Consolidated Financial Statements and Report of Independent Certified Public Accountants

Make It Right Foundation and Subsidiaries

As of December 31, 2013 and 2012

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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, 2013 and 2012, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Make It Right Foundation and Subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Raleigh, North Carolina
August 28, 2014

Consolidated statements of financial position

December 31	2013	2012
	$	$
Assets		
Cash and cash equivalents	1,792,836	3,375,978
Receivables:		
Pledged contributions and grants receivable, net	312,540	668,712
Accounts receivable	394,246	698,493
Mortgage receivables	3,322,245	3,802,626
Total receivables	4,029,031	5,169,831
Home construction:		
Building materials	182,640	235,263
Construction work in process	1,015,979	754,817
Land	749,145	565,241
Total home construction	1,947,764	1,555,321
Prepaid expenses	56,821	49,036
Other assets	25,379	55,409
Completed homes held for sale	1,463,908	2,129,864
Property and equipment, net	2,153,032	2,208,532
NMTC notes receivable	32,671,227	32,671,227
Bancroft notes receivable	1,230,000	1,530,000
Deferred financing costs, net	1,278,199	1,327,110
Investment in Bancroft	1,387,023	464,000
Total assets	48,035,220	50,536,308
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	1,833,859	815,058
Other liabilities	26,952	13,120
Deferred revenue	732,773	1,257,470
NMTC notes payable	42,122,266	42,122,266
Deferred leasing revenue	316,691	336,425
Other notes payable	150,000	150,000
Total liabilities	45,182,541	44,694,339
Net assets		
Unrestricted	2,709,991	5,535,664
Temporarily restricted	142,688	306,305
Total net assets	2,852,679	5,841,969
Total liabilities and net assets	48,035,220	50,536,308

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

Consolidated statements of activities and changes in net assets

For the year ended December 31, 2013	Unrestricted	Temporarily Restricted	Total
	$	$	$
Revenues, gains and other support			
Contributions, gifts and grants	3,577,050	150,000	3,727,050
Fundraising event income	168,500	-	168,500
Governmental grants	888,625	-	888,625
Sales to homeowners	2,130,000	-	2,130,000
Investment income	217,184	-	217,184
Tax credit revenue	184,661	-	184,661
Other income	509,390	-	509,390
	7,675,410	150,000	7,825,410
Net assets released from restrictions	313,617	(313,617)	-
Total revenues, gains and other support	7,989,027	(163,617)	7,825,410
Expenses			
Fundraising expense	417,059	-	417,059
Management and general	187,493	-	187,493
Program expense	10,210,148	-	10,210,148
Total expenses	10,814,700	-	10,814,700
Change in net assets	(2,825,673)	(163,617)	(2,989,290)
Net assets, beginning of period	5,535,664	306,305	5,841,969
Net assets, end of period	2,709,991	142,688	2,852,679

Consolidated statements of activities and changes in net assets (cont'd)

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 event 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
	11,921,161	218,478	12,139,639
Net assets released from restrictions	205,654	(205,654)	-
Total revenues, gains and other support	12,126,815	12,824	12,139,639
Expenses			
Fundraising expense	1,910,463	-	1,910,463
Management and general	308,178	-	308,178
Program expense	7,633,148	-	7,633,148
Total expenses	9,851,789	-	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

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

Consolidated statements of cash flows

For the years ended December 31	2013	2012
	$	$
Cash flows from operating activities		
Change in net assets	(2,989,290)	2,287,850
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	369,174	322,962
Amortization of lease income	(27,636)	(25,249)
Contributions of building materials	(638,763)	(141,574)
Loss on sale of property and equipment	44,822	44,208
Increase (decrease) in cash due to changes in:		
Pledged contributions and grants receivable	356,172	(501,660)
Accounts receivable	304,247	(556,229)
Mortgage receivables	480,381	204,428
Building materials	691,386	309,395
Land	(183,904)	50,343
Prepaid expenses	(7,785)	(23,789)
Construction work in process	(261,162)	570,232
Assets held for sale	665,956	(1,182,859)
Other assets	30,030	(18,816)
Accounts payable and accrued expenses	1,018,801	232,276
Deferred revenue	(524,697)	966,470
Deferred lease income	7,902	109,163
Other liabilities	13,832	(8,525)
Net cash (used in) provided by operating activities	(650,534)	2,638,626
Cash flows from investing activities		
Purchase of property and equipment	(309,585)	(753,699)
Equity investment in Bancroft	(923,023)	(464,000)
Redemption of (investment in) notes receivable	300,000	(1,530,000)
Net cash used in investing activities	(932,608)	(2,747,699)
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	(1,583,142)	(484,073)
Cash and cash equivalents, beginning of year	3,375,978	3,860,051
Cash and cash equivalents, end of year	1,792,836	3,375,978
Supplemental cash flow disclosure - Cash paid for interest	294,458	295,374

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 regarded 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 which was completed in 2013. 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, 2013 and December 31, 2012, the Foundation had contributed $923,023 and $464,000, respectively, to Bancroft. 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 was repaid during 2013 as a result of the full funding of the second capital contribution. 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 the $1,230,000 note receivable as of December 31, 2013.

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. The Company's non-interest bearing cash balances are insured at December 31, 2013, up to $250,000 per depositor at each financial institution.

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, Gifts and Grants

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, 2013 and 2012, the Foundation did not have an allowance 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 fundraising campaigns, events and conducting other activities involved with soliciting contributions from individuals, foundations, governments and others.

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 fundraising activities.

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.

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 $1,278,199 and $1,327,110 as of December 31, 2013 and 2012, respectively. Amortization expense for these costs totaled $48,912 for both the years ended December 31, 2013 and 2012.

Deferred Revenue

The Foundation recorded deferred revenue 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, 2013. Revenue is recognized at the time that the home is sold. Deferred revenue totaled $732,773 and $1,257,470 as of December 31, 2013 and 2012, 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 of leasing revenue was deferred during the year ended December 31, 2012. There was no leasing revenue that was deferred during the year ended December 31, 2013. The Foundation will reduce this liability over the life of the lease as the revenue is earned, and had a balance of $316,691 remaining as of December 31, 2013.

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, 2013 and 2012. 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, 2013.

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.

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.

Reclassifications

A certain amount from the prior year was reclassified to properly present the statement of activities and changes in net assets. This reclassification includes $205,654 reclassified from temporarily restricted program expense to net assets released from restrictions. This reclassification had no effect on total net assets as previously reported.

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, 2013, approximately 40%, 27%, 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, 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.

4 Donated Services

The Foundation received $636,303 in hospitality services donations for the Company's fundraising Gala in March 2012. There was no hotel service donation during the year ended December 31, 2013. The Foundation received in-kind donations of $44,329 and $45 for legal services and $3,183 and $41,509 for accounting services during the years ended December 31, 2013 and 2012, respectively. The Foundation received $250,000 in donated network and communication services during the year ended December 31, 2013. The Foundation received $654,393 and $270,704 in donated building materials and construction services during the years ended December 31, 2013 and 2012, respectively. The Foundation also received approximately $13,000 and $48,000 in donated architectural and other miscellaneous donations during the years ended December 31, 2013 and 2012, respectively.

5 Property and Equipment

Property and equipment at December 31, 2013 and 2012, consisted of the following:

	2013	2012
	$	$
Furniture and fixtures	323,808	323,808
Solar equipment	2,248,826	1,994,705
Buildings and structures	175,617	175,617
Computer software	86,591	86,591
Computer and telephone	134,458	126,714
Machinery and equipment	171,749	163,286
Leasehold improvements	31,019	67,272
Less - Accumulated depreciation	(1,019,036)	(729,461)
Property and equipment, net	2,153,032	2,208,532

Depreciation expense for the years ended December 31, 2013 and 2012, totaled $320,262 and $274,050, respectively.

6 Operating Lease

The Foundation leases certain computer equipment, construction machinery and office and warehouse space under operating leases. 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, 2013 and 2012, totaled $114,495 and $105,316, respectively. Additionally, the Foundation paid $56,508 and $204,115 in short-term construction machinery leases for the years ended December 31, 2013 and 2012, respectively. The following is a schedule, by years, of the future minimum lease payments required under operating leases as of December 31, 2013:

	Amount
	$
2014	84,850
Total lease payments	84,850

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 2013 or 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, 2013 and 2012, consisted of the following:

	Forgivable	Supplemental	Amortizing	Total
	$	$	$	$
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
New loans	123,917	-	-	123,917
Payments	-	-	(73,907)	(73,907)
Forgiveness	(470,391)	(60,000)	-	(530,391)
Balance at December 31, 2013	2,241,193	164,485	916,567	3,322,245

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, 2013, 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 $294,458 and $295,374 for the years ended December 31, 2013 and 2012, respectively. These expenses were classified as management and general in the accompanying consolidated statements of activities. Interest income on loans totaled $163,846 and $164,101, and was classified in investment income for the years ended December 31, 2013 and 2012, 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. The Foundation did not sell tax credit produced through the NMTC during 2013. As of December 31, 2012, the Foundation had earned and received income totaling approximately $352,000.

Notes payable and notes receivable at December 31, 2013 and 2012, consisted of the following:

Note	December 31, 2013	December 31, 2012	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, 2013	December 31, 2012	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 obtained entered into an unsecured $250,000 note payable agreements dated and December 3, 2009 with a related party. The note payable agreement has a 0% interest rate and was due in full at maturity on December 3, 2012. The note payable was amended to extend the maturity date through December 3, 2013. The note payable was amended to extend the maturity date through December 3, 2014. The balance outstanding on this related-party note was $150,000 as of December 31, 2013 and 2012. The Foundation's obligations under the notes payable agreement contains 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, 2013 and 2012.

The Foundation has guaranteed a revolving construction note payable obtained by its subsidiaries, Make It Right - New Orleans, LLC, and Make It Right - New Orleans Housing, LLC from Community Housing Capital, Inc. on September 25, 2013. The note payable agreement provides for a $1,300,000 collateralized loan for the construction of Make It Right homes. The note payable has a 6.50% interest rate and is due in full at maturity on September 25, 2015. Accrued interest on amounts drawn are due and payable on the 1st of the month following the initial draw and each month thereafter until principal amounts are repaid in full. The loan allows draws of up to 50% of construction costs for a specific home based on the approved budget of each home and supported by invoices of construction costs. The balance outstanding on this note was $0 as of December 31, 2013 and 2012. The balance of accrued interest on this note was $0 as of December 31, 2013 and 2012. The Foundation's obligations under the notes payable agreement contains 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, 2013.

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, 2013 and 2012, 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, 2013 and 2012, were as follows:

At December 31	2013	2012
	$	$
Deferred income tax assets		
Net operating loss	742,954	582,838
Valuation allowance	(243,846)	(7,249)
Total deferred income tax assets	499,108	575,589
Deferred income tax liabilities		
Property and equipment	(499,108)	(575,589)
Total deferred income tax liabilities	(499,108)	(575,589)
Net deferred income tax liabilities	-	-

As of December 31, 2013 and 2012, the Foundation has estimated federal net operating loss carryforwards of approximately $2.0 million and $1.5 million and state net operating loss carryforwards of approximately $1.4 million and $1.0 million, 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 August 28, 2014, which was the date these financial statements were available to be issued and determined that no significant events have occurred that require adjustments to the financial statements or disclosures, except as disclosed herein.