Consolidated Financial Statements and Report of Independent Certified Public Accountants

Make It Right Foundation and Subsidiaries

As of December 31, 2012 and 2011

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Report of Independent Certified Public Accountants

To the Board of Directors of
Make It Right Foundation:

We have audited the accompanying consolidated statements of financial position of **Make It Right Foundation** (the Foundation, a Delaware not-for-profit corporation) **and Subsidiaries** as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Make It Right Foundation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Raleigh, North Carolina
June 14, 2013

Consolidated statements of financial position

December 31	2012	2011
	$	$
Assets		
Cash and cash equivalents	3,375,978	3,860,051
Receivables:		
Pledged contributions and grants receivable, net	668,712	167,052
Accounts receivable	698,493	142,264
Mortgage receivables	3,802,626	4,007,054
Total receivables	5,169,831	4,316,370
Home construction:		
Building materials	235,263	403,084
Construction work in process	754,817	1,325,049
Land	565,241	615,584
Total home construction	1,555,321	2,343,717
Prepaid expenses	49,036	25,247
Other assets	55,409	36,593
Completed homes held for sale	2,129,864	947,005
Property and equipment, net	2,208,532	1,773,091
NMTC notes receivable	32,671,227	32,671,227
Bancroft notes receivable	1,530,000	-
Deferred financing costs, net	1,327,110	1,376,022
Investment in Bancroft	464,000	-
Total assets	50,536,308	47,349,323
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	815,058	582,782
Other liabilities	13,120	21,645
Deferred revenue	1,257,470	291,000
NMTC notes payable	42,122,266	42,122,266
Deferred leasing revenue	336,425	252,511
Other notes payable	150,000	525,000
Total liabilities	44,694,339	43,795,204
Net assets:		
Unrestricted	5,535,664	3,260,638
Temporarily restricted	306,305	293,481
Total net assets	5,841,969	3,554,119
Total liabilities and net assets	50,536,308	47,349,323

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

Consolidated statements of activities

For the year ended December 31, 2012	Unrestricted	Temporarily Restricted	Total
	$	$	$
Revenues, gains and other support:			
Contributions, gifts and grants	4,760,802	-	4,760,802
Fundraising income	3,527,298	-	3,527,298
Governmental grants	780,582	200,000	980,582
Sales to homeowners	1,475,000	-	1,475,000
NMTC participation revenue	351,587	-	351,587
Investment income	211,612	-	211,612
Tax credit revenue	643,944	-	643,944
Other income	170,336	18,478	188,814
Total revenues, gains and other support	11,921,161	218,478	12,139,639
Expenses:			
Fundraising expense	1,910,463	-	1,910,463
Management and general	308,178	-	308,178
Program expense	7,427,494	205,654	7,633,148
Total expenses	9,646,135	205,654	9,851,789
Change in net assets	2,275,026	12,824	2,287,850
Net assets, beginning of period	3,260,638	293,481	3,554,119
Net assets, end of period	5,535,664	306,305	5,841,969

Consolidated statements of activities (cont'd)

For the year ended December 31, 2011	Unrestricted	Temporarily Restricted	Total
	$	$	$
Revenues, gains and other support:			
Contributions, gifts and grants	2,051,809	153,179	2,204,988
Governmental grants	3,887,056	-	3,887,056
Sales to homeowners	3,603,000	-	3,603,000
NMTC participation revenue	1,391,800	-	1,391,800
Investment income	203,571	-	203,571
Tax credit revenue	213,225	-	213,225
Other income	80,759	-	80,759
Total revenues, gains and other support	11,431,220	153,179	11,584,399
Expenses:			
Fundraising expense	574,234	-	574,234
Management and general	319,769	-	319,769
Program expense	12,783,014	347,648	13,130,662
Total expenses	13,677,017	347,648	14,024,665
Change in net assets	(2,245,797)	(194,469)	(2,440,266)
Net assets, beginning of period	5,506,435	487,950	5,994,385
Net assets, end of period	3,260,638	293,481	3,554,119

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

Consolidated statements of cash flows

For the years ended December 31	2012	2011
	$	$
Cash flows from operating activities:		
Change in net assets	2,287,850	(2,440,266)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	322,962	272,355
Amortization of lease income	(25,249)	(3,343)
Contributions of building materials	(141,574)	(7,574)
Loss on sale of assets	44,208	1,341
Increase (decrease) in cash due to changes in:		
Pledged contributions and grants receivable	(501,660)	73,624
Accounts receivable	(556,229)	(11,110)
Mortgage receivables	204,428	(1,453,794)
Building materials	309,395	324,863
Land	50,343	(97,805)
Prepaid expenses	(23,789)	25,233
Construction work in process	570,232	3,303,721
Assets held for sale	(1,182,859)	(947,005)
Other assets	(18,816)	8,243
Accounts payable and accrued expenses	232,276	(402,772)
Deferred revenue	966,470	291,000
Deferred lease income	109,163	255,854
Other liabilities	(8,525)	(109,946)
Net cash provided by (used in) operating activities	2,638,626	(917,381)
Cash flows from investing activities:		
Purchase of property and equipment	(753,699)	(867,420)
Equity investment in Bancroft	(464,000)	-
Investment in notes receivable	(1,530,000)	-
Net cash used in investing activities	(2,747,699)	(867,420)
Cash flows from financing activities:		
Net cash used in financing activities - Payment on other notes payable	(375,000)	-
Net decrease in cash and cash equivalents	(484,073)	(1,784,801)
Cash and cash equivalents, beginning of year	3,860,051	5,644,852
Cash and cash equivalents, end of year	3,375,978	3,860,051
Supplemental cash flow disclosure - Cash paid for interest	295,374	319,690

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

Notes to consolidated financial statements

1 Organization and Basis of Accounting and Presentation

Organization and Purpose

Make It Right Foundation (the Foundation) was incorporated on August 15, 2007, as a Delaware not-for-profit corporation. The Foundation was formed in response to the remaining devastation of Hurricane Katrina. Its primary goal is to provide high-quality housing to families in need (a majority of whom earn modest incomes) and to improve the development of the communities in which they live. The organization's first project is to assist in the redevelopment of the city of New Orleans, in particular, the Lower 9th Ward. The mission is to be a catalyst for redevelopment of the Lower 9th Ward by building a neighborhood comprised of safe and healthy homes that are inspired by Cradle to Cradle^{SM} thinking, with an emphasis on a high-quality design, while preserving the spirit of the community's culture.

The Foundation achieves its purposes by (i) making available to the members of the community, at no cost to them, designs prepared by world-class architects for homes to be built in the community utilizing sustainable architecture; (ii) assisting the members of the community in rebuilding their homes using these designs by subsidizing the cost of construction by means of outright grants (in the form of payment of a portion of construction costs) or granting interest-free loans, the principal of which will be forgiven over a specified time period if the homeowner continues to own and use the house as his or her primary residence; (iii) providing homeownership counseling that will be made available to residents at no cost to assist them; and (iv) working closely with representatives of the appropriate local, state and federal government agencies in order to fit the Foundation's work, as nearly as possible, within the overall redevelopment plans for New Orleans. The Foundation works with local residents and community leaders to be responsive to their needs. The Foundation uses its best efforts to employ local workers during the construction process. Beyond providing sustainable housing, the goal is to develop an integrated community that serves as a catalyst to future growth and development. Any principal payments made to the Foundation on the loans to community residents are used by the Foundation to further its charitable purposes. The Foundation does not assist in the sale or purchase of homes for a profit.

In 2008, the Foundation set up two single member LLC subsidiaries for management of New Orleans operations and assets: Make It Right - New Orleans, LLC and Make It Right - New Orleans Housing, LLC. On March 18, 2009, the Foundation set up a single-purpose not-for-profit subsidiary, Make It Right NMTC, LLC to facilitate New Markets Tax Credit (NMTC) transactions. This entity was established through total capital contributions of $100, resulting in 99% ownership by the Foundation and 1% ownership by Cherokee Gives Back Foundation, a not-for-profit organization. A two member organization was necessary to qualify Make It Right NMTC, LLC as a disregarded entity, per NMTC requirements. Make It Right NMTC, LLC's sole purpose is to facilitate and expand the availability of affordable, sustainable housing in low income areas utilizing NMTC transactions.

On November 4, 2009, the Foundation set up a wholly-owned for-profit subsidiary, Make It Right-Solar, Inc. (Solar) in order to leverage tax credits to offset the cost of installing solar panels. Solar operates as a renewable energy development company working to facilitate solar photovoltaic system installations on Make It Right houses and in other low-income communities.

During 2010, the Foundation set up a single member not-for-profit LLC subsidiary, Make It Right – Newark, LLC to assist in the development of an affordable, multi-family housing project in Newark, New Jersey. The Foundation also began activity for another single member LLC subsidiary set up in the prior year, MIR Innovations, LLC, to further the charitable mission of the Foundation by exploring and, possibly capitalize upon, innovative ideas and technologies resulting from the Foundation's work in affordable green construction.

During 2012, the Foundation set up an additional single member not-for-profit LLC subsidiary, Make It Right-Kansas City, LLC to assist in the development and operation of Bancroft School Apartments located in Kansas City, Missouri.

The Foundation entered into an Operating Agreement with Bancroft School Partners, LLC (Bancroft) on April 16, 2012, whereby the Foundation agreed to assist in payment of developer fees associated with the project, for a 27% ownership in Bancroft. As of December 31, 2012 the Foundation had contributed $464,000 to Bancroft. In a 2012 amendment to the Operating Agreement, the Foundation agreed to make a second capital contribution totaling $588,696 to Bancroft, which had not been made as of December 31, 2012. The Foundation loaned funds to Bancroft to assist with construction and held two note receivables with Bancroft for $300,000 and $1,230,000 as of December 31, 2012. The $300,000 note is due and payable upon the earlier of 1) the full funding of the Foundation's second capital contribution or, 2) October 1, 2013. The $1,230,000 note is due and payable upon the earlier of 1) November 1, 2042, or 2) upon acceleration of the Note following an event of default under the loan agreement. Simple interest will accrue on the outstanding principal amount due under the $1,230,000 note at the rate of 1% per annum. The full balance remained outstanding on both Notes as of December 31, 2012.

The Foundation's subsidiaries are included in the accompanying consolidated financial statements. These subsidiaries are engaged primarily to support program activities.

The Foundation and its subsidiaries are collectively referred to herein as the Foundation.

Basis of Accounting and Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to specific donor-imposed stipulations are reported as unrestricted net assets. Donations made for the Foundation's stated purposes are considered unrestricted.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that have been, or will be, satisfied either by actions of the Foundation and/or the passage of time is reported as temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets subject to permanent donor-imposed stipulations that must be maintained by the Foundation are reported as permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same period as the contributions are received, are recorded as unrestricted support.

2 Significant Accounting Policies

The following significant accounting policies have been used in the preparation of the consolidated financial statements:

Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Foundation maintains its cash balances at three financial institutions. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. All of the Foundation's non-interest bearing cash balances are fully insured at December 31, 2012, due to a temporary federal program in effect from December 31, 2010, through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and the Company's non-interest bearing cash balances may again exceed federally insured limits.

The Foundation considers all highly liquid investments with a maturity of less than 90 days at time of purchase to be cash equivalents.

Land, Property and Equipment

Land, property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the respective assets of three-to-ten years. Maintenance, repairs and minor equipment purchases are expensed as incurred.

Building Materials

The Foundation records all building materials at actual cost or, if donated, at the estimated fair value at date of donation. Building materials consist of building materials and inside fixtures for construction of the homes. Once building materials are transferred from the warehouse and taken to the construction site, they are reclassified to construction work-in-process until the home is completed and sold.

Contributions and Gifts

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions also include grant revenue, which are funds received periodically from private and public sources as contributions.

Allowance for Uncollectible Pledges

An allowance for uncollectible pledges is established annually based on the estimated amount of uncollectible promises to give. As of December 31, 2012 and 2011, the Foundation had an allowance of $0 for estimated uncollectible pledges.

Sales to Homeowners

Revenue is recognized at the time of sale when construction of the home has been completed and is turned over to the homeowner. The Foundation offers three major types of loans, related to such sales to homeowners, as explained in Note 7.

Functional Allocation of Expenses

The costs of providing the various programs and activities of the Foundation have been summarized on a functional basis in the accompanying consolidated statements of activities and have been allocated among the programs and activities benefited.

Operating expenses are allocated to specific functions based on management estimates of time and resources devoted to those functions. The following functional expense classifications are included in these consolidated financial statements:

> **Fundraising Activities:** Includes costs associated with the activities related to publicizing and conducting fund-raising campaigns, events and conducting other activities involved with soliciting contributions from individuals, foundations, governments and others.
>
> **Program Expenses:** Includes costs associated with programs and outreach for the Foundation. The activities included in this area are those that result in goods and services being distributed to beneficiaries or consumed in activities that fulfill the purposes or mission for which the Foundation exists.
>
> **Management and General:** Includes costs associated with the overall direction of the Foundation. These expenses are not directly identifiable to a particular program, event or with fundraising, but are crucial to the continuance of those areas and are essential to the Foundation as a whole. The business functions included in this area are Foundation oversight, business management, financing, administrative activities and all management and administration, except for direct conduct of program services or fund-raising activities.

Deferred Financing Costs

The Foundation incurred costs associated with its New Market Tax Credit Transactions (Note 8) of $1,467,333 prior to 2011. This amount is amortized to expense by the straight-line method over the life of the related notes payable. Net deferred financing costs were $1,327,110 and $1,376,022 as of December 31, 2012 and 2011, respectively. Amortization expense for these costs totaled $48,912 and $48,911 for the years ended December 31, 2012 and 2011, respectively.

Deferred Revenue

The Foundation recorded deferred revenue in 2011 related to receipt of ticket sales for the 2012 Fundraising Gala that had not yet occurred as of December 31, 2011. The Foundation recognized this revenue in 2012 when earned, at the completion of the event. The Foundation recorded deferred revenue in 2012 related to the receipt of governmental funding from the Neighborhood Stabilization Program 2 (NSP2), related to the construction of homes that had not yet been sold as of December 31, 2012. Deferred revenue totaled $1,257,470 and $291,000 as of December 31, 2012 and 2011, respectively.

Deferred Leasing Revenue

The Foundation recorded deferred leasing revenue beginning in 2011 related to several new operating leases of solar panel equipment. The Foundation leased solar panel equipment to entities for the purpose of providing solar energy to low-income families living in New Orleans, Louisiana. The Foundation received half the total lease amount upon execution of the lease agreement and will receive the remaining half upon completion of construction. Approximately $109,000 and $256,000 of leasing revenue was deferred during the year ended December 31, 2012 and 2011, respectively. The Foundation will reduce this liability over the life of the lease as the revenue is earned, and had a balance of $336,425 remaining as of December 31, 2012.

Income Taxes

The Foundation received a determination letter from the Internal Revenue Service on November 5, 2007, that it qualified as an organization under Section 501(c)(3) and is exempt from payment of income taxes under the provisions of Internal Revenue Code Section 501(a), except for any unrelated business income. The Foundation had no significant unrelated business income for the years ended December 31, 2012 and 2011. Accordingly, no provision for income taxes has been made related to the not-for-profit entities.

Solar, a subsidiary of the Foundation and a taxable entity, files an income tax return for federal and state income tax purposes.

The Foundation records deferred income tax assets and liabilities for the temporary differences between financial statements and income tax bases of the Foundation's assets and liabilities using the enacted income tax rates in effect during the years in which the differences are expected to reverse. Valuation allowances are provided if based upon the weight of available evidence, it is more-likely-than-not that some or all of the deferred income tax assets will not be realized. Any difference between the tax benefit recognized in the financial statements and the tax benefit claimed in the tax return is referred to as an unrecognized tax benefit. No unrecognized tax benefits have been identified as of December 31, 2012.

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.

Reclassifications

Certain amounts from the prior year were reclassified to conform to the current year presentation. These reclassifications had no effect on net assets as previously reported.

Donated Services

The Foundation from time to time receives donated services from unpaid volunteers. Only donated services that require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. Volunteer services not meeting these criteria are not recorded in the consolidated financial statements.

3 Pledged Contributions Receivable

The Foundation has received contributions from various private and public sources to provide funding for its programs or to aid in its general operations.

For the year ended December 31, 2012, approximately 26%, 16%, and 11% of the Foundation's contributions and gifts recognized in the accompanying consolidated statement of activities were from three separate donors. For the year ended December 31, 2011, approximately 50% of the Foundation's contributions and gifts recognized in the accompanying consolidated statement of activities were from one donor.

4 Donated Services

The Foundation received $636,303 in hotel services donations for the Company's fundraising Gala in March 2012. The Foundation received in-kind donations of $45 and $3,401 for legal services and $41,509 and $104,942 for accounting services during the years ended December 31, 2012 and 2011, respectively. The Foundation received $270,704 and $7,574 in donated building materials and construction services during the years ended December 31, 2012 and 2011, respectively. The Foundation also received approximately $48,000 and $25,000 in donated architectural and other miscellaneous donations during the years ended December 31, 2012 and 2011, respectively.

5 Property and Equipment

Property and equipment at December 31, 2012 and 2011, consisted of the following:

	2012	2011
	$	$
Furniture and fixtures	323,808	404,258
Solar equipment	1,994,705	1,370,280
Buildings and structures	175,617	175,617
Computer software	86,591	86,591
Computer and telephone	126,714	128,106
Machinery and equipment	163,286	85,367
Leasehold improvements	67,272	24,869
Less – Accumulated depreciation	(729,461)	(501,997)
Property and equipment, net	2,208,532	1,773,091

Depreciation expense for the years ended December 31, 2012 and 2011, totaled $274,050 and $223,444, respectively.

6 Operating Lease

The Foundation leases certain computer equipment, construction machinery and office and warehouse space under operating leases. The office space lease commenced on June 1, 2008, and had a term of two years. This lease was renewed in 2010 to extend through May 2011. After that time, rental payments were fixed at $9,238 and paid on a month to month basis. The following is a schedule, by years, of the future minimum lease payments required under operating leases as of December 31, 2012:

	Amount
	$
2013	114,460
2014	84,850
Total lease payments	199,310

Rent expense under leases with escalating rental payments is recognized on the straight-line basis with deferred rent recorded for differences between amounts expensed and amounts paid. Rent expense related to the computer equipment and office and warehouse operating leases for the years ended December 31, 2012 and 2011, totaled $105,316 and $146,206, respectively. Additionally, the Foundation paid $204,115 and $220,715 in short-term construction machinery leases for the years ended December 31, 2012 and 2011, respectively.

7 Mortgage Receivables

The Foundation offers potential homeowners three major types of loans: 1) forgivable loans, 2) supplemental loans and 3) amortizing first mortgage loans.

The Foundation offers homebuyers down payment assistance via a forgivable soft second mortgage based on program eligibility. A forgivable loan is a soft second down-payment assistance loan funded with the Foundation's capital without any interest or principal payments and is forgiven over a five- or ten-year period. In the Foundation's program, participants may qualify for two types of forgivable loans: 1) bonus forgivable loan, equal to 20% of the original purchase price of the home, or 2) needs-based forgivable loan, equal to the gap between 85% of the homeowner's disaster recovery fund and the price of the home. The disaster recovery fund represents any funding received by the individual from insurance proceeds, settlements, judgments or other housing-related disaster recovery compensation paid because of damages to their property as a result of Hurricane Katrina. A bonus forgivable loan can vary between five or ten years based on the amount of the loan and the needs-based forgivable loan is forgiven in full after ten years of occupancy in the home.

A supplemental loan is available to participants who have received a commitment for disaster recovery funds not yet disbursed. This loan is available in two scenarios: 1) bridge loan which is a deferred loan with no interest and a five-year term that is available until the participant receives the disaster recovery funds, or 2) deferred payment note which is receivable in one lump sum at the earlier of the receipt of the disaster recovery funds or a 30-year term. Forgiveness of forgivable and supplemental loans is included in program expense in the accompanying consolidated statements of activities.

The Foundation provides amortizing first mortgages when a homebuyer cannot qualify for a conventional mortgage from a third party. Amortizing loans are similar to conventional mortgage loans. These loans are fixed rate, interest bearing 30-year notes. All amortizing loans issued during 2011 had a fixed rate of 5.75%, and all loans issued prior to 2011 had a fixed interest rate of either 6% or 5%. There were no amortizing loans issued during 2012. The Foundation reserves the right to increase or decrease the interest rate on new amortizing loans based on current market conditions.

The remaining sales price not funded with one of the aforementioned loans is recovered from the homeowner's funds. Sources for the homeowner's funds include disaster recovery funds, personal savings and external mortgage loans. These funds are verified and/or committed prior to the signing of the sales agreement and prior to construction of the home. These funds are held in trust by a third-party escrow agent until the construction of the house is completed and the closing has occurred. The amount of funds escrowed during construction is recorded as a homeowner receivable. Mortgage receivables at December 31, 2012 and 2011, consisted of the following:

	Forgivable	Supplemental	Amortizing	Total
	$	$	$	$
Balance at December 31, 2010	1,689,104	239,485	624,671	2,553,260
New loans	1,351,350	-	414,698	1,766,048
Payments	-	(15,000)	(35,797)	(50,797)
Forgiveness	(261,457)	-	-	(261,457)
Balance at December 31, 2011	2,778,997	224,485	1,003,572	4,007,054
New loans	175,000	-	-	175,000
Payments	-	-	(13,098)	(13,098)
Forgiveness	(366,330)	-	-	(366,330)
Balance at December 31, 2012	2,587,667	224,485	990,474	3,802,626

8 New Market Tax Credit Transaction

During 2009, the Foundation entered into several debt transactions in order to make additional funds available to it through the New Markets Tax Credit (NMTC) Program. As part of these transactions, the Foundation created a new entity named Make It Right NMTC, LLC (as described above in Note 1). The Foundation completed no new transactions during 2011 and one transaction during 2010 related to the NMTC programs. The NMTC Program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs). These designated CDEs must use substantially all (85%) of the proceeds to make Qualified Low-Income Community Investments (QLICIs). The investor is provided with a tax credit, which is claimed over a seven-year period. The credit is equal to 5% of the total amount paid for the capital investment over the first three years and 6% annually for the final four years.

Transaction 1:

On April 3, 2009, the Foundation loaned $9 million (Whitney Note) to Whitney New Markets Investor 3, LLC (the Fund). The Fund also received equity from a tax credit investor and then made a Qualified Equity Investment (QEI) in Gulf South Community Rebirth Fund V, LLC (the CDE), which is wholly owned by the Fund. CDE then made two loans in the amount of $2,682,266 (Note A) and $9 million (Note B) to the Foundation.

The Whitney Note requires interest to be paid quarterly to the Foundation at a rate of 0.5% per annum, commencing on June 30, 2009. The full amount of unpaid principal is required to be paid on April 2, 2039. As security, the Fund pledged its interest in the CDE.

Note A and Note B require interest to be paid quarterly by the Foundation at the rate of 1.5% and 0.5001% per annum, respectively, commencing on June 15, 2009. Both loans require that the full amount of unpaid principal be paid on the earlier of April 2, 2039, or an accelerated date based on the occurrence of any uncured event of default. As of December 31, 2012, the Foundation was not in default.

In connection with making the Whitney Note loan, the Foundation entered into an agreement with Whitney National Bank (WNB), owner of the Fund. This agreement allows WNB to put its interest in the Fund to the Foundation for a twelve-month period commencing on July 3, 2016. If WNB decides to exercise this put option, the Foundation will pay a purchase price of $268,227 plus any transfer taxes or closing costs. However, if the Foundation has complied with all terms of the loan agreements discussed above, the purchase price will be reduced to $1,000. In the event that the put is not exercised, the Foundation can exercise a call option during the following twelve-month period to purchase WNB's ownership interest in the Fund at an amount equal to the fair value of that ownership interest, as determined by an independent appraiser. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

Transaction 2:

On December 1, 2009, the Foundation borrowed $3,500,200 from Iberia Bank under a one-day note (Iberia Note 1). The Foundation then loaned $11,700,200 (Iberia Note 2) to Iberia Investment Fund I, LLC (Iberia), through four separate loans in the amounts of $951,616, $2,168,437, $5,850,100 and $2,730,047. Iberia also received equity from a tax credit investor and then made QEIs in AmCREF Fund III, LLC (AmCREF), Stonehenge Community Development XIX, LLC (Stonehenge) and Waveland Community Development IX, LLC (Waveland).

AmCREF made loans of $951,616 (Note A-1), $268,384 (Note B-1), $2,168,437 (Note A-2) and $611,563 (Note B-2) to the Foundation. Stonehenge made loans of $5,850,100 (Note A-3) and $1,649,900 (Note B-3) and Waveland made loans in the amounts of $2,730,047 (Note A-4) and $769,953 (Note B-4) to the Foundation.

Iberia Note 1 was repaid in December 2009. Iberia Note 2 requires interest to be paid quarterly to the Foundation at the rate of 0.5001% per annum, commencing on March 31, 2010. The full amount of unpaid principal is required to be paid on November 30, 2039. As security for these loans, Iberia pledged its interests in AmCREF, Stonehenge and Waveland.

Notes A-1, A-2, A-3 and A-4 require interest to be paid quarterly by the Foundation at a rate of 0.5% per annum, commencing on March 15, 2010. Notes B-1, B-2, B-3 and B-4 require interest to be paid quarterly at a rate of 1.5% per annum, commencing on March 15, 2010. For these notes, the full amount of unpaid principal is required to be paid on the earlier of November 30, 2039, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreements.

In connection with making the Iberia Note 2 loan, the Foundation entered into agreements with Iberia and American Community Renewable Energy Fund (ACRE), owners of AmCREF; Iberia and Stonehenge Community Development, LLC (SCD), owners of Stonehenge; and Iberia and Waveland Community Development, LLC (WCD), owners of Waveland. These agreements allow Iberia and ACRE, SCD and WCD, respectively, to put their interests in AmCREF, Stonehenge and Waveland, respectively, to the Foundation for a twelve-month period commencing on December 1, 2016. If Iberia and ACRE, SCD and WCD decide to exercise these put options, the Foundation will pay purchase prices totaling, $3,121,386, $5,851,433 and $2,731,380, respectively, plus any transfer taxes or closings costs.

In the event that the puts are not exercised for all of the above three agreements, the Foundation can exercise call options during the following twelve-month period to purchase the ownership interests in AmCREF, Stonehenge and Waveland, respectively, at an amount equal to the fair value of those ownership interests, as determined by an independent appraiser. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

Transaction 3:

On June 2, 2010, the Foundation loaned $11,971,027 to USB MIR Investment Fund, LLC (the USB Fund). The USB Fund then made Qualified Equity Investments (QEIs) in Stonehenge Community Development XX, LLC (Stonehenge CDE), Waveland Sub CDE VIII, LLC (Waveland CDE) and USBCDE Sub-CDE LXII, LLC (USB CDE) (collectively, the CDEs). Finally, the CDEs made loans to NOLA and Solar.

Stonehenge CDE made loans of $3,968,330 (Note A-5) and $1,031,670 (Note B-5) to Solar. USB CDE made loans in the amounts of $4,431,200 (Note A-6) and $1,508,800 (Note B-6) to NOLA and Waveland CDE made loans of $3,571,497 (Note A-7) and $928,503 (Note B-7) to NOLA. As part of these transactions, NOLA returned $8.6 million of capital to MIRF and MIRF made an $8.6 million capital contribution to NMTC, which was the money used to make loans to the USB Fund.

The loan between the Foundation and the USB Fund of $11,971,027 requires interest to be paid at the rate of 0.5% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on June 1, 2040. As security for this loan, the Fund pledged its interest in the CDEs.

Notes A-5, A-6 and A-7 require interest to be paid at a rate of 0.5001% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on the earlier of June 1, 2040, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreements.

Notes B-5 and B-7 require interest to be paid at a rate of 1.5989% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on the earlier of June 1, 2040, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreements.

Note B-6 requires interest to be paid at a rate of 0.5966% per annum quarterly, commencing on June 30, 2010. The full amount of unpaid principal is required to be paid on the earlier of June 1, 2040, or an accelerated date based on the occurrence of any uncured event of default, as defined in the agreement.

Also on June 2, 2010, the Foundation entered into an agreement with U.S. Bancorp Community Development Corporation (USB), owner of the USB Fund. This agreement allows USB to put its interest in the USB Fund to the Foundation for a 120-day period commencing June 2, 2017. If USB decides to exercise this put option, the Foundation will pay a purchase price totaling $1,000 plus any transfer taxes or closing costs. In the event that the put is not exercised, the Foundation can exercise a call option during the following 180-day period to purchase the ownership interests in USB CDE at an amount equal to the fair value of those ownership interests, as determined by an independent appraiser.

The Foundation has recorded the above loans receivable and payable in the financial statements of the Foundation at the face value of the notes, which is the amount of cash that was exchanged. The Foundation is recording any interest income and expense as incurred.

Substantially all of the Foundation's assets serve as collateral for the NMTC loans discussed above. Total interest expense on loans totaled $295,374 and $289,940 for the years ended December 31, 2012 and 2011, respectively. These expenses were classified as management and general in the accompanying consolidated statements of activities. Interest income on loans totaled $164,101 and $164,742, and was classified in investment income for the years ended December 31, 2012 and 2011, respectively.

On August 18, 2011, the Foundation entered into three participation fee agreements regarding state tax credits. These agreements were with the Foundation's NMTC lenders: Waveland, Stonehenge, and AmCREF. These agreements allow the Foundation to earn income on tax credits produced through the NMTC program when they are sold to other parties. As of December 31, 2012, the Foundation had earned and received income totaling approximately $352,000.

Notes payable and notes receivable at December 31, 2012 and 2011, consisted of the following:

Note	December 31, 2012	December 31, 2011	Maturity Date	Interest Rate
	$	$		
Note A	2,682,266	2,682,266	4/2/2039	1.50%
Note B	9,000,000	9,000,000	4/2/2039	0.5001%
Note A-1	951,616	951,616	11/30/2039	0.50%
Note B-1	268,384	268,384	11/30/2039	1.50%
Note A-2	2,168,437	2,168,437	11/30/2039	0.50%
Note B-2	611,563	611,563	11/30/2039	1.50%
Note A-3	5,850,100	5,850,100	11/30/2039	0.50%
Note B-3	1,649,900	1,649,900	11/30/2039	1.50%
Note A-4	2,730,047	2,730,047	11/30/2039	0.50%
Note B-4	769,953	769,953	11/30/2039	1.50%
Note A-5	3,968,330	3,968,330	6/1/2040	0.5001%
Note B-5	1,031,670	1,031,670	6/1/2040	1.5989%
Note A-6	4,431,200	4,431,200	6/1/2040	0.5001%
Note B-6	1,508,800	1,508,800	6/1/2040	0.5966%
Note A-7	3,571,497	3,571,497	6/1/2040	0.5001%
Note B-7	928,503	928,503	6/1/2040	1.5989%
Total notes payable	42,122,266	42,122,266		

Note	December 31, 2012	December 31, 2011	Maturity Date	Interest Rate
	$	$		
Whitney Note	9,000,000	9,000,000	4/2/2039	0.50%
Iberia Note 2	11,700,200	11,700,200	11/30/2039	0.5001%
USD MIR Investment Fund	11,971,027	11,971,027	11/30/2040	0.50%
Total notes receivable	32,671,227	32,671,227		

9 Other Notes Payable

The Foundation entered into a $50,000 note payable agreement during 2010, with $0 and $25,000 outstanding as of December 31, 2012 and 2011, respectively. This note has a 0% interest rate and was due on June 30, 2012. The Foundation obtained an additional $500,000 during 2009, through two unsecured $250,000 note payable agreements dated November 20, 2009, and December 3, 2009. One of these notes payable was with a related party. Both note payable agreements have 0% interest rates and were due in full at maturity on June 30, 2012, and December 3, 2012, respectively. The related party note was amended to extend the maturity date through December 3, 2013. The balance outstanding on this related party note was $150,000 and $250,000 as of December 31, 2012 and 2011, respectively. The balance outstanding on the other non-related party note was $0 and $250,000 as of December 31, 2012 and 2011, respectively. The Foundation's obligations under the notes payable agreements contain certain covenants, including delivery of audited financial statements, quarterly financial reports, written certification of compliance and a narrative report as to the use of the loan proceeds in the prior reporting period. The Foundation was in compliance with all covenants as of December 31, 2012 and 2011.

10 Income Taxes

The Foundation has deferred income taxes that reflect the net tax effect of temporary differences between the financial statement and the tax bases of assets and liabilities for Solar. The Foundation provided a full valuation allowance against its net deferred income tax assets as of December 31, 2012 and 2011, since realization of these benefits could not be reasonably assured. The tax effects of temporary differences that gave rise to deferred income tax assets and liabilities at December 31, 2012 and 2011, were as follows:

At December 31	2012	2011
	$	$
Deferred income tax assets:		
Net operating loss	582,838	543,032
Valuation allowance	(7,249)	(199,973)
Total deferred income tax assets	575,589	343,059
Deferred income tax liabilities:		
Property and equipment	(575,589)	(343,059)
Total deferred income tax liabilities	(575,589)	(343,059)
Net deferred income tax assets	-	-

As of December 31, 2012 and 2011, the Foundation has estimated federal net operating loss carryforwards of approximately $1.5 million and $1.4 million and state net operating loss carryforwards of approximately $1 million and $600,000, respectively. The federal and state carryforwards will begin to expire in 2029 and 2024, respectively.

11 Subsequent Events

The Foundation has evaluated subsequent events through June 14, 2013, which represents the date the financial statements were available to be issued.