MIAMI FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Miami Foundation, Inc.
Miami, Florida

Report on the Financial Statements
We have audited the accompanying consolidated statements of financial position of Miami Foundation, Inc. a nonprofit organization (the "Foundation"), as of December 31, 2012 and 2011, and the related consolidated 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidated statements of functional expenses on pages 17 and 18 are presented for purposes of additional analysis and are not part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Verdeja & De Armas

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
June 13, 2013

MIAMI FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 11,473,541	$ 10,049,472
Accounts receivable, loans and prepaid expenses	66,136	167,927
Contributions receivable	3,931,124	3,956,774
Investments	149,750,494	137,351,452
Assets invested in furniture and equipment, net	174,280	135,137
Asset for pension benefit	-	5,369
TOTAL ASSETS	$ 165,395,575	$ 151,666,131
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable to beneficiaries	$ 722,500	$ 1,085,910
Accounts payable	222,009	30,027
Liability for pension benefit	180,908	-
Funds held in trust	16,689,985	13,856,672
Funds held as organization endowments	2,539,300	2,624,509
TOTAL LIABILITIES	20,354,702	17,597,118
NET ASSETS		
Unrestricted		
Available for administration	2,208,968	1,414,646
Unrestricted	138,956,356	128,641,393
TOTAL UNRESTRICTED NET ASSETS	141,165,324	130,056,039
Temporarily Restricted	3,875,549	4,012,974
TOTAL NET ASSETS	145,040,873	134,069,013
TOTAL LIABILITIES AND NET ASSETS	$ 165,395,575	$ 151,666,131

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

MIAMI FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS			
Contributions	$ 20,437,327	$ -	$ 20,437,327
Administration fees	2,152,503	-	2,152,503
Dividend and interest	3,563,552	-	3,563,552
Fundraising and other	1,553,228	-	1,553,228
Net unrealized and realized gains on long-term investments	7,851,170	-	7,851,170
Net assets released from restrictions:	137,425	(137,425)	-
TOTAL REVENUES AND GAINS	35,695,205	(137,425)	35,557,780
EXPENSES			
Grants and services to beneficiaries	13,952,712	-	13,952,712
Program services	7,248,065	-	7,248,065
Management and general	2,274,630	-	2,274,630
Fundraising	1,063,744	-	1,063,744
TOTAL EXPENSES	24,539,151	-	24,539,151
Pension and related changes other than net periodic pension cost	46,769	-	46,769
TOTAL EXPENSES AND PENSION PENSION RELATED CHANGES	24,585,920	-	24,585,920
CHANGES IN NET ASSETS	11,109,285	(137,425)	10,971,860
BEGINNING NET ASSETS	130,056,039	4,012,974	134,069,013
ENDING NET ASSETS	$ 141,165,324	$ 3,875,549	$ 145,040,873

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

MIAMI FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS			
Contributions	$ 23,400,068	$ 1,501,917	$ 24,901,985
Administration fees	2,479,766	-	2,479,766
Dividends and interest	2,864,960	-	2,864,960
Fundraising and other	1,656,426	-	1,656,426
Net unrealized and realized gains on long-term investments	(7,305,229)	-	(7,305,229)
Net assets released from restrictions:			
Satisfaction of program restrictions	952,107	(952,107)	-
TOTAL REVENUES AND GAINS	24,048,098	549,810	24,597,908
EXPENSES			
Grants and services to beneficiaries	12,324,675	-	12,324,675
Program services	7,847,745	-	7,847,745
Management and general	1,510,929	-	1,510,929
Fundraising	1,703,337	-	1,703,337
TOTAL EXPENSES	23,386,686	-	23,386,686
Pension related changes other than net periodic pension cost	82,575	-	82,575
CHANGE IN NET ASSETS	743,987	549,810	1,293,797
BEGINNING NET ASSETS	129,312,052	3,463,164	132,775,216
ENDING NET ASSETS	$ 130,056,039	$ 4,012,974	$ 134,069,013

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

MIAMI FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 10,971,860	$ 1,293,797
Adjustment to reconcile change in net assets to net cash		
Provided by operating activities:		
Depreciation	63,477	44,446
Net (gain)/loss on long term investments	(7,851,170)	7,305,229
(Increase)/Decrease in operating assets:		
Accounts receivable, loans and prepaid expenses	101,791	(39,683)
Increase in assets for pension benefit	186,277	(5,369)
Contribution receivable and other interest	25,649	(1,387,084)
Increase/(Decrease) in operating liabilities:		
Grants payable to beneficiaries	(363,409)	(361,819)
Accounts payable and others	191,982	22,756
Liability for pension benefits	-	(68,865)
Funds held in Trust	2,833,313	294,308
Funds held in organization endowments	(85,209)	(511,962)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,074,561	6,585,754
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to equipment	(102,620)	(79,825)
Change in investments	(4,547,872)	(3,295,009)
NET CASH (USED IN) INVESTING ACTIVITIES	(4,650,492)	(3,374,834)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,424,069	3,210,920
CASH AND CASH EQUIVALENTS- Beginning of year	10,049,472	6,838,552
CASH AND CASH EQUIVALENTS- End of year	$ 11,473,541	$ 10,049,472

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Miami Foundation, Inc. and the College Assistance Program, Inc. as well as its supporting organizations, Dade Fund, Inc. and MLM Fund III, Inc., collectively known as the "Foundation." All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Nature of Operations

The Foundation is a community foundation created to build permanent charitable endowments of Miami-Dade County. The Foundation administers individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made, usually from earnings only, but in some cases from principal.

The College Assistance Program seeks to assist the diverse multi-cultural, economically disadvantaged population of Miami-Dade Public High School graduates, who have exhausted all available means of financial assistance (institutional, federal, and state) to attend the college of their choice through the award of "last dollar" grants.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). In September 2009, the Financial Accounting Standards Board ("FASB") implemented the Accounting Standards Codification ("ASC") which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

Basis of Presentation

These consolidated financial statements are presented in accordance with FASB ASC. Under this interpretation, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

<u>Unrestricted Net Assets</u>

These are funds which management or the governing board has discretionary control to use in carrying on the mission of the Foundation.

<u>Temporarily Restricted Net Assets</u>

These include funds which are available for future periods as well as funds which are currently available for use but expendable only for grant making purposes specified by the grantor or donor.

<u>Permanently Restricted Net Assets</u>

These are funds that contain a donor-imposed stipulation that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Foundation. There were no permanently restricted net assets as of December 31, 2012 and 2011.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The FASB ASC interpretations provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets. The Foundation's governing documents grant variance power to the Foundation which, by a two-thirds vote of the governing board, allows the Foundation to modify any restriction or condition on the distribution of funds or any specified charitable purposes or to any specified organizations if in the sole judgment of the Board of Governors, such restriction or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. However, it is the Foundation's policy to hold the assets given as endowment funds until such time (if ever) as the governing body deems it prudent and appropriate to spend some part of the principal or appreciation. Accordingly, these consolidated financial statements classify net assets received form non-governmental sources as unrestricted, but segregate the portion that is held as endowment funds from the funds that are currently available for grants and administration.

Accounting for Certain Investments Held by Not-for-Profit Organizations

The Foundation reports their investments under FASB ASC. Under this interpretation, a not-for-profit organization is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value, with unrealized gains and losses included in the consolidated statements of activities. The fair value of marketable securities is determined by quoted market prices.

Cash and cash equivalents

The Foundation maintains cash balances at several financial institutions, however, short term investments with maturities at the date of purchase of three months or less which are subject to investment management direction are treated as investments rather than cash as described in Note 3.

Furniture and equipment

Furniture and equipment are stated at cost, if purchased or at estimated market value at date of receipt if acquired by donation. Depreciation is calculated, using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Furniture	5 years
Computer and office equipment	3 years

Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

There are no reserves held for uncertain tax positions at December 31, 2012. Tax years that are open under the statute of limitations remain subject to examination by the IRS.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Foundation has evaluated subsequent events through June 13, 2013, which is the date the financial statements were available to be issued.

Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Foundation maintains cash balances at several financial institutions located in South Florida. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times, cash balances may temporarily be in excess of the FDIC insurance limit. Concentrations of credit risk with respect to contributions and other revenue sources are limited due to the large number of contributions comprising the Foundation's contributor base. However, the majority of the contributor base is concentrated in the South Florida area. In addition, as indicated in Notes 2 and 3, the Foundation has significant receivables and investments which are not insured by the FDIC.

Reclassifications

For comparative purposes with the current period, certain amounts have been reclassified in the prior period financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	2012	2011
Charitable lead trust	$ 1,611,526	$ 3,219,163
Charitable remainder trust	1,346,080	1,346,080
Contribution receivable	1,263,575	-
Discount	(290,057)	(608,469)
	$ 3,931,124	$ 3,956,774

Under the terms of the charitable lead trust, the Foundation receives a set distribution each year for 30 years or until March 31, 2024 at which time the remaining assets revert to a third party beneficiary. The discount rate used to measure the net present value of the future distributions under the trust is 6%.

NOTE 2 – CONTRIBUTIONS RECEIVABLE (Continued)

Under the terms of the charitable remainder trust, the Foundation will received a 28.5% remainder interest in a residence in Coconut Grove, Florida, upon termination of the grantors life estate in the residence. The amount reflected in the financial statements is 28.5% of management's estimate of the fair value of the property and has been discounted to net present value.

Foundation management believes the amounts reflected above represent the fair value of these assets as of December 31, 2012 and 2011.

The Foundation has not set up reserves for receivables as management anticipates they are 100% collectible.

NOTE 3 – INVESTMENTS

The Finance Committee of the Foundation has the responsibility to ensure that the assets of the Foundation's various funds are managed in a manner consistent with its policies and objectives. The Finance Committee has established four investment pools for the investment management of the Foundation's assets. Donors that establish funds with the Foundation choose one of the investment pools based on their investment objectives and risk tolerance level. The Finance Committee will permit the investment pools to experience an overall level of risk consistent with the risk generally associated with the Finance Committee's policy asset allocation and similar to that of the market opportunity available to institutional investors with similar return objectives.

Asset allocation is a crucial factor in the ongoing management of risks facing the investment funds. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is expected. Therefore, the general policy is to diversify investments to achieve a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and the factors that influence them. A globally diversified portfolio, with uncorrelated returns from various asset classes, should reduce the variability of returns over time. In determining the appropriate asset allocation, the inclusion or exclusion of asset classes and investments within each class is based on the impact on the funds, rather than judging asset classes and investments on a standalone basis. At all times, liquidity within the pools will be maintained at a level that will minimize the possibility of a loss occasioned by the sale of an investment vehicle forced by the need to meet a required distribution.

The Long-Term Pool – The primary financial objective is to preserve the purchasing power of the investments after withdrawals are taken. While there cannot be complete assurance that this objective will be realized, it is believed that the likelihood of its realization is reasonably high based upon the Foundation's investment policy and historical performance of the asset classes. The objective is based on a ten-year investment horizon, so that interim fluctuations should be viewed with appropriate perspective.

The Balanced Pool – The investment strategy for the Balanced Pool is to achieve moderate risk adjusted returns with an emphasis on total returns; that is, the aggregate return from capital appreciation and dividend and interest income, subject to a prudent analysis of the level of risk and returns. Among the major risks that the Finance Committee and the investment advisor will consider are liquidity, credit, market volatility, and inflation/deflation. The Committee and the investment advisor recognize that each investment has its own set of risks and returns.

The Capital Preservation Pool – The objective of the Capital Preservation pool is protection of principal and liquidity. As such, investment parameters will be limited to short and intermediate duration, high-quality, fixed-income instruments or cash equivalents.

The Cash Pool – The objective of the Cash Pool is to preserve principal value and maintain a high degree of liquidity while providing current income. The Pool's holdings are comprised of short-term, U.S. dollar-denominated debt obligations that fall within the two highest rating categories of nationally recognized credit rating agencies. Consistent with the 1940 Investment Company Act's requirements for money market mutual funds, the Pool seeks securities with acceptable maturities that are marketable and liquid, offer competitive yields and whose issuers are on a sound financial footing.

Cash and cash equivalents subject to investment management direction are reported as investments rather than cash equivalents. Investments are presented in the consolidated financial statements at fair market values. The Foundation invests in marketable equity securities which, inherent in the fair market value determination include the risk factor of credit worthiness for each individual equity security.

Included in the caption investment funds is an investment in the common stock of a closely held corporation (the "Corporation") in the amount of $7,971,878 for each of the years ended December 31, 2012 and 2011. The value of the investment has been determined by management based on their best estimate of this closely held Corporation. The process followed by management to estimate the value of the investment includes closely monitoring all factors that could potentially affect the value of the asset and maintaining a relationship with the Corporation's CFO and other major shareholders. There have been no significant changes, except an increase in earnings, to the Corporation since fiscal year 2011 when it was agreed that no additional write-downs would be taken. As total investments of the Foundation grow over time, the proportion of this investment to the total has declined and, as of December 31, 2012 the asset is 4.8% of total assets.

Investments consist of the following as of December 31:

	2012	2011
Money market funds	$ 3,822,931	$ 3,901,230
Government securities and funds	16,174,815	37,169,450
Investment funds	129,751,748	96,279,772
Land	1,000	1,000
	$ 149,750,494	$ 137,351,452

NOTE 4 – ASSETS INVESTED IN FURNITURE AND EQUIPMENT, NET
Furniture and equipment consists of the following at December 31:

	2012	2011
Computer and office equipment	$ 409,466	$ 311,088
Furniture	59,948	55,706
Leasehold improvements	16,674	16,674
Less accumulated depreciation	(311,808)	(248,331)
	$ 174,280	$ 135,137

NOTE 5 – GRANTS PAYABLE TO BENEFICIARIES
Grants payable to beneficiaries consist of the following at December 31:

	2012	2011
Payable in less than one year	$ 282,500	$ 209,048
Payable in less than five years	440,000	876,862
	$ 722,500	$ 1,085,910

Because of the short term nature of the majority of these liabilities, the carrying amount approximates fair values.

NOTE 6 – FUNDS HELD IN TRUST
Funds held in trust consist of funds held with banks and money managers amounting to $16,689,985 and $13,856,672 in 2012 and 2011, respectively. These funds are comprised of cash and securities. The Foundation is holding these funds on behalf of other organizations.

NOTE 7 – FUNDS HELD AS ORGANIZATION ENDOWMENTS
FASB ASC, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others", establishes accounting and disclosure requirements for organizations who accept funds or other assets under an agreement to disburse them to a specified beneficiary. FASB ASC requires that a recipient organization recognize the fair value of those assets as a liability. Funds held as organization endowments consist of funds held with banks and money managers amounting to $2,539,300 and $2,624,509 in 2012 and 2011, respectively. These funds are comprised of cash and securities.

NOTE 8 – DONATED SERVICES
No amounts have been reflected in the consolidated financial statements for donated services, as no objective basis is available to measure the value of such services.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at December 31:

	2012	2011
Miami-Dade County AIDS Fund	$ -	$ 85,750
Contributions receivable	3,875,549	3,927,224
Total	$ 3,875,549	$ 4,012,974

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Pension Plan

The Foundation sponsors a non-contributory defined benefit pension plan for all full-time employees. It is the Foundation's policy to accrue annual pension costs under an actuarial method that allocated the estimated future service lives of employees. In November of 2010 the Foundation froze this plan.

For the years ended December 31, 2012 and 2011, employer contributions to the plan totaled $4,430 and $4,270, respectively.

Total pension cost under the plan was ($8,960) and ($8,341) for the years ended December 31, 2012 and 2011, respectively. The components of the net periodic pension cost are as follows for the years ended December 31:

	2012	2011
Service cost	$ 4,430	$ 4,270
Interest cost	31,110	31,907
Return on plan assets and net amortization and deferral	(45,279)	(44,518)
Amount of recognized actuarial loss	779	-
Net periodic pension cost	($ 8,960)	($ 8,341)

The following table shows the changes in plan assets as of the actuarial valuation dates of December 31:

	2012	2011
Fair value of plan assets at beginning of the year	$ 565,992	$ 556,479
Actual return on plan assets	66,139	13,783
Employer contributions	-	-
Employee contributions	-	-
Annuities purchased or benefits paid, including expense charges	(4,270)	(4,270)
Fair value of plan assets at the end of the year	$ 627,861	$ 565,992

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)
The following table is a reconciliation of items not yet reflected in net periodic benefit cost:

	1/1/2012	Reclassified as Net Periodic Benefit Cost	Effect of Curtailment	12/31/2012
Transition obligation or asset	$ -	$ -	$ -	$ -
Net prior service cost or credit	-	-	-	-
Net (gain) or loss	$ 82,575	$ 779	$ 47,548	$ 129,344

The following table is a reconciliation of items not yet reflected in net periodic benefit cost:

	1/1/2011	Reclassified as Net Periodic Benefit Cost	Amounts Arising During the Period	12/31/2011
Transition obligation or asset	$ -	$ -	$ -	$ -
Net prior service cost or credit	-	-	-	-
Net (gain) or loss	$ -	$ -	$ 82,575	$ 82,575

The following table reflects the estimated effect in the next fiscal year for items not reflected in net periodic benefit cost:

	1/1/2013	Estimated amounts to be Reclassified As Net Periodic Benefit Cost
Transition obligation or asset	$ -	$ -
Net prior service cost or credit	-	-
Net (gain) or loss	$ 129,344	$ 2,634

The assumptions used in the accounting for the defined benefit plan for the year ended December 31, 2012, was 4.35% for the discount rate, 8% for expected long-term return on assets, and an average rate of increase in compensation levels of 4.5%.

Pension assets were allocated in the following manner at December 31, 2012:

	Total	%
Equity	$ 340,225	54.19
Fixed income	230,109	36.65
General account	57,527	9.16
Total	$ 627,861	100.00

Expected payout of pension assets for the year ending December 31, 2012 is as follows:

2018-2022	$ 106,000
	$ 106,000

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Defined Benefit Pension Plan

In December of 2010 the Foundation started a 403(b) contributory pension plan. The Foundation contributes 2% of an employee's salary once the employee has completed one year of service with the Foundation. The Foundation will also match up to an additional 3% of a qualified employee's voluntary contribution to the plan. Total accrued expense to this plan was $0 at December 31, 2012.

Office and Operating Leases

Rent expense in 2012 and 2011 amounted to $211,234 and $223,745, respectively.

Future minimum payments under the office lease are as follows for the years ending December 31:

2013	$ 254,913
2014	257,855
	$ 512,768

Future minimum payments under other operating leases are as follows for the years ending December 31:

2013	$ 9,015
2014	9,015
2015	9,015
	$ 27,045

NOTE 11 – FAIR VALUE MEASUREMENT

The Foundation classified its investments as of December 31, 2012 based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

The three-level valuation hierarchy is established for the measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments which are included in Level 1 include listed equity securities, commingled funds traded in active markets with daily pricing and cash and cash equivalents.

Level 2 – Other significant observable inputs are used to arrive at fair value (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.). The types of investments which are included in Level 2 include certain hedge funds and other alternative asset funds for which there are active markets and restrictions on disposition are short-term.

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

Level 3 – Pricing inputs are unobservable for the investment and include management's own assumptions in determining the fair value of investments. Investments in private equity funds, international and longer-terms hedge funds, and shares of a closely held corporation are included in this category.

Money market funds: are valued at cost which approximates fair value.

Government securities and investments funds: are valued at the closing price reported in the active market in which the individual securities are traded.

The Foundation's investments measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements Using:		
Description	December 31, 2012 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 3,822,931	$ 3,822,931	$ -	$ -
Government securities and funds	16,174,815	16,174,815	-	-
Investment funds	129,751,748	98,978,938	9,013,253	21,759,558
Land	1,000	1,000	-	-
Total	$ 149,750,494	$ 118,977,684	$ 9,013,253	$ 21,759,558

		Fair Value Measurements Using:		
Description	December 31, 2011 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 3,901,230	$ 3,901,230	$ -	$ -
Government securities	-			
and funds	37,169,450	37,169,450	-	-
Investment funds	96,279,772	74,786,807	13,521,087	7,971,878
Land	1,000	1,000	-	-
Total	$ 137,351,452	$ 115,858,487	$ 13,521,087	$ 7,971,878

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)
Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2012			
INVESTMENTS at fair value	Beginning balance	Net Purchases (Sales)	Net unrealized and realized gains/losses	Ending Balance
Closely Held Corporation	$ 7,971,878	$ -	$ -	$ 7,971,878
Investment funds	-	12,740,116	1,047,564	13,787,680
Total	$ 7,971,878	$ 12,740,116	$ 1,047,564	$ 21,759,558

	2011			
INVESTMENTS at fair value	Beginning balance	Net Purchases (Sales)	Net unrealized and realized gains/losses	Ending Balance
Closely Held Corporation	$ 7,971,878	$ -	$ -	$ 7,971,878
Total	$ 7,971,878	$ -	$ -	$ 7,971,878

UNRESTRICTED NET ASSETS
Unrestricted net asset compositions by type of fund were as follows:

	2012 Unrestricted	2011 Unrestricted
Available for administration	$ 2,208,968	$ 1,416,646
Unrestricted	138,956,356	128,641,393
Total Funds	$ 141,165,324	$ 130,056,039

SUPPLEMENTAL INFORMATION

MIAMI FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 30, 2012

	Grants and Services to Beneficiaries	Management & General	Fundraising	Total
Audit and legal fees	$ -	$ 64,343	$ -	$ 64,343
Administration fees	2,156,517	-	-	2,156,517
General administrative	-	37,080	-	37,080
Banking fees	-	91,872	-	91,872
Board meetings	-	17,364	-	17,364
Conferences and travel	17,479	55,649	-	73,128
Consulting	1,596,505	309,429	-	1,905,934
Depreciation	-	63,477	-	63,477
Employee benefits and taxes	172,570	236,405	131,997	540,972
Fundraising	-	-	268,157	268,157
Grants, net of retuns	13,952,711	-	-	13,952,711
Insurance and taxes	-	11,012	-	11,012
Investment manager and consulting fees	-	403,265	-	403,265
Maintenance	-	98,660	-	98,660
Marketing and advertising	-	-	232,789	232,789
Membership	-	46,320	-	46,320
Publications expense	10,108	33,424	-	43,532
Office Supplies and telephone	101,285	48,844	4,480	154,609
Other program expense	2,528,589	52,250	-	2,580,839
Printing, copying and postage	23,292	29,970	-	53,262
Rent and occupancy	71,284	97,653	54,525	223,462
Salaries	547,266	624,382	348,625	1,520,273
Website	23,171	-	23,171	46,342
TOTAL EXPENSES	$ 21,200,777	$ 2,321,399	$ 1,063,744	$ 24,585,920

MIAMI FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 30, 2011

	Grants and Services to Beneficiaries	Management & General	Fundraising	Total
Audit & Legal Fees	$ -	$ 67,108	$ -	$ 67,108
Administration expense	2,461,908	-	-	2,461,908
Administration general	-	12,965	-	12,965
Banking fees	-	6,725	-	6,725
Board meetings	-	20,082	-	20,082
Conferences and travel	36,993	19,976	17,018	73,987
Consulting services	431,096	212,181	-	643,277
Depreciation	-	44,446	-	44,446
Employee benefits and taxes	170,801	146,530	78,568	395,899
Fund raising expenses	-	-	1,097,930	1,097,930
Grants, net of returns	12,324,674	-	-	12,324,674
Insurance & Taxes	-	56,368	-	56,368
Investments fees	-	279,248	-	279,248
Maintenance and repairs	-	69,886	-	69,886
Marketing/advertising	-	-	87,536	87,536
Membership fees	16,790	9,067	7,723	33,580
Publications expense	-	17,916	16,972	34,888
Office Supplies & Telephone	10,486	66,707	4,822	82,015
Other program expenses	3,901,836	-	-	3,901,836
Printing, Copying & Postage	2,136	27,097	-	29,233
Rent	111,872	60,411	51,460	223,743
Salaries and wages	673,053	363,449	309,605	1,346,107
Website	30,773	30,773	31,699	93,245
TOTAL EXPENSES	$ 20,172,418	$ 1,510,935	$ 1,703,333	23,386,686