NORTHSHORE COMMUNITY FOUNDATION

COVINGTON, LOUISIANA

DECEMBER 31, 2017

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Audited Financial Statements:

Hannis T. Bourgeois
CPAs + Business Advisors

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Independent Auditor's Report

To the Board of Directors
Northshore Community Foundation
Covington, Louisiana

We have audited the accompanying financial statements of Northshore Community Foundation (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2017, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audit. 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 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 Northshore Community Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Northshore Community Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully submitted,

Harris T. Bourgeois, LLP

Baton Rouge, Louisiana
September 12, 2018

NORTHSHORE COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

As of December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 148,228	$ 95,224
Accounts receivable	-	326,955
Investments, at fair value	21,965,822	16,862,609
Property and equipment, net	1,352,908	1,384,528
Real estate held for sale	805,860	-
Contribution receivable - CEA land lease, net	439,036	463,427
Notes receivable	10,000	15,000
Deposits and other assets	5,198	31,017
Total assets	$ 24,727,052	$ 19,178,760
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 94,700	$ 592,716
Amounts held on behalf of others	14,309,659	12,884,230
Deposits	4,583	-
Deferred revenue	14,035	23,540
Total liabilities	14,422,977	13,500,486
NET ASSETS:		
Unrestricted:		
Undesignated	6,044,103	3,095,386
Board designated	90,787	83,295
Total unrestricted	6,134,890	3,178,681
Temporarily restricted	3,868,343	2,209,595
Permanently restricted	300,842	289,998
Total net assets	10,304,075	5,678,274
Total liabilities and net assets	$ 24,727,052	$ 19,178,760

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2017
(With Comparative Totals for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT:					
Contributions	$ 4,198,988	$ 3,380,923	$ 10,844	$ 7,590,755	$ 3,160,577
Program service fees	-	22,151	-	22,151	52,681
Support from Baton Rouge Area Foundation	125,000	-	-	125,000	335,000
Earnings on investments and cash balances	277,249	44,502	-	321,751	174,879
Total revenue	4,601,237	3,447,576	10,844	8,059,657	3,723,137
Net assets released from restrictions	1,788,828	(1,788,828)	-	-	-
Total revenue and reclassifications	6,390,065	1,658,748	10,844	8,059,657	3,723,137
EXPENSES:					
Program:					
Grants	2,471,001	-	-	2,471,001	2,342,146
Other program expenses	495,767	-	-	495,767	580,315
Total program	2,966,768	-	-	2,966,768	2,922,461
Management and general	231,685	-	-	231,685	224,373
Fundraising	235,403	-	-	235,403	258,335
Total expenses	3,433,856	-	-	3,433,856	3,405,169
CHANGE IN NET ASSETS	2,956,209	1,658,748	10,844	4,625,801	317,968
Net assets - beginning of year	3,178,681	2,209,595	289,998	5,678,274	5,360,306
Net assets - end of year	$ 6,134,890	$ 3,868,343	$ 300,842	$10,304,075	$ 5,678,274

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

For the Year ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 4,625,801	$ 317,968
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	63,675	44,868
Contribution of stock and other investments	(1,412,348)	(109,820)
Decrease (increase) in accounts receivable	326,955	(251,786)
Decrease (increase) in deposits and other assets	25,819	(29,309)
Increase (decrease) in accounts payable	(498,016)	538,453
Increase in amounts held on behalf of others	1,425,429	696,422
Increase (decrease) in deferred revenue and deposits	(4,922)	23,540
Share appreciation in investment pools held by Baton Rouge Area Foundation	(1,797,833)	(782,237)
Net (gains) losses on investments	(3,803)	(26,068)
Other increases in long-term investments:		
Cash contributions to endowments	(10,844)	(18,971)
Net cash provided by operating activities	2,739,913	403,060
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(7,664)	(1,392,078)
Construction-in-progress	-	150
Proceeds from sale of stock and partnership interests	318,187	67,430
Payments received on notes receivable	5,000	80,000
Investment pools held by Baton Rouge Area Foundation:		
Additional investments	(6,658,963)	(3,509,676)
Distributions	3,645,687	4,360,633
Net cash used in investing activities	(2,697,753)	(393,541)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions to endowments	10,844	18,971
Net cash provided by financing activities	10,844	18,971
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	53,004	28,490
Cash and cash equivalents - beginning of year	95,224	66,734
Cash and cash equivalents - end of year	$ 148,228	$ 95,224

The accompanying notes are an integral part of this statement.

NORTHSHORE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 - Summary of Significant Accounting Policies and Nature of Activities

Organization and nature of activities

Northshore Community Foundation (NCF or the Foundation) 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 (BRAF) 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 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 BRAF. 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 BRAF for NCF were transferred to NCF as a separate and stand-alone entity on January 1, 2008. In addition to annual support, BRAF continues to provide significant administrative and advisory services to NCF.

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.

Contributions and expenses

Contributions received and unconditional promises to give are measured at their fair values and 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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, and the estimated useful live for the building is forty years.

Investments

NCF participates in the investment pools managed by Baton Rouge Area Foundation. The BRAF pools are currently managed by two investment advisors that are authorized to allocate the portion of the investment portfolio under their control within policy guidelines between equity, fixed income and cash, and alternative assets. These advisors select the various investment managers needed to accomplish the investment objectives that provide funding for current grant

Note 1 - Summary of Significant Accounting Policies (Continued)

commitments, as well as providing income to fund future grant requests and to meet the operating needs of the Foundation. 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 2017 and 2016, the contribution rate was 12.5%. Contributions of $24,718 and $21,412 were made to the plan for the years ended December 31, 2017 and 2016.

Other employee benefit plan

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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. With few exceptions, NCF is no longer subject to federal tax examinations by tax authorities for years before 2014. Any interest and penalties assessed by income taxing authorities are not significant and would be included in general and administrative expenses in these financial statements, as applicable.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, NCF may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2017.

Real estate investment held for sale

Various tracts of land were donated to NCF during 2017 (with an estimated value of $805,860) and were classified as real estate held for sale as of December 31, 2017 in these financial statements. There were no real estate investments held for sale at December 31, 2016.

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 1.25% for 2017 and 2016 and is subject to change in the future at the discretion of the Board of Directors.

Note 3 - Investments

Investments held by NCF at December 31, 2017 and 2016 are presented below:

	2017	2016
BRAF Investment Pools:		
Portfolio	$ 17,603,246	$ 14,210,053
Money market	3,512,178	2,365,882
Venture Capital	437,404	165,784
	21,552,828	16,741,719
Stocks held for sale	48,994	120,890
Office condominium	364,000	-
	$ 21,965,822	$ 16,862,609

Changes in the BRAF investment pools for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Balance, Beginning of Year	$ 16,741,719	$ 16,810,439
Additional amounts invested in the fund	6,658,963	3,509,676
Share of appreciation (reduction) of the fund	1,797,833	782,237
Distributions received	(3,645,687)	(4,360,633)
Balance, End of Year	$ 21,552,828	$ 16,741,719

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

	2017	2016
Interest, dividends and other income from investments	$ 434,887	$ 285,614
Net realized and unrealized gains (losses)	1,469,261	561,447
	1,904,148	847,061
Less trust and investment fees	(58,220)	(41,716)
	1,845,928	805,345
Less earnings, losses and fees allocated to agency accounts	1,524,177	630,466
	$ 321,751	$ 174,879

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 can 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.

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, 2017 and 2016 which are measured on a recurring basis:

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Baton Rouge Area Foundation				
Investment Pools	$ -	$ 21,552,828	$ -	$ 21,552,828
Stocks held for sale	48,994	-	-	48,994
	$ 48,994	$ 21,552,828	$ -	$ 21,601,822

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Baton Rouge Area Foundation				
Investment Pools	$ -	$ 16,741,719	$ -	$ 16,741,719
Stocks held for sale	120,890	-	-	120,890
	$ 120,890	$ 16,741,719	$ -	$ 16,862,609

The assets held by Baton Rouge Area Foundation in its investment pools have been valued, as a practical expedient, at the fair value of NCF's share of BRAF's investment pool as of the measurement date, utilizing valuations provided by the investment funds. BRAF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of BRAF, which include private placements and other securities for which prices are not readily available, are determined by the management of BRAF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair value values may differ significantly from the values

Note 4 – Fair Value Measurements (Continued)

that would have been used had a ready market existed for these investments. BRAF's investments are composed of approximately 15 percent cash and cash equivalents, 7 percent fixed income, 21 percent US equity mutual funds, 14 percent non-US equity mutual funds, 17 percent fixed income mutual funds, 4 percent other mutual funds, and 22 percent alternative investments including hedge funds, real estate, venture capital funds, and private equity funds. The assets held by Baton Rouge Area Foundation in its investment pools are redeemable by NCF upon request and is therefore considered a Level 2 fair value measurement.

Other investments held by NCF may include investments in securities with readily determinable fair values including common and preferred stocks, mutual funds, U. S. government bonds, and U. S. Treasury notes that are recorded at fair value based on quoted market prices. For those investments where quoted prices are unavailable (Level 2), management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data. For investments (Level 3) where quoted prices are often unavailable, and pricing inputs are generally unobservable, NCF relies on the valuation procedures and methodologies used by external parties hired specifically to value such assets.

The methods used to measure fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 – Property and Equipment

Property and equipment as of December 31, 2017 and 2016 consists of the following:

	2017	2016
Building	$ 1,379,422	$ 1,378,764
Office Furniture and Equipment	52,889	45,883
	1,432,311	1,424,647
Less: Accumulated Depreciation	(79,403)	(40,119)
	$ 1,352,908	$ 1,384,528
Depreciation Expense	$ 39,284	$ 20,477

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 years ended December 31, 2017 and 2016 are scheduled as follows:

	2017	2016
Balance - beginning of year	$ 12,884,230	$ 12,187,808
Amounts received on behalf of others	10,027	276,314
	12,894,257	12,464,122
Net Earnings (Losses) allocated to agency accounts	1,586,631	692,304
Less: administrative assessment	(62,453)	(61,838)
Net Earnings (Losses) allocated to agency accounts	1,524,178	630,466
Amounts remitted to others	(108,776)	(210,358)
Balance - end of year	$ 14,309,659	$ 12,884,230

Note 7 – Net Assets

Included in NCF's unrestricted net assets are $4,772,315 and $2,143,399 of donor advised funds as of December 31, 2017 and 2016, 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 restricted by donors. In 2017 and 2016, $1,788,828 and $2,145,975, 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 temporarily restricted until appropriated for expenditure.

Note 8 – Endowment Net Assets

NCF follows the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) adopted by the State of Louisiana. This law provides standards to establish investment policies in a prudent manner by establishing a duty to minimize cost, diversify the investments, investigate facts relevant to the investment of the fund, consider tax consequences of investment decisions and to ensure that investment decision be made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the organization. Prior to the adoption of UPMIFA, NCF followed the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA required the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation of a donor-restricted endowment fund 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. With the adoption of UPMIFA, the Foundation is permitted to accumulate for expenditure so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established, thereby eliminating the restriction that a fund could not be spent below its historical dollar value. Seven criteria are to be used to guide the Foundation in its yearly expenditure decisions:

(1) duration and preservation of the endowment funds
(2) the purposes of the Foundation and the endowment funds
(3) general economic conditions
(4) effect of inflation or deflation
(5) the expected total return from income and the appreciation of investments
(6) other resources of the Foundation
(7) the investment policy of the Foundation

Under the terms of the individual fund agreements, NCF can 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. Because 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 3%, net of investment expenses.

Note 8 – Endowment Net Assets (Continued)

Actual returns in any given year will fluctuate from this amount.

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, 2017 and 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
December 31, 2016				
Donor-restricted endowment funds	$ -	$ -	$ 289,998	$ 289,998
Board-designated endowment funds	83,295	126,279	-	209,574
	$ 83,295	$ 126,279	$ 289,998	$ 499,572
December 31, 2017				
Donor-restricted endowment funds	$ -	$ -	$ 300,482	$ 300,482
Board-designated endowment funds	90,787	-	-	90,787
	$ 90,787	$ -	$ 300,482	$ 391,269

Changes in endowment net assets for the years ended December 31, 2017 and 2016 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
2016				
Endowment net assets - beginning of year	$ 77,099	$ 126,279	$ 271,027	$ 474,405
Contributions	1,700	-	18,971	20,671
Investment income	1,602	255	-	1,857
Net appreciation (depreciation)	3,114	7	-	3,121
Amounts appropriated for expenditure from investment earnings	(220)	(262)	-	(482)
Endowment net assets - end of year	$ 83,295	$ 126,279	$ 289,998	$ 499,572

Note 8 – Endowment Net Assets (Continued)

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets - beginning of year	$ 83,295	$ 126,279	$ 289,998	$ 499,572
Contributions	5,000	-	10,844	15,844
Investment income	2,095	-	-	2,095
Net appreciation (depreciation)	8,349	-	-	8,349
Amounts appropriated for expenditure from investment earnings	(7,952)	-	-	(7,952)
Other transfers at donor's request	-	(126,279)	-	(126,279)
Endowment net assets - end of year	$ 90,787	$ -	$ 300,842	$ 391,629

Note 9 – Other Program Expenses

NCF's other program expenses for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Grantmaking	$ 192,393	$ 119,619
Project Expenses:		
Hurricane Harvey Relief	129,756	-
St. Tammany Parish Justice and Mental Health Support Initiative	35,999	-
ACCESS/Sweet Soiree/BOO Fest	24,654	30,823
Family Promise Model	22,150	54,183
Grant's Gift Awards	19,654	-
Basketball Court Renovations	18,640	-
FIRST Program	13,570	-
YEA Northshore	13,006	22,758
We Lift You Up	-	197,101
Vision and Branding Project	-	75,500
Public Art for Covington	-	6,387
Others	25,945	73,944
	$ 495,767	$ 580,315

Note 10 – Leases – Lessee

St. Tammany Parish Government

In May 2015, NCF entered a cooperative endeavor agreement (Lease of Justice Center Property) with the St. Tammany Parish Government (STPG) to lease, develop and use the Justice Center property in accordance with the "West 30's Neighborhood Revitalization Plan" by constructing an office building and conference center (the "Coatney Conference Center") to provide administrative, conference and training facilities for non-profit organizations.

The initial term of the lease is 20 years, and there are renewal options that can extend the lease for a total of ninety-nine years. In connection with this agreement, NCF recorded a contribution receivable of $487,818, the estimated value of the land. The receivable is being amortized over the initial 20-year term of the lease as rent expense.

During the term, NCF shall have the sole and exclusive ownership of and right to depreciate the costs and expenses of construction of any buildings and improvements upon the property. On the last day of the entire term including all option periods, NCF will surrender the property to STPG. NCF began construction of the office building and conference center in December 2015, and it was completed and ready for occupancy in December 2016.

For the years ended December 31, 2017 and 2016, rent expense relating to the above-mentioned agreement was $24,391 each year. This amount will be recognized as an expense annually during the initial twenty-year term of the lease.

Note 11 – Leases - Lessor

Starting in 2017, NCF began subleasing office space to other non-profit organizations. These lease agreements are for a term of one year or less. Total rent income recognized during 2017 was $48,150 and is included in earnings on investments and cash balances in the statement of activities.

Note 12 – 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, 2017 and 2016, the Foundation's checking account balances did not exceed the federally insured limit.

In addition, as part of NCF's investment in BRAF's investment pool at December 31, 2017 and 2016, a portion was held in cash money market funds which are in excess of FDIC insurance limits. Amounts in excess of this limit are not insured or guaranteed by the FDIC.

Note 13 – Related Parties

NCF utilizes facilities and personnel of the Baton Rouge Area Foundation for administrative assistance. NCF paid an administrative assessment of $69,654 and $66,029 to BRAF for these services during 2017 and 2016, respectively. BRAF was owed $20,634 and $18,147 as of December 31, 2017 and 2016, respectively.

Note 14 – Commitments

As of December 31, 2017 and 2016, NCF was committed to the payment of certain grants as follows, contingent upon the fulfillment of certain criteria by the potential grant recipient:

	2017	2016
Fund for Bogalusa Scholarships	$ 90,000	$ 16,000
St. Tammany Cancer Fund Scholarships	86,000	15,000
Gene and Betty VanNorman Scholarship	12,500	-
Greg Zelden Foundation Fund	4,000	-
South Slidell Swimming Scholarship	-	2,000
Wilbert Reisig Scholarship for Parkinson's	-	1,500
	$ 192,500	$ 34,500

Note 15 – Notes Receivable

NCF received three $50,000 notes receivable from three donors. These notes were receivable over 10 years with an annual payment of $15,000 ($5,000 for each note), with a final original payment due December 31, 2023. These notes are non-interest bearing and management has determined imputed interest is not material to these financial statements. Two of the notes were paid in full during 2016. The maturity on the remaining note receivable is as follows:

Due in less than one year	$ 5,000
Due in one to five years	5,000
Due over five years	-
	$ 10,000

Note 16 –Subsequent Events

The spending policy set by the Board of Directors for 2018 is 1.25% per quarter.

The management of NCF evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 12, 2018, the date which the financial statements were available to be issued.