on total returns. Diversification is interpreted to include diversification by type and by number of investments, as well as by the hiring of managers that employ different management styles. BRAF's current portfolio places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. The current long-term objective for endowment funds is to provide a total return, including interest, dividends and capital appreciation (realized and unrealized) exceeding the annual increase in the Consumer Price Index by a minimum of 5%, net of investment expenses. Actual returns in any given year will fluctuate from this amount.

Note 8 – Endowment Net Assets (Continued)

NCF’s spending policy is discussed in Note 2. Over the long-term, BRAF expects the current spending policy to allow endowment assets to grow at an average rate of the annual increase in the Consumer Price Index. This is consistent with BRAF’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

NCF’s net assets include 5 individual funds established for a variety of purposes that function as endowments. Endowment net asset composition by type of fund as of December 31, 2009 and 2008 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
<u>December 31, 2008</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 334,470	\$ 334,470
Board-designated endowment funds	38,881	-	-	38,881
	<u>38,881</u>	<u>-</u>	<u>334,470</u>	<u>373,351</u>
Reclass endowment funds losses	-	-	20,722	20,722
	<u>\$ 38,881</u>	<u>\$ -</u>	<u>\$ 355,192</u>	<u>\$ 394,073</u>
 <u>December 31, 2009</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 358,584	\$ 358,584
Board-designated endowment funds	58,891	-	-	58,891
	<u>58,891</u>	<u>-</u>	<u>358,584</u>	<u>417,475</u>
Reclass endowment funds losses	-	-	4,666	4,666
	<u>\$ 58,891</u>	<u>\$ -</u>	<u>\$ 363,250</u>	<u>\$ 422,141</u>

Note 8 – Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended December 31, 2009 and 2008 were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
<u>2008</u>				
Endowment net assets - beginning of year (transferred from BRAF)	\$ 22,820	\$ -	\$ 216,952	\$ 239,772
Contributions	22,500	-	164,549	187,049
Investment income	798	-	5,167	5,965
Net appreciation (depreciation)	(7,237)	-	(44,583)	(51,820)
Amounts appropriated for expenditure	-	-	(7,615)	(7,615)
	<u>38,881</u>	<u>-</u>	<u>334,470</u>	<u>373,351</u>
Reclass endowment funds losses	-	-	20,722	20,722
Endowment net assets - end of year	<u>\$ 38,881</u>	<u>\$ -</u>	<u>\$ 355,192</u>	<u>\$ 394,073</u>
<u>2009</u>				
Endowment net assets - beginning of year	\$ 38,881	\$ -	\$ 334,470	\$ 373,351
Contributions	12,500	-	8,058	20,558
Investment income	883	-	2,927	3,810
Net appreciation (depreciation)	6,627	-	17,259	23,886
Amounts appropriated for expenditure	-	-	(4,130)	(4,130)
	<u>58,891</u>	<u>-</u>	<u>358,584</u>	<u>417,475</u>
Reclass endowment funds losses	-	-	4,666	4,666
Endowment net assets - end of year	<u>\$ 58,891</u>	<u>\$ -</u>	<u>\$ 363,250</u>	<u>\$ 422,141</u>

Note 9 – Leases – Lessee

NCF leased office space under a rental agreement classified as an operating lease. The lease began on January 1, 2007 and extended for a period of 36 months with two renewal options for a period of two years each. Rent expense reported for this lease was \$22,000 and \$24,000 for 2009 and 2008, respectively. This lease expired on December 31, 2009 and was not renewed.

Additional office space was also leased under an agreement classified as an operating lease. This lease began on May 15, 2008 and extended for a period of 20 months. Rent expense reported for this lease was \$23,555 and \$18,201 for 2009 and 2008, respectively. This lease also expired on December 31, 2009 and was not renewed.

Note 9 – Leases – Lessee (Continued)

On January 2, 2010, the Foundation moved into new office space. A lease agreement for this space has not been finalized, but the terms are expected to be for a period of 24 months with an annual rent of \$28,692.

Note 10 – Concentrations of Credit Risk

NCF deposits its cash in a national financial institution and at times the account balance may exceed the federally insured limit. At December 31, 2009 and 2008, the Foundation's cash balances did not exceed the federally insured limit.

Note 11 – Related Parties

NCF utilizes facilities and personnel of the Baton Rouge Area Foundation for administrative assistance. NCF paid an administrative assessment of \$32,072 and \$34,620 to BRAF for these services during 2009 and 2008, respectively. BRAF was owed \$8,694 and \$7,938 as of December 31, 2009 and 2008, respectively.

Note 12 – Commitments

As of December 31, 2009 and 2008, NCF was committed to the payment of certain grants as follows, contingent upon the fulfillment of certain criteria by the potential grant recipient:

	<u>2009</u>	<u>2008</u>
Fund for Bogalusa Scholarships	\$ 32,000	\$ 18,000
Mill Town Players Scholarships	1,000	3,000
	<u>\$ 33,000</u>	<u>\$ 21,000</u>

Note 13 – Subsequent Events

The spending policy set by the Board of Directors for 2010 is 1.25% per quarter.

The 2010 session of the Louisiana State Legislature passed and the governor has signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This act addresses the management of donor-restricted endowment funds. The effect, if any, on the Foundation as a result of the implementation of UPMIFA has not been determined.

The management of NCF evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through July 12, 2010, the date which the financial statements were available to be issued.