To the people of North Carolina –

In 2013, the Golden LEAF Foundation awarded $46.3 million in grants supporting 93 different projects to benefit rural, tobacco-dependent and economically distressed communities in North Carolina. This grantsmaking represents a 37 percent increase from 2012 levels.

The majority of the increase was driven by additional opportunities to facilitate job creation across North Carolina. Through the Economic Catalyst grants program, Golden LEAF provided $12.9 million in grants to help private sector employers create an expected 3,200 jobs in 12 counties across the state. Manufacturers accounted for the majority of these companies, as they continue to return to rural North Carolina. Golden LEAF acts to fill the gap after state and local government assistance is provided, to ensure that these employers can succeed in North Carolina.

Besides job growth opportunities from expansion of existing and new companies, there continues to be work to ensure that manufacturers can find the skilled labor they need to fill vacancies at their North Carolina sites. Golden LEAF awarded $5.1 million in 13 grants for community colleges and universities to target more than 5,500 job opportunities identified by industry over a three-year period. But LEAF in our name stands for “Long-Term Economic Advancement Foundation.” The communities with the least ability to provide the environment for immediate job creation need assistance as well. The Foundation’s Community Assistance Initiative, which targeted the basic building blocks of economic development for Tier 1 counties through civic participation and prioritization, resulted in 27 grants in 7 counties totaling $13.3 million in 2013. Over the lifetime of this initiative, Golden LEAF Foundation staff facilitated 437 meetings involving over 7,400 participants in 46 counties, resulting in a total of $89.1 million in grantsmaking.

After careful independent evaluation and deliberation, the Golden LEAF Foundation Board voted in 2013 for a second round of this funding entitled the Community-Based Grantsmaking Initiative. The focus of this initiative will remain on human and physical infrastructure needs and local prioritization, but also on streamlined and focused processes to give more counties a chance to participate and move more quickly around the State. Grantsmaking in the Northeastern Prosperity Zone is expected in June 2014.

We also provided new opportunities through our Golden LEAF Scholars program. Approximately 2,500 students received assistance for four-year and community college tuition and expenses this year. More than 200 freshmen and sophomore scholars at 34 of our state’s colleges and universities participated in leadership development and internships funded by Golden LEAF. Students from 68 rural counties served their communities through real-world work exposure in healthcare, education, law and other businesses.

Finally, the Foundation’s endowment returned 15.1 percent in calendar year 2013, besting its benchmark return of 11.6 percent. Until the traditional payment of the annual Master Settlement Agreement is restored for Golden LEAF, the performance of the investment portfolio, with reasonable risk and liquidity, is more crucial than ever. Our careful stewardship has paid dividends, both literally through investment returns, and through economic improvement in rural, tobacco-dependent and economically distressed areas of North Carolina.

The Foundation Board welcomed eight new Board members in 2013, providing new insights and energy to build on the success and strong sense of fiduciary duty and adherence to mission demonstrated by their predecessors.
Golden LEAF awarded 93 grants totaling $46,335,870 in calendar year 2013.

Grants supported a diverse set of projects in programmatic areas including agriculture, workforce training, job creation and retention, healthcare, scholarships, and educational initiatives.

Click here to see the list of calendar year 2013 grant awards.

Calendar year 2013 grant awards included, but were not limited to, the following Golden LEAF grant programs/initiatives:

➤ more than $13.2 million to projects in counties designated as Tier 1 by the N.C. Department of Commerce through the Community Assistance Initiative;

➤ more than $12.8 million to support job creation projects that were at risk without Golden LEAF support through the Foundation’s Economic Catalyst program;

➤ more than $4.5 million through the Foundation’s Open Grants Program for projects related to agriculture, job creation and retention and workforce preparedness;

➤ more than $5.2 million for tuition assistance to help students from rural, economically distressed communities attend two and four year colleges through Golden LEAF Scholarships;

➤ more than $5 million for an Essential Skills in Advanced Manufacturing Workforce Initiative to support advanced manufacturing skills for the state’s industry needs;

➤ more than $5.2 million to support other special initiatives of the Foundation.

Click here to search all Golden LEAF’s grant awards, since 2000.

* Grant amounts reported throughout this report reflect the current grant amounts for calendar year 2013, unless otherwise indicated, and do not include grants that have been rescinded prior to release of funds.
Established in 1999, the Golden LEAF Foundation was created to manage one-half of North Carolina’s share of funds from the Master Settlement Agreement between states and tobacco companies. Golden LEAF supports tobacco-dependent, economically distressed and rural communities in North Carolina as they work to transition to more prosperous and stable economies.

Golden LEAF welcomes eligible entities to request funding for projects that are consistent with Golden LEAF’s mission and priorities. The Foundation encourages potential applicants to visit our website to read more about current grant priorities and to contact programs staff to discuss project ideas or ask questions before submitting a grant application or letter of inquiry. Call 888-684-8404 or click here for a list of programs staff.

Golden LEAF focuses grantsmaking in areas that show the most promise for assisting targeted communities with economic transition and/or diversification. Priority areas include agriculture, job creation and retention, and workforce preparedness. Golden LEAF only awards grants to 501(c)(3) nonprofits and governmental entities. For an overview of the Foundation’s standard grant programs and information about applying for a grant, click here.

Golden LEAF is committed to being accountable for the money entrusted to it. Every grant can be viewed by visiting our website www.goldenleaf.org and we are working to make this portion of our website more "user friendly." Decisions on all grants are made in meetings open to the public. Golden LEAF is implementing a new process of grants monitoring, which includes new forms and polices on reporting as well as increased on-site monitoring and a mandatory face-to-face grants management workshop. You can also view the audited financials online at www.goldenleaf.org.

To keep up with Golden LEAF’s latest news, grant programs and opportunities, and grantee accomplishments, click here to sign up for our e-newsletter (LEAF Lines) and our media mentions throughout the state (Golden LEAF News). Click here to view past editions of LEAF Lines and here for Golden LEAF News.
Open Grants Program

In the Open Grants Program, Golden LEAF’s grantsmaking is focused in the areas of agriculture, job creation and retention and workforce preparedness. The Open Grants Program makes funding opportunities available throughout the year. **Click here for more information about applying for an Open Grants Program grant.**

Economic Catalyst

The Foundation's Economic Catalyst Program awards grants to eligible entities to encourage industries to locate or expand in tobacco-dependent or economically distressed areas of the state and to create jobs. Applicants are strongly encouraged to contact Golden LEAF staff to discuss potential projects, eligibility and conditions that may be applicable prior to submitting an application. **Click here for more information about applying for an Economic Catalyst grant.**

Scholarships

Golden LEAF awards grants to the North Carolina State Education Assistance Authority and the North Carolina Community College System to provide scholarships for students from qualifying counties to attend participating North Carolina colleges and universities. **Click here for more information about Golden LEAF Scholarship opportunities.**

Community-Based Grants Initiative

A new initiative that will expand to all regions in the state, the Community-Based Grants Initiative launched in the summer of 2013 in the Northeast as a continuation of the Foundation's community-based grantsmaking and as a response to completion of the Community Assistance Initiative. **The Foundation will invite counties to apply to participate in the Initiative by region.** The Initiative is competitive, but all counties within a designated region will have an opportunity to apply to participate. The Initiative is designed to identify those projects that are ready for implementation and have the potential to have a significant impact. It is a focused process with grants targeted toward investments in the building blocks of economic growth. Grants are limited to projects that address education, workforce development, infrastructure, health care infrastructure, and agriculture. Grant awards will be typically limited to 1-3 projects per county and total no more than $1.5 million per county. Not all counties will have funded projects. **The Foundation will invite counties to apply to participate in the Initiative by region. Watch our website for announcements regarding upcoming regional information forums on this initiative. For more information about this Initiative, click here.**

Community Assistance Initiative

Launched in 2007 and completed in 2013, the Community Assistance Initiative targeted NC’s Tier 1 counties and provided support for projects identified as priorities by county leaders and citizens. Grant awards typically supported projects focused on economic development, infrastructure, education, workforce training, and health care. The Foundation reserved $2 million per county, but grant award amounts varied. Since the Initiative's inception, 198 Community Assistance Initiative grants totaling $88,263,001.92 were awarded to organizations serving 46 counties. This Initiative is currently closed.

Essential Skills in Advanced Manufacturing Initiative

The Initiative was formed in 2012 to assist the state with job creation and address the skills gap that companies face when trying to hire qualified workers with the technical expertise required in advanced manufacturing. The Initiative focused on increasing access to training for high wage jobs, connecting the state's industries with the skilled workers they need, and enhancing the capacity of the state's training institutions. Over the two rounds of the Initiative awarded in 2012 and 2013, 23 grants totaling $10,948,707 were awarded. The Initiative is currently closed. **For more information about the Initiative, click here.**
The Foundation's financial statements undergo an annual audit, which was conducted by BDO USA, LLP for the year ended June 30, 2013. The Foundation's financial statements are presented in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB). BDO USA, LLP expressed an modified opinion on these financial statements. A copy of BDO USA, LLP's audit report dated September 30, 2013 may be viewed on the Golden LEAF web site, www.goldenleaf.org.

Condensed Statement of Position and Governmental Fund Balance Sheet June 30, 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 327,381</td>
<td>-</td>
<td>$ 327,381</td>
</tr>
<tr>
<td>Sales tax refund and other receivables</td>
<td>$ 1,695</td>
<td>-</td>
<td>$ 1,695</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>$ 167,179</td>
<td>-</td>
<td>$ 167,179</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>$ 89,791</td>
<td>-</td>
<td>$ 89,791</td>
</tr>
<tr>
<td>Investments</td>
<td>$ 896,458,471</td>
<td>-</td>
<td>$ 896,458,471</td>
</tr>
<tr>
<td>Capital assets-nondepreciable</td>
<td>-</td>
<td>903,906</td>
<td>$ 903,906</td>
</tr>
<tr>
<td>Capital assets-depreciable, net</td>
<td>-</td>
<td>2,832,758</td>
<td>$ 2,832,758</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 897,044,517</td>
<td>$ 3,736,664</td>
<td>$ 900,781,181</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 105,995</td>
<td>-</td>
<td>$ 105,995</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>$ 38,628</td>
<td>-</td>
<td>$ 38,628</td>
</tr>
<tr>
<td>Grants payable</td>
<td>$ 87,523,092</td>
<td>-</td>
<td>$ 87,523,092</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$ 87,667,715</td>
<td>-</td>
<td>$ 87,667,715</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCE/NET POSITION</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable prepaid items</td>
<td>$ 89,791</td>
<td>(89,791)</td>
<td>-</td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>-</td>
<td>3,736,664</td>
<td>$ 3,736,664</td>
</tr>
<tr>
<td>Unassigned/Unrestricted</td>
<td>$ 809,287,011</td>
<td>89,791</td>
<td>$ 809,376,802</td>
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<tr>
<td>Total Fund Balance/Net Position</td>
<td>$ 809,376,020</td>
<td>3,736,664</td>
<td>$ 813,112,466</td>
</tr>
<tr>
<td>Total Liabilities and Fund Balance/Net Position</td>
<td>$ 897,044,517</td>
<td>$ 3,736,664</td>
<td>$ 900,781,181</td>
</tr>
</tbody>
</table>
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### Condensed Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance  June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
<th>Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from state settlement</td>
<td>$105,581,136</td>
<td>-</td>
<td>$105,581,136</td>
</tr>
<tr>
<td>Investment income</td>
<td>99,082,410</td>
<td>-</td>
<td>99,082,410</td>
</tr>
<tr>
<td>Other income</td>
<td>5,202</td>
<td>-</td>
<td>5,202</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>204,668,748</td>
<td></td>
<td>204,668,748</td>
</tr>
<tr>
<td><strong>EXPENDITURES/EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant distributions</td>
<td>42,129,687</td>
<td>-</td>
<td>42,129,687</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>2,434,941</td>
<td>-</td>
<td>2,434,941</td>
</tr>
<tr>
<td>Capital outlays</td>
<td>38,857</td>
<td>(38,857)</td>
<td>-</td>
</tr>
<tr>
<td>Loss on fixed assets</td>
<td>-</td>
<td>1,422</td>
<td>1,422</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>-</td>
<td>105,331</td>
<td>105,331</td>
</tr>
<tr>
<td>Other expenses</td>
<td>59,445,436</td>
<td></td>
<td>59,445,436</td>
</tr>
<tr>
<td><strong>Total Expenditures/Expenses</strong></td>
<td>104,048,921</td>
<td>67,896</td>
<td>104,116,817</td>
</tr>
<tr>
<td><strong>Excess Revenues Over (Under) Expenditures/Expenses</strong></td>
<td>100,619,827</td>
<td>(67,896)</td>
<td>100,551,931</td>
</tr>
<tr>
<td><strong>Change in Fund Balance/Net Position</strong></td>
<td>100,619,827</td>
<td>(67,896)</td>
<td>100,551,931</td>
</tr>
<tr>
<td>Fund Balance/Net Position, beginning of year</td>
<td>708,756,975</td>
<td>3,804,560</td>
<td>712,561,535</td>
</tr>
</tbody>
</table>
| **Fund Balance/Net Position, end of year** | $809,376,802 | $3,736,664 | $813,113,466
Board of Directors

(as of 12/31/13)

Johnathan L. Rhyne, Jr.
BOARD CHAIRMAN
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Appointed by the Speaker

Paul Brooks
Pembroke
Appointed by the Governor

Britt Cobb
Raleigh
Appointed by the Governor

S. Lawrence Davenport
Greenville
Appointed by the Governor

Barry Z. Dodson
Stoneville
Appointed by the President Pro Tem

Don Flow
Winston-Salem
Appointed by the President Pro Tem

Claudine Gibson
Robbinsville
Appointed by the Speaker

Billy Ray Hall
Angier
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Tom Taft
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Jerome Vick
Wilson
Appointed by the President Pro Tem

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