URBAN ALLIANCE

Employing Youth. Inspiring Excellence.

Financial Statements

For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

and
Report Thereon

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Urban Alliance Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Urban Alliance Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2012, 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.

Continued

Report on Summarized Comparative Information

We have previously audited the Foundation's 2011 financial statements, and in our report dated April 30, 2012, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa P.C.

Raffa, P.C.

Washington, DC
July 5, 2013

THE URBAN ALLIANCE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With Summarized Financial Information as of December 31, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	$ 1,043,628	$ 1,117,218
Grants and contributions receivable, net	727,659	490,361
Investments	1,173,163	1,114,625
Other assets	30,079	29,894
Property and equipment, net	116,902	119,957
TOTAL ASSETS	$ 3,091,431	$ 2,872,055
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 40,901	$ 24,123
Accrued expenses	74,650	51,821
Deferred rent	6,345	5,669
Capital lease obligation	53,025	36,780
Deferred revenue	486,070	442,258
TOTAL LIABILITIES	660,991	560,651
Net Assets		
Unrestricted		
Board-designated	1,100,000	1,100,000
Undesignated	990,727	787,484
Total Unrestricted	2,090,727	1,887,484
Temporarily restricted	339,713	423,920
TOTAL NET ASSETS	2,430,440	2,311,404
TOTAL LIABILITIES AND NET ASSETS	$ 3,091,431	$ 2,872,055

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE AND SUPPORT				
Grants and contributions	$ 1,765,666	$ 1,740,947	$ 3,506,613	$ 3,237,456
Donated facilities and services	198,213	-	198,213	313,723
Investment and other income	124,087	-	124,087	12,347
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,726,868	(1,726,868)	-	-
Satisfaction of time restrictions	98,286	(98,286)	-	-
TOTAL REVENUE AND SUPPORT	3,913,120	(84,207)	3,828,913	3,563,526
EXPENSES				
Program Services:				
High School Internship Program	2,342,193	-	2,342,193	1,753,521
Program Development	628,781	-	628,781	403,098
Youth programs	351,674	-	351,674	407,524
Total Program Services	3,322,648	-	3,322,648	2,564,143
Supporting Services:				
Management and general	124,510	-	124,510	249,704
Development and fundraising	262,719	-	262,719	195,887
Total Supporting Services	387,229	-	387,229	445,591
TOTAL EXPENSES	3,709,877	-	3,709,877	3,009,734
CHANGE IN NET ASSETS	203,243	(84,207)	119,036	553,792
NET ASSETS, BEGINNING OF YEAR	1,887,484	423,920	2,311,404	1,757,612
NET ASSETS, END OF YEAR	$ 2,090,727	$ 339,713	$ 2,430,440	$ 2,311,404

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 119,036	$ 553,792
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized loss on investments	6	-
Unrealized gains on investments	(41,443)	(1,926)
Depreciation and amortization	41,130	23,952
Changes in assets and liabilities:		
Grants and contributions receivable	(237,298)	28,022
Other assets	(185)	(2,490)
Accounts payable	16,778	1,522
Accrued expenses	22,829	40,470
Deferred rent	676	3,452
Deferred revenue	43,812	201,298
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(34,659)	848,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(167,101)	(1,112,699)
Sale of investments	150,000	-
Purchase of property and equipment	(10,075)	(77,706)
NET CASH USED IN INVESTING ACTIVITIES	(27,176)	(1,190,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(11,755)	(3,120)
NET CASH USED IN INVESTING ACTIVITIES	(11,755)	(3,120)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(73,590)	(345,433)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,117,218	1,462,651
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,043,628	$ 1,117,218
SUPPLEMENTAL CASH FLOW INFORMATION		
Equipment acquired under capital lease	$ 28,000	$ 32,100
Obligation incurred under capital lease	(28,000)	(32,100)
Net Cash Outlay	$ -	$ -

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

THE URBAN ALLIANCE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Program Services				Supporting Services				
	High School Internship Program	Program Development	Youth Programs	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	2012 Total	2011 Total
Staff salaries	$ 830,808	$ 122,929	$ 202,340	$ 1,156,077	$ 57,861	$ 175,998	$ 233,859	$ 1,389,936	$ 981,473
Program intern wages	812,185	-	51,412	863,597	-	-	-	863,597	819,694
Professional fees	73,462	450,413	16,170	540,045	12,659	4,555	17,214	557,259	538,390
Employee benefits	238,420	22,450	37,860	298,730	22,891	40,271	63,162	361,892	285,133
Occupancy	84,572	10,097	20,608	115,277	2,292	19,535	21,827	137,104	81,931
Student training	53,029	-	14	53,043	-	-	-	53,043	62,553
Telecommunications and utilities	35,869	3,193	6,077	45,139	716	5,727	6,443	51,582	47,329
Student activities	57,889	-	1,938	59,827	-	-	-	59,827	38,454
Accounting	17,665	4,742	2,652	25,059	2,539	1,981	4,520	29,579	37,268
Depreciation and amortization	25,967	6,971	3,899	36,837	1,380	2,913	4,293	41,130	23,952
Travel	61,125	635	1,481	63,241	2,142	814	2,956	66,197	18,584
Printing	7,952	553	1,488	9,993	451	5,289	5,740	15,733	10,435
Dues, fees and subscriptions	4,740	676	378	5,794	11,877	1,073	12,950	18,744	20,933
Insurance	8,602	2,309	1,292	12,203	457	965	1,422	13,625	6,751
Computer supplies	10,427	2,373	2,061	14,861	484	1,743	2,227	17,088	8,916
Meals and entertainment	4,783	188	75	5,046	6,517	241	6,758	11,804	8,508
Office supplies	10,851	642	1,513	13,006	163	1,234	1,397	14,403	7,691
Miscellaneous	183	4	77	264	1,935	54	1,989	2,253	7,418
Postage and delivery	3,518	567	317	4,402	138	310	448	4,850	3,896
Bank charges	146	39	22	207	8	16	24	231	425
TOTAL EXPENSES	$ 2,342,193	$ 628,781	$ 351,674	$ 3,322,648	$ 124,510	$ 262,719	$ 387,229	$ 3,709,877	$ 3,009,734

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Urban Alliance Foundation, Inc. (the Foundation) was incorporated on August 11, 1995, under the laws of the District of Columbia. The Foundation was originally founded and created by a small group of volunteers to provide the tools necessary for youth living in under-resourced Washington, DC neighborhoods to excel. The Foundation has expanded to serve youth in Washington, DC, Baltimore, Maryland and Chicago, Illinois. The Foundation mobilizes a variety of community resources to provide youth with otherwise unavailable educational and employment opportunities. Its mission is to empower under-resourced youth to aspire, work, and succeed through paid internships, formal training, and mentoring. These activities are funded primarily from businesses, corporations, nonprofit organizations and community members.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this method, revenue and support is recognized when earned and expenses are recorded when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Accounts Receivable

The Foundation uses the allowance method to record potentially uncollectible accounts receivable.

Investments

Investments consist of equity and fixed-income mutual funds, corporate bonds, certificates of deposit and money market funds. Investments are reported at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP) and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

> *Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
>
> *Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.
>
> *Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2012, the Foundation's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of the *Fair Value Measurements and Disclosures* topic of the FASB ASC.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. The Foundation capitalizes expenditures for property and equipment that are excess of $500 and that have useful lives of more than one year. Depreciation on computers, office equipment and licenses is provided for on a straight-line basis over the estimated useful lives of the assets, which range from two to five years. The cost of property and equipment retired or disposed of is removed from the accounts, along with the related accumulated depreciation and amortization, and any gain or loss is reflected in revenue and support or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Net Assets

The net assets of the Foundation are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Foundation's operations. Unrestricted assets are composed of amounts designated by the Board of Directors as an operating reserve, as well as undesignated assets

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

available for use. Board-designated net assets represent the operating reserves appropriated by the Foundation's Board of Directors. These funds are to be invested and held until such time as the Foundation deems them necessary to fund normal operations, should current funding sources fall short in a fiscal period. Any use of these funds for normal operations must be approved by the Board of Directors in advance.

- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

Revenue Recognition

Grants and contributions are considered available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted revenue and support. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Conditional promises to give are not included as grants and contributions until the conditions are substantially met.

Grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the awarding agency is included in grants and contributions receivable in the accompanying statement of financial position.

The Foundation receives sponsorships for students in its High School Internship Program. Revenue from the nonrefundable portion of the sponsorship is recorded and recognized in the year the internship commences, and the balance is recognized in the year internship ends. Amounts received in advance of the school year (internship period) are recorded as deferred revenue in the accompanying statement of financial position.

Donated Facilities and Services

The value of contributions that enhance a nonfinancial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. In-kind contributions consist of contributed professional services and facilities that benefit both program and supporting services.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct costs.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivable

Grants and contributions receivable include unconditional promises to give from foundations and individuals. As of December 31, 2012, grants and contributions receivable of $748,811 are expected to be received in less than one year. The Foundation has established an allowance of $21,152 for potentially uncollectible pledges and contributions.

During 2011, the Foundation received a temporarily restricted conditional grant from Venture Philanthropy Partners, Inc. (VPP) for $1,372,000 in support of the youth_CONNECT initiative, VPP's newly launched pioneering network of government, private philanthropy, nonprofit organizations, and evaluators to dramatically improve opportunities for low-income youth. The grant is contingent upon the Foundation securing matching funds equal to VPP's commitment for three years and the Foundation providing documentation of expenditures directly related to the youth_CONNECT initiative. For the year ended December 31, 2012, the Foundation raised approximately $410,000 toward the match and satisfied approximately $440,000 of the match and expenditure conditions, which is recorded in temporarily restricted revenue in the accompanying statement of activities. As of December 31, 2012, the Foundation projects to use $534,000 of the remaining balance, which is conditional upon satisfaction of a dollar-for-dollar matching requirement and the expenditure of funds directly related to the initiative.

During 2012, the Foundation received a temporarily restricted conditional grant from VPP for $2,800,000 to strengthen the Foundation's organizational structure, to expand its operations into Northern Virginia, and to achieve the Foundation's strategic priorities for the next four years. The grant is contingent upon the Foundation's performance in achieving agreed-upon outcomes for the next four years. Accordingly, this conditional grant of $2,800,000 has not been reflected as receivable and revenue as of December 31, 2012 in the accompanying financial statements.

Continued

3. Investments

Investments are recorded at fair value and consist of the following at December 31, 2012:

Equity mutual funds	$ 452,682
Corporate bonds	250,110
Money market funds	166,584
Fixed-income mutual funds	154,192
Certificates of deposit	149,595
Total Investments	$ 1,173,163

The following is a summary of investment income for the year ended December 31, 2012:

Unrealized gains	$ 41,443
Interest and dividends	18,151
Realized loss	(6)
Total Investment Income	$ 59,588

$1,115 of the interest and dividends from cash and cash equivalents were included in the total interest and dividends above.

The following table summarizes the Foundation's assets measured at fair value on a recurring basis as of December 31, 2012:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds:				
World allocation	$ 190,731	$ 190,731	$ -	$ -
Large value	89,576	89,576	-	-
Large blend	87,985	87,985	-	-
Foreign large value	84,390	84,390	-	-
Total Equity Mutual Funds	452,682	452,682	-	-
Fixed-income mutual funds:				
Short-term bond funds	154,192	154,192	-	-
Total Mutual Funds	606,874	606,874	-	-
Corporate bonds	250,110	250,110	-	-
Money market funds	166,584	166,584	-	-
Certificate of deposit	149,595	-	149,595	-
Total	$ 1,173,163	$ 1,023,568	$ 149,595	$ -

3. Investments (continued)

The Foundation used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Equity and fixed-income mutual funds, corporate bonds and money market funds – Valued based on quoted prices available in active markets for identical assets. These investments are classified within Level 1 of the valuation hierarchy.

Certificates of deposit – Securities with fixed maturities, other than U.S. Treasury securities, generally do not trade on a daily basis. The fair value estimates of such fixed maturity investments are based on observable market information, rather than market quotes. Accordingly, the estimates of fair value for such fixed maturity investments, as provided by the pricing service, are classified within Level 2 of the valuation hierarchy.

4. Property and Equipment

Property and equipment consist of the following at December 31, 2012:

Software	$ 75,674
Equipment under capital leases	72,580
Computer and office equipment	67,970
Property and Equipment	216,224
Less: Accumulated Depreciation and Amortization	(99,322)
Property and Equipment, Net	$ 116,902

Depreciation and amortization expense totaled $41,130 for the year ended December 31, 2012.

5. Capital Leases

The Foundation has entered into lease agreements to finance certain equipment that expire at various dates during the next five years. The lease agreements have been classified as capital leases, which are generally accounted for as additions to property and equipment using lease financing.

Continued

5. Capital Leases (continued)

The present value of the future minimum lease payments is as follows as of December 31, 2012:

For the Year Ending December 31,	
2013	$ 16,942
2014	14,245
2015	13,341
2016	12,055
Subtotal	56,583
Less: Amount Representing Interest	(3,558)
Present Value of Net Minimum Lease Payments	53,025
Less: Current Portion	(14,700)
Long-Term Portion	$ 38,325

As of December 31, 2012, the cost of the equipment capitalized and the related accumulated depreciation totaled $72,580 and $17,649, respectively, and is included in property and equipment in the accompanying statement of financial position.

6. Temporarily Restricted Net Assets

Net assets were released from donor-imposed restrictions by incurring expenses that satisfied the restricted purposes. For the year ended December 31, 2012, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
High School Internship Program	$ 994,032
Program Development	456,895
Youth programs	213,192
Contract management, executive training and other	62,749
Total Purpose Restrictions	1,726,868
Satisfaction of time restrictions	98,286
Total Net Assets Released from Restrictions	$ 1,825,154

Continued

6. Temporarily Restricted Net Assets (continued)

As of December 31, 2012, temporarily restricted net assets are restricted for use in the following programs:

High School Internship Program	$ 199,211
Executive training and other	55,455
Time restrictions for the year ended December 31, 2013	45,047
Youth programs	40,000
Total Temporarily Restricted Net Assets	$ 339,713

7. Donated Facilities and Services

The Foundation records all donated facilities and services at fair market value at the date of donation. The value of the donated facilities and services is as follows for the year ended December 31, 2012:

Donated professional services	$ 140,263
Donated facilities – classrooms	36,100
Donated facilities – office space	21,850
Total In-Kind Donations	$ 198,213

8. Commitments and Contingencies

Office Lease

District of Columbia: The Foundation leased office space under a three-year noncancelable operating lease, which expired on June 23, 2012 and extended through October 24, 2012. In October 2012, the Foundation entered into a five-year license and service agreement, which is scheduled to expire on October 31, 2017. The license and service agreement may be terminated by the Foundation or by the licensor with 6 months written notice with no cause. Under the terms of the agreement, the licensing fee, which covers use of office space, utilities, maintenance, office cleaning, kitchen and bathroom supplies, security system, and internet access, escalates by the greater of 2% or the annual increase in the U.S. City Average Consumer Price Index. The office is owned by an LLC that is owned by a member of the Board of the Foundation and the payments made for the space are likely below fair market value and, therefore, an in-kind contribution from the Board member. However, management's estimates of the difference between fair market value and the amount being paid by the Foundation are not material to the financial statements and therefore, no in-kind rent contribution has been recorded for this agreement.

Continued

8. Commitments and Contingencies (continued)

Office Lease (continued

Baltimore: The Foundation leases office space under a three-year noncancelable operating lease, which is scheduled to expire on November 30, 2014. Under the terms of the lease, the rent escalates by 3% annually over the term of the lease. In addition, the landlord charges additional rent for common areas and building maintenance.

Chicago: The Foundation leases office space under a five-year operating lease, which is scheduled to expire on August 31, 2017. Under the terms of the lease, the rent escalates by 3% annually over the term of the lease. The Foundation also has an option to terminate the lease if the Foundation is not in default and in need of a larger space which the landlord is unable to provide under the terms and conditions of the lease. In addition, the landlord charges additional rent for common areas and building maintenance.

Under GAAP, scheduled rent increases over a lease term are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is recorded as deferred rent in the accompanying statement of financial position.

Future minimum lease payments, subject to increases based on operating expenses, real estate taxes and consumer price index adjustments, are as follows:

For the Year Ending December 31,	
2013	$ 267,920
2014	64,388
2015	50,554
2016	51,740
2017	34,750
Total	$ 469,352

Rent expense under the lease agreements totaled $137,104 for the year ended December 31, 2012.

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2012, the Foundation had approximately $295,000 composed of money market accounts (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2012) that exceeded the maximum limit insured by FDIC by approximately $45,000.

8. Commitments and Contingencies (continued)

<u>Concentration of Credit Risk (continued</u>

On January 1, 2013, as a result of the expiration of the temporary provision of The Dodd-Frank Act for unlimited deposit insurance coverage for noninterest-bearing transaction accounts, the balance exceeded the maximum limit insured by the FDIC by approximately $327,000. The Foundation monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

9. Related Parties

As discussed in Note 8, during the year ended December 31, 2012, the Foundation paid approximately $40,000 under a license and service agreement for rent, utilities maintenance, office cleaning and other occupancy fees to an LLC that is owned by a member of the Board of Directors of the Foundation.

10. Pension Plan

The Foundation maintains a defined contribution pension plan under Section 403(b) of the Internal Revenue Code (IRC) that covers substantially all of the Foundation's full-time employees. Employees may elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum amount permitted by law. The plan allows the Foundation to make a discretionary contribution to the plan. The Foundation did not make a contribution for the year ended December 31, 2012.

11. Income Taxes

Under IRC Section 501(c)(3), the Foundation is exempt from federal taxes on income other than net unrelated business income. No provision for income taxes is required as of December 31, 2012, as the Foundation had no taxable net unrelated business income.

The Foundation adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC topic 740 *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertain tax positions for the year ended December 31, 2012, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2012, the statute of limitations for tax years 2009 through 2011 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2012, the Foundation had no accrual for interest and/or penalties.

Continued

12. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

13. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 5, 2013, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition of, or disclosure in, these financial statements.