

Renaissance Charitable Foundation Inc.

Accountants' Report and Financial Statements

December 31, 2008 and 2007

Renaissance Charitable Foundation Inc.

December 31, 2008 and 2007

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Independent Accountants' Report

Board of Directors
Renaissance Charitable Foundation Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Renaissance Charitable Foundation Inc. (Foundation) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Charitable Foundation Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8, the Foundation changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, in 2008.

BKD_{LLP}

July 27, 2009

Renaissance Charitable Foundation Inc.

Statements of Financial Position December 31, 2008 and 2007

Assets

	<u>2008</u>	<u>2007</u>
Cash	\$ 176,454	\$ 112,029
Investments	141,992,020	151,920,733
Commercial annuity receivable	1,100,874	1,108,185
Other assets	57,356	9,793
Interest in charitable trusts	<u>5,258,768</u>	<u>3,487,970</u>
Total assets	<u>\$ 148,585,472</u>	<u>\$ 156,638,710</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 116,571	\$ 76,572
Grants payable	245,783	1,249,641
Note payable to related party	-	19,000
Annuities payable	<u>1,085,751</u>	<u>1,041,328</u>
Total liabilities	<u>1,448,105</u>	<u>2,386,541</u>

Net Assets

Unrestricted	141,878,599	150,764,199
Temporarily restricted	<u>5,258,768</u>	<u>3,487,970</u>
Total net assets	<u>147,137,367</u>	<u>154,252,169</u>
Total liabilities and net assets	<u>\$ 148,585,472</u>	<u>\$ 156,638,710</u>

Renaissance Charitable Foundation Inc.
Statements of Activities
Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Revenues, Gains and Other Support						
Contributions	\$ 49,915,712	\$ 518,729	\$ 50,434,441	\$ 82,015,103	\$ -	\$ 82,015,103
Designated contributions	(615,469)	-	(615,469)	(1,187,566)	-	(1,187,566)
	49,300,243	518,729	49,818,972	80,827,537	-	80,827,537
Investment income (net of broker fees of \$479,437 and \$464,284)	3,943,299	-	3,943,299	3,239,667	-	3,239,667
Net realized gains (losses) on investments	(9,816,435)	-	(9,816,435)	4,868,715	-	4,868,715
Net unrealized losses on investments	(49,760,319)	-	(49,760,319)	(5,973,546)	-	(5,973,546)
Change in value of split interest agreements	(60,290)	(1,007,779)	(1,068,069)	(43,350)	97,413	54,063
Total revenues, gains and other support, net	(6,393,502)	(489,050)	(6,882,552)	82,919,023	97,413	83,016,436
Expenses						
Grants to charitable organizations	36,927,642	-	36,927,642	25,422,539	-	25,422,539
Management and general	975,527	-	975,527	717,174	-	717,174
Fund raising	24,498	-	24,498	24,206	-	24,206
Total expenses	37,927,667	-	37,927,667	26,163,919	-	26,163,919
Change in Net Assets Before Net Assets Assumed Through Merger	(44,321,169)	(489,050)	(44,810,219)	56,755,104	97,413	56,852,517
Net Assets Assumed Through Merger	35,435,569	2,259,848	37,695,417	-	-	-
Change in Net Assets	(8,885,600)	1,770,798	(7,114,802)	56,755,104	97,413	56,852,517
Net Assets, Beginning of Year	150,764,199	3,487,970	154,252,169	94,009,095	3,390,557	97,399,652
Net Assets, End of Year	\$ 141,878,599	\$ 5,258,768	\$ 147,137,367	\$ 150,764,199	\$ 3,487,970	\$ 154,252,169

Renaissance Charitable Foundation Inc.

Statements of Cash Flows Years Ended December 31, 2008 and 2007

	2008	2007
Operating Activities		
Change in net assets	\$ (7,114,802)	\$ 56,852,517
Items not requiring (providing) cash		
Realized (gain) loss on investments	9,816,435	(4,868,715)
Unrealized loss on investments	49,760,319	5,973,546
Gifts of securities	(11,323,169)	(41,157,834)
Net assets from merger with SEI-Giving Fund	(37,695,417)	-
Changes in		
Interest in charitable lead trusts	489,050	(97,413)
Other assets	(40,252)	(854,072)
Accounts payable	39,999	13,050
Grants payable	(1,003,858)	844,795
Annuities payable	44,423	873,510
Net cash provided by operating activities	2,972,728	17,579,384
Investing Activities		
Purchase of investments	(54,801,060)	(69,653,019)
Proceeds from disposition of investments	52,890,863	47,246,440
Net change in money market funds	(979,106)	4,936,059
Net cash used in investing activities	(2,889,303)	(17,470,520)
Financing Activity - net repayments on note payable to related party	(19,000)	(40,000)
Increase in Cash	64,425	68,864
Cash, Beginning of Year	112,029	43,165
Cash, End of Year	\$ 176,454	\$ 112,029
Supplemental Cash Flows Information		
Interest paid	\$ 1,299	\$ 4,899
The Foundation acquired all of the net assets of SEI-Giving Fund through the signing of an Agreement and Plan of Merger. In conjunction with this merger, the Foundation assumed assets and liabilities as follows:		
Investments	\$ (35,303,301)	\$ -
Interest in charitable trust	(2,259,848)	-
Dividends and interest receivable	(172,773)	-
Accounts payable and accrued expenses	40,505	-
Net assets assumed	\$ (37,695,417)	\$ -

Renaissance Charitable Foundation Inc.

Notes to Financial Statements December 31, 2008 and 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Renaissance Charitable Foundation Inc. (Foundation) was formed in December 2000 pursuant to the provisions of the Indiana Nonprofit Corporation Act of 1991 and is exempt from federal taxes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in Sections 501(c)(3) and 170(b)(1)(A)(vi) and a similar provision of state law. The Foundation is a public benefit corporation that operates exclusively to conduct, support, encourage and assist religious, charitable, educational and other programs and projects as are described in Sections 170(c)(2)(B), 501(c)(3), 2055(a)(2) and 2522(a)(2) of the Code. The Foundation's revenues and other support are derived principally from contributions and investment return.

The Foundation offers a number of charitable giving programs, including donor-advised funds, charitable gift annuities and endowment funds. The Foundation markets its charitable programs to donors through the internet, financial advisors, attorneys, CPAs and other financial services professionals. In general, the Foundation offers donors the opportunity to make lifetime or testamentary gifts to the Foundation. In addition, the Foundation offers a private-labeled donor-advised fund program to financial services partners. The program is an integrated turnkey solution that assists financial services companies in offering a donor-advised fund product to their clients. The Foundation has service agreements with Renaissance Administration LLC (Renaissance) and another third-party administrator to provide the Foundation with outsourced administrative support services for this program, including transaction processing and accounting, administration and reporting contributions to and distributions from individual donor accounts, customer service support, preparation and filing regulatory reports and tax returns, charitable planning support and other related services.

Merger of SEI-Giving Fund

Effective June 30, 2008, the Foundation and SEI-Giving Fund, a Pennsylvania nonprofit, non-stock corporation (SEI-GF), consummated an Agreement and Plan of Merger whereby SEI-GF was merged with and into the Foundation. The separate existence of SEI-GF thereupon ceased and the Foundation is the surviving corporation after the merger. This transaction was accounted for as of the date of the merger, which was June 30, 2008, and the Foundation's statement of activities includes the activities of SEI-GF for the six-month period ending December 31, 2008. The following table summarizes the values of the assets acquired as of the date of this merger:

	SEI-Giving Fund
Investments	\$ 35,303,301
Interest in charitable trust	2,259,848
Dividends and interest receivable	172,773
Total assets acquired	<u>37,735,922</u>
Total liabilities assumed - accounts payable and accrued expenses	<u>40,505</u>
Total net assets acquired	<u><u>\$ 37,695,417</u></u>

Renaissance Charitable Foundation Inc.

Notes to Financial Statements December 31, 2008 and 2007

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

The financial institutions holding the Foundation's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At December 31, 2008, the Foundation's interest-bearing cash accounts exceeded federally insured limits by approximately \$2,750,000.

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are also valued at fair value.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Renaissance Charitable Foundation Inc.

Notes to Financial Statements December 31, 2008 and 2007

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Foundation has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ended December 31, 2009. The Foundation has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments

Investments consisted of the following:

	<u>2008</u>	<u>2007</u>
Money markets and cash equivalents	\$ 18,864,374	\$ 14,869,891
Equity securities	5,286,929	8,526,988
Fixed income	1,572,582	1,576,251
Mutual funds	110,242,587	124,338,362
Other	6,025,548	2,609,241
	<u>\$ 141,992,020</u>	<u>\$ 151,920,733</u>

At December 31, 2008 and 2007, approximately 40% and 54%, respectively, of the Foundation's investments were invested in various funds of Franklin Templeton Investments. In addition, approximately 16% of the Foundation's investments were invested in various funds of SEI at December 31, 2008.

Renaissance Charitable Foundation Inc.

Notes to Financial Statements December 31, 2008 and 2007

Note 3: Interest in Charitable Trusts

The Foundation is the beneficiary under charitable remainder trusts and charitable lead trusts administered by Renaissance. Under the terms of the charitable remainder trusts, the Foundation has the irrevocable right to receive a specified percentage of the remaining trust assets upon the death of the income beneficiaries. Under the terms of the charitable lead trusts, the Foundation receives an irrevocable annuity or unitrust amount at least annually for a qualified measuring life or a term of years. The interest in charitable remainder trusts and charitable lead trusts of \$5,258,768 and \$3,487,970 at December 31, 2008 and 2007, respectively, represents the present value of the expected net cash proceeds ultimately payable to the Foundation. The discount rate used by the Foundation to value its interest was 4.45% and 4.72% at December 31, 2008 and 2007, respectively.

Note 4: Annuities Payable

The Foundation has been the recipient of several gift annuities which require future payments to the donors or their named beneficiaries. The assets received from the donors are recorded at fair value. The Foundation has recorded a liability at December 31, 2008 and 2007 of \$1,085,751 and \$1,041,328, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates of approximately 5%. The Foundation purchased Single Premium Immediate Annuities (SPIAs) to cover future annuity obligations and recorded an asset at December 31, 2008 and 2007 of \$1,100,874 and \$1,108,185, respectively.

Note 5: Note Payable to Related Party

As of December 31, 2008, the Foundation has a \$90,000 unsecured line of credit with Renaissance, a related party, which expires on June 30, 2009. At December 31, 2008 and 2007, there was a balance of \$0 and \$19,000 borrowed against this line, respectively. Interest varies at 2% above the prime rate, which was 3.25% on December 31, 2008, and is payable monthly.

Note 6: Grants Payable

At December 31, 2008 and 2007, the Foundation had awarded, but not disbursed, \$245,783 and \$1,249,641, respectively, of grants to various recipients. The grants were paid subsequent to the end of the year.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets of \$5,258,768 and \$3,487,970 at December 31, 2008 and 2007 are subject to charitable remainder trust agreements and charitable lead trust agreements and will be available to the Foundation in future periods.

Renaissance Charitable Foundation Inc.

Notes to Financial Statements December 31, 2008 and 2007

Note 8: Disclosures About Fair Value of Assets and Liabilities

Effective January 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, equity, certain fixed income securities and publicly traded mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include certain fixed income securities and other investments. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include primarily interests in limited partnerships.

Interest in Charitable Remainder Trusts

Fair value is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Renaissance Charitable Foundation Inc.

Notes to Financial Statements December 31, 2008 and 2007

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 141,992,020	\$ 98,906,979	\$ 37,423,021	\$ 5,662,020
Interest in charitable trusts	5,258,768	-	-	5,258,768
	<u>\$ 147,250,788</u>	<u>\$ 98,906,979</u>	<u>\$ 37,423,021</u>	<u>\$ 10,920,788</u>

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Investments	Interest in Charitable Trusts
Balance, January 1, 2008	\$ 2,157,166	\$ 3,487,970
Total realized and unrealized losses included in the change in net assets	(1,026,396)	-
Change in value of split-interest agreements included in the change in net assets	-	(1,068,069)
Purchases and capital calls	4,912,251	-
Proceeds from sales, maturities and distributions	(381,001)	-
Interest in remainder acquired through merger	-	2,259,848
Contributions received, net of trust maturities	-	579,019
Balance, December 31, 2008	<u>\$ 5,662,020</u>	<u>\$ 5,258,768</u>
Total gains (losses) for the period included in the change in net assets attributable to the change in unrealized gains (losses) related to assets still held at the reporting date	<u>\$ (1,026,396)</u>	<u>\$ (1,068,069)</u>

The Foundation's other financial instruments not reflected at fair value in the statements of financial position include cash, investments, interest in charitable trusts, grants payable, note payable to related party and annuities payable. For cash, grants payable and note payable to a related party, the carrying amounts approximate fair value because of the short maturity of these items. The carrying amount of the annuities payable is a reasonable estimate of the corresponding fair value.

Renaissance Charitable Foundation Inc.

Notes to Financial Statements December 31, 2008 and 2007

Note 9: Related Party Transactions

The Foundation and Renaissance are related parties that are not financially interrelated organizations. Renaissance provides certain administration services, which are outlined in an Administrative Services Agreement, for the Foundation. In exchange for these services, the Foundation pays an administrative fee to Renaissance. The administrative fees paid to Renaissance for the years ended December 31, 2008 and 2007 were \$569,796 and \$386,489, respectively.

The Foundation also maintains a line of credit with Renaissance, which is described in Note 5.

Note 10: Significant Estimates and Concentrations

Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Foundation.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on the Foundation's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Foundation's ability to maintain sufficient liquidity.