FIRST NONPROFIT FOUNDATION
Chicago, Illinois

FINANCIAL STATEMENTS
December 31, 2012 and 2011

CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
First Nonprofit Foundation
Chicago, Illinois

We have audited the accompanying financial statements of First Nonprofit Foundation (an Illinois not-for-profit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 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 auditors' 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.

Board of Directors
First Nonprofit Foundation

Opinion

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
March 29, 2013

FIRST NONPROFIT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 582,940	$ 868,582
Investments	956,800	729,914
Contribution receivable	2,700	16,124
TOTAL ASSETS	$ 1,542,440	$ 1,614,620

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES		
Accounts payable and accrued liabilities	$ 13,122	$ 13,865
NET ASSETS		
Unrestricted:		
Undesignated	1,499,318	1,570,755
Board-designated	30,000	30,000
Total unrestricted net assets	1,529,318	1,600,755
TOTAL LIABILITIES AND NET ASSETS	$ 1,542,440	$ 1,614,620

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

FIRST NONPROFIT FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2012 and 2011

	2012	2011
REVENUE AND OTHER SUPPORT		
Contributions	$ 19,810	$ 22,374
EXPENSES		
Program expenses:		
Grants made	67,000	30,000
Conferences and publications	65,367	41,429
Total program expenses	132,367	71,429
Management and general expenses:		
Management fees	10,000	10,000
Professional fees	16,828	16,124
Investment advisory fees	-	2,011
Other general and administrative	137	21,222
Total management and general expenses	26,965	49,357
Total expenses	159,332	120,786
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME (LOSS)	(139,522)	(98,412)
INVESTMENT INCOME (LOSS)		
Net realized and unrealized gains (losses)	29,119	(185,201)
Interest and dividend income	38,966	46,537
Total investment income (loss)	68,085	(138,664)
CHANGE IN NET ASSETS	(71,437)	(237,076)
NET ASSETS, BEGINNING OF YEAR	1,600,755	1,837,831
NET ASSETS, END OF YEAR	$ 1,529,318	$ 1,600,755

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

FIRST NONPROFIT FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (71,437)	$ (237,076)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on investments	(29,119)	185,201
Effects of changes in operating assets and liabilities:		
Contribution receivable	13,424	(7,764)
Accounts payable and accrued liabilities	(743)	79
Net cash used in operating activities	(87,875)	(59,560)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,361,077	2,033,777
Payment for purchases of investments	(1,558,844)	(2,070,881)
Net cash used in investing activities	(197,767)	(37,104)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(285,642)	(96,664)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	868,582	965,246
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 582,940	$ 868,582

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First Nonprofit Foundation (the "Foundation") is a not-for-profit corporation that is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The Foundation is a private foundation as described in Section 509(a). The Foundation qualifies for the charitable contribution deduction under Section 170(b).

The Foundation's primary purpose is to provide grants, educational seminars, training, consulting and publications to further the establishment, development and expansion of nonprofit organizations. The Foundation's fiscal year ends on December 31.

Significant accounting policies followed by the Foundation are presented below.

Basis of Accounting

The Foundation has adopted the generally accepted accounting practice of reporting its income and expenses using the accrual method of accounting and accordingly, reflects all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements* (ASC No. 958-205). Under ASC No. 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Presently, the Foundation has no permanently or temporarily restricted net assets.

Cash and Cash Equivalents

The Foundation invests a portion of its cash balance in money market savings accounts which are considered cash equivalents. A portion of the Foundation's cash and cash equivalents could potentially be subject to credit risk as the deposits are only insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) up to specified limits.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Board-Designated Unrestricted Net Assets

The Foundation has established a board-designated fund to account for a donation received in 2003 in honor of two former members of the First Nonprofit Insurance Company board of directors. The funds are to be used to provide board-approved grant(s) related to the services performed by the former board members during their years of service. Income is allocated to this category as determined by the board. Income results primarily from investment earnings.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

The Foundation records contributions in accordance with ASC No. 958-605, *Not-for-Profit Entities, Revenue Recognition.* The Foundation receives contributions through pledges and cash gifts. Contributions are classified as: unrestricted, temporarily restricted or permanently restricted, based on donor restrictions.

Income Taxes

The Internal Revenue Service (IRS) has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the IRC. The IRC imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of private foundations. There was no excise tax expense for the years ended December 31, 2012 and 2011, respectively.

The federal returns of the Foundation for 2009, 2010, and 2011 are subject to examination by the IRS and state taxing authorities, generally for three years after filing.

NOTE 2 - INVESTMENTS

Investments as of December 31, 2012 and 2011 are summarized as follows:

December 31, 2012	**Cost**	**Fair Value**	**Unrealized Appreciation (Depreciation)**
Mutual funds	$ 151,937	$ 151,518	$ (419)
Equity securities:			
Basic materials/energy	12,448	18,744	6,296
Consumer goods	262,010	321,443	59,433
Financial	201,828	235,463	33,635
Real estate	111,317	91,836	(19,481)
Technology	128,769	137,796	9,027
Total investments	$ 868,309	$ 956,800	$ 88,491

December 31, 2011	**Cost**	**Fair Value**	**Unrealized Appreciation (Depreciation)**
Corporate debt securities	$ 59,887	$ 52,925	$ (6,962)
Equity securities:			
Basic materials/energy	154,589	159,255	4,666
Consumer goods	178,033	208,979	30,946
Financial	101,163	101,098	(65)
Services	50,967	59,761	8,794
Technology	75,902	79,179	3,277
Exchange-traded funds:			
Commodities/precious metals	76,288	68,717	(7,571)
Total investments	$ 696,829	$ 729,914	$ 33,085

NOTE 3 - FAIR VALUE

In determining fair value, the Foundation uses various valuation approaches within the ASC 820-10 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820-10 defines levels within the hierarchy based on the reliability of inputs as follows:

NOTE 3 - FAIR VALUE (continued)

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Investments listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Debt securities are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type, but may also be based on identical assets. Debt securities are generally classified within Level 2 of the valuation hierarchy.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2012 and 2011:

	Fair Value Measurements Using:			
December 31, 2012	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Mutual funds	$ 151,518	$ -	$ -	$ 151,518
Equity securities:				
Basic materials/energy	18,744	-	-	18,744
Consumer goods	321,443	-	-	321,443
Financial	235,463	-	-	235,463
Real estate	91,836	-	-	91,836
Technology	137,796	-	-	137,796
Total	$ 956,800	$ -	$ -	$ 956,800

NOTE 3 - FAIR VALUE (continued)

	Fair Value Measurements Using:			
December 31, 2011	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Corporate debt securities	$ -	$ 52,925	$ -	$ 52,925
Equity securities:				
Basic materials/energy	159,255	-	-	159,255
Consumer goods	208,979	-	-	208,979
Financial	101,098	-	-	101,098
Services	59,761	-	-	59,761
Technology	79,179	-	-	79,179
Exchange-traded funds:				
Commodities/precious metals	68,717	-	-	68,717
Total	$ 676,989	$ 52,925	$ -	$ 729,914

NOTE 4 - RELATED PARTY TRANSACTIONS

The Foundation has a management service agreement with an entity, related by common management, to provide management, general and administration services. The agreement may be cancelled by either party at the end of any calendar year upon 90 days prior written notice. The Foundation incurred $10,000 in management fees for each of the years ended December 31, 2012 and 2011, related to this agreement. Accounts payable at December 31, 2012 includes $1,384 of reimbursable expenses paid by this entity on behalf of the Foundation.

The Foundation received a pledge contribution for $16,239 and $16,124 from this affiliated entity for the years ended December 31, 2012 and 2011, respectively. The contribution receivable balance was $2,700 and $16,124 at December 31, 2012 and 2011, respectively.

NOTE 5 - SUBSEQUENT EVENTS

Management evaluated subsequent events through March 29, 2013, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior to March 29, 2013 that provided additional evidence about conditions that existed at December 31, 2012, have been recognized in the financial statements for the year ended December 31, 2012. Events or transactions that provided evidence about conditions that did not exist at December 31, 2012, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2012.