

**THE COMMUNITY FOUNDATION
OF GREATER BIRMINGHAM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017 AND 2016

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
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DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Community Foundation of Greater Birmingham

Report on the Financial Statements

We have audited the accompanying statements of financial position of The Community Foundation of Greater Birmingham (a nonprofit organization) as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets 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 audits 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Greater Birmingham as of December 31, 2017 and 2016, 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.

Report On Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The unaudited statements of operating and general expenses for the years ended December 31, 2017 and 2016, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Warren Averett, LLC

Birmingham, Alabama
July 18, 2018

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

| ASSETS | 2017 | 2016 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 5,004,122 | \$ 4,963,755 |
| Pledges receivable, net of allowance for uncollectible accounts of \$4,200 (\$13,000 at December 31, 2016) | 211,236 | 654,735 |
| Marketable securities, at fair value, cost of \$161,027,803 (\$224,404,570 at December 31, 2016) | 201,040,929 | 239,326,929 |
| Interest receivable | 192,677 | 170,381 |
| Other assets, net | 60,786 | 64,720 |
| Investment in real estate | 517,889 | 517,889 |
| Charitable gift annuities | 232,096 | 336,916 |
| Receivables from split-interest agreements | 2,127,844 | 2,205,962 |
| Beneficial interest in perpetual trusts | 11,787,215 | 11,329,448 |
| TOTAL ASSETS | \$ 221,174,794 | \$ 259,570,735 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Grants payable | \$ 3,352,874 | \$ 3,702,967 |
| Other liabilities | 115,849 | 102,820 |
| Funds held as agency endowments | 11,498,242 | 10,916,416 |
| Total liabilities | 14,966,965 | 14,722,203 |
| NET ASSETS | | |
| Unrestricted | 185,976,595 | 224,800,095 |
| Temporarily restricted | 3,365,657 | 3,640,627 |
| Permanently restricted | 16,865,577 | 16,407,810 |
| Total net assets | 206,207,829 | 244,848,532 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 221,174,794 | \$ 259,570,735 |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| REVENUE AND SUPPORT | | | | |
| Contributions and bequests | \$ 25,487,322 | \$ 56,322 | \$ - | \$ 25,543,644 |
| Interest and dividends | 3,064,050 | 29,016 | - | 3,093,066 |
| Net realized gain on sale of marketable securities | 9,979,004 | 266,782 | - | 10,245,786 |
| Net unrealized gain on marketable securities | 14,649,339 | 415,502 | - | 15,064,841 |
| Gain on interest in perpetual trusts | - | - | 457,767 | 457,767 |
| Net assets released from restrictions | <u>1,123,203</u> | <u>(1,123,203)</u> | <u>-</u> | <u>-</u> |
| Total revenue and support | <u>54,302,918</u> | <u>(355,581)</u> | <u>457,767</u> | <u>54,405,104</u> |
| EXPENSES AND LOSSES | | | | |
| Grants | 89,950,705 | - | - | 89,950,705 |
| Investment management and custodial fees | 871,789 | - | - | 871,789 |
| Amortization | 79,139 | - | - | 79,139 |
| Other expenses | 406,825 | - | - | 406,825 |
| Actuarial gain on annuity obligations | - | (80,611) | - | (80,611) |
| Other loss (gain) | (1,886) | - | - | (1,886) |
| Operating and general expenses: | | | | |
| Development | 660,896 | - | - | 660,896 |
| Finance, governance, and administration | 512,318 | - | - | 512,318 |
| Grant making and initiatives | <u>646,632</u> | <u>-</u> | <u>-</u> | <u>646,632</u> |
| Total expenses and losses | <u>93,126,418</u> | <u>(80,611)</u> | <u>-</u> | <u>93,045,807</u> |
| CHANGE IN NET ASSETS | (38,823,500) | (274,970) | 457,767 | (38,640,703) |
| NET ASSETS AT BEGINNING OF YEAR | <u>224,800,095</u> | <u>3,640,627</u> | <u>16,407,810</u> | <u>244,848,532</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 185,976,595</u> | <u>\$ 3,365,657</u> | <u>\$ 16,865,577</u> | <u>\$ 206,207,829</u> |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| REVENUE AND SUPPORT | | | | |
| Contributions and bequests | \$ 19,310,235 | \$ 453,145 | \$ - | \$ 19,763,380 |
| Interest and dividends | 3,119,761 | 47,458 | - | 3,167,219 |
| Net realized gain (loss) on sale of marketable securities | 439,605 | (17,287) | - | 422,318 |
| Net unrealized gain on marketable securities | 10,935,638 | 302,674 | - | 11,238,312 |
| Gain on interest in perpetual trusts | - | - | 576,228 | 576,228 |
| Net assets released from restrictions | <u>1,099,810</u> | <u>(1,099,810)</u> | <u>-</u> | <u>-</u> |
| Total revenue and support | <u>34,905,049</u> | <u>(313,820)</u> | <u>576,228</u> | <u>35,167,457</u> |
| EXPENSES AND LOSSES | | | | |
| Grants | 17,604,598 | - | - | 17,604,598 |
| Investment management and custodial fees | 888,454 | - | - | 888,454 |
| Amortization | 144,397 | - | - | 144,397 |
| Other expenses | 2,527,518 | - | - | 2,527,518 |
| Actuarial gain on annuity obligations | - | (92,715) | - | (92,715) |
| Other loss | 858 | - | - | 858 |
| Operating and general expenses: | | | | |
| Development | 665,651 | - | - | 665,651 |
| Finance, governance, and administration | 526,762 | - | - | 526,762 |
| Grant making and initiatives | <u>546,551</u> | <u>-</u> | <u>-</u> | <u>546,551</u> |
| Total expenses and losses | <u>22,904,789</u> | <u>(92,715)</u> | <u>-</u> | <u>22,812,074</u> |
| CHANGE IN NET ASSETS | 12,000,260 | (221,105) | 576,228 | 12,355,383 |
| NET ASSETS AT BEGINNING OF YEAR | <u>212,799,835</u> | <u>3,861,732</u> | <u>15,831,582</u> | <u>232,493,149</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 224,800,095</u> | <u>\$ 3,640,627</u> | <u>\$ 16,407,810</u> | <u>\$ 244,848,532</u> |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (38,640,703) | \$ 12,355,383 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 13,536 | 16,132 |
| Reduction in provision for uncollectible accounts | (8,800) | (4,000) |
| Net unrealized and realized gain on investments | (29,065,220) | (12,220,162) |
| Gain on annuity obligations | (80,611) | (92,715) |
| Gain on interest in perpetual trusts | (457,767) | (576,228) |
| Contributions of marketable securities, split-interest agreements, other assets, charitable gift annuities, and perpetual trusts | (13,909,745) | (6,535,416) |
| Change in pledges receivable | 452,299 | 178,801 |
| Change in interest receivable | (22,296) | 340,777 |
| Change in other assets | (9,602) | (28,164) |
| Change in grants payable | (350,093) | (136,529) |
| Change in other liabilities | 13,029 | 17,911 |
| Change in funds held as agency endowments | 581,826 | (225,728) |
| Net cash used by operating activities | <u>(81,484,147)</u> | <u>(6,909,938)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from maturities and sales of marketable securities | 205,435,777 | 117,547,884 |
| Purchase of marketable securities | <u>(123,911,263)</u> | <u>(112,192,903)</u> |
| Net cash provided by investing activities | <u>81,524,514</u> | <u>5,354,981</u> |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2017 AND 2016**

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ 40,367 | \$ (1,554,957) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF OF YEAR | <u>4,963,755</u> | <u>6,518,712</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 5,004,122</u> | <u>\$ 4,963,755</u> |

See notes to the financial statements.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Community Foundation of Greater Birmingham (the Foundation) is composed of three separate legal entities. Two of the entities, a trust entity and a nonprofit corporation, are governed by a common Board of Directors and operate jointly as a community foundation for a single purpose. In 2004, the Charitable Real Estate Foundation (CREF) was set up as a support organization of the Foundation in order to facilitate gifts of real estate and has a separate Board of Directors approved by the Board of Directors of the Foundation. The Foundation uses its assets primarily to benefit residents of the greater Birmingham area, including Jefferson, Shelby, St. Clair, Blount, and Walker Counties. The mission of the Foundation is to be a vehicle to ignite passion for transformational change. The Foundation currently focuses on achieving four specific results: children are successful along the education pipeline; people can lead healthy lives; communities are sustainable, livable, and vibrant; and individuals and families are economically secure.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Foundation reports 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.

Unrestricted net assets are those which are subject to variance power (the unilateral power of the Board of Directors to redirect the use of assets). The variance power allows the Board of Directors to modify donor instructions that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of variance power, most contributions are classified as unrestricted net assets for financial statement purposes. Although the Board of Directors of the Foundation has variance power, its policy and intention are to comply with the instructions of the donors of each fund.

Temporarily restricted net assets are gifts whose use by the Foundation have been limited by donors to a specific time period or purpose. When a donor-imposed restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Currently, these assets consist primarily of split-interest agreements, charitable gift annuities, and pledges receivable.

Permanently restricted net assets have been restricted by donors and are to be maintained by the Foundation in perpetuity. Currently, these assets consist primarily of perpetual trusts.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Generally accepted accounting principles (GAAP) provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). GAAP also promulgates disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. See Note 8 regarding the Foundation's endowment funds.

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 reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation includes cash equivalents (defined as investments having an original maturity of three months or less when purchased) in cash flows for each year. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Contributions and Bequests

Contributions and bequests are accounted for at average fair market value on the date of contribution. All unconditional promises to give are considered to be contributions on the date the promise is made.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is maintained in amounts estimated to provide adequate reserves to cover anticipated losses based on a periodic evaluation of the outstanding pledges. On a continuing basis, management analyzes pledges, and, once pledges are determined to be uncollectible, they are written off through a charge against an existing allowance account or operations.

Marketable Securities

Marketable securities are carried at fair value determined as of the last business day of the year at quoted market price as reported by the financial institution holding the security. The cost of marketable securities represents amounts paid for purchased securities or average market values as of the date the security was donated to the Foundation for contributed securities. Realized gains and losses from the sales of securities are primarily determined by the specific identification method. Net unrealized appreciation or depreciation of marketable securities represents the change in the difference between the Foundation's cost and current market value of securities as determined at the end of each year and includes the effect of amortization expense on securities.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment in Real Estate

Investment in real estate is carried at the estimated fair value at the date of the gift, less depreciation where applicable.

Charitable Gift Annuities

Charitable gift annuities are assets that are transferred directly to the Foundation in exchange for distributions of a fixed amount for a specified period of time to the donor or beneficiaries. These assets are held as general assets of the Foundation, and the related annuity liability is recorded as a general obligation of the Foundation. The asset is recorded at the fair value on the date of the agreement, and an annuity liability is recorded for an amount equal to the present value of the future distributions to the beneficiary. The difference between the fair value of the assets received and the present value of the liability is recognized as temporarily restricted contribution revenue.

Receivables from Split-Interest Agreements

The Foundation has certain trust agreements with donors under which both parties derive benefits. These types of arrangements are referred to as split-interest agreements. Split-interest agreements entered into by the Foundation consist primarily of charitable remainder trusts. Contribution revenues are recognized for the present value of the remainder interest and classified as increases in temporarily restricted net assets unless the donor has permanently restricted the Foundation's use of its interest through a perpetual trust.

The fair value of contributions receivable from charitable remainder trusts is estimated by discounting the estimated cash flows to be received over the anticipated term of the trusts using the applicable federal discount and mortality rates published by the federal government. The rates currently being used to discount trust funds range from 5% to 6% based on the life expectancy of the beneficiaries. Changes in the value of these contributions receivable are reflected as actuarial gain (loss) on annuity obligations in the accompanying statements of activities and changes in net assets.

Beneficial Interest in Perpetual Trusts

The perpetual trusts are carried at the present value of the ultimate Foundation interest. The annual gain or loss on interest in perpetual trusts is reflected in the statements of activities and changes in net assets. The funds of the perpetual trusts are held by a local bank. These funds primarily consist of common stocks, governmental bonds, nongovernmental bonds, money market funds, and other investments.

Fair Value Measurements

The Foundation adheres to the provisions of GAAP for fair value measurement of financial assets and liabilities. Such provisions define fair value, establish a framework for measuring fair value, and expand disclosure about fair value measurement. GAAP also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the provisions of GAAP, fair value measurements are disclosed by level within that hierarchy.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Foundation's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the fair value provisions of the Accounting Standards Codification (ASC). The ASC establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities, and default rates, and inputs that are derived principally from or corroborated by observable market data.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Valuation Techniques

The fair value of short-term investments is based on quoted market prices in an active market for identical assets and liabilities as of the reporting date. The fair value of trading securities is categorized within Level 1 of the fair value hierarchy. The fair value of the Foundation's interest in certain funds is based on the assessment made by the investment managers for the Foundation of each underlying investment. These interests are included in Level 3 of the fair value hierarchy because the fair values of these investments are determined by the funds and are unobservable (see Note 7).

Some of the Foundation's financial instruments are not measured at fair value on a recurring basis. However, these instruments are carried at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, accounts receivable, interest receivable, grants payable, and other liabilities.

Interest and Dividend Income

Dividend income is recorded on the ex-dividend date, and interest is recorded on the accrual basis.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for federal income taxes has been included in the accompanying financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Foundation adheres to the provisions of GAAP relating to uncertainty in income taxes. Such provisions require entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with these provisions, the Foundation has determined that it does not have any positions at December 31, 2017 or 2016, that it would be unable to substantiate. The Foundation has filed its tax returns through December 31, 2016.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through July 18, 2018, the date the financial statements were available to be issued.

2. PLEDGES RECEIVABLE

New pledges in 2017 amounted to \$45,700 (\$250,000 in 2016). Pledges made in 2017 were discounted to their present values assuming their respective terms at a discount rate of 1.23%, compounded annually. Pledges receivable consist of the following at December 31:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Receivable in less than one year | \$ 79,068 | \$ 520,490 |
| Receivable in one to five years | <u>139,339</u> | <u>152,039</u> |
| Total pledges receivable | 218,407 | 672,529 |
| Less discount to net present value | 2,971 | 4,794 |
| Less allowance for uncollectible pledges receivable | <u>4,200</u> | <u>13,000</u> |
| Net pledges receivable | <u>\$ 211,236</u> | <u>\$ 654,735</u> |

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. MARKETABLE SECURITIES

Marketable securities at December 31 consist of the following:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|----------------------|----------------------|
| Domestic equities | \$ 62,943,344 | \$ 72,915,131 |
| International equities | 39,812,368 | 40,792,572 |
| Corporate debt securities | 20,098,848 | 23,077,746 |
| Other domestic bonds | 26,547,862 | 35,479,369 |
| High yield bonds | 2,542,420 | 2,085,889 |
| International bond funds | 2,830,867 | 4,291,750 |
| Private equity | 3,255,562 | 1,119,324 |
| Fund of funds | 16,941,426 | 23,718,778 |
| Real estate and REITs | 9,808,518 | 13,803,791 |
| Real assets | 4,332,109 | 9,709,232 |
| Cash and cash equivalents | <u>11,927,605</u> | <u>12,333,347</u> |
| Marketable securities at end of year | <u>\$201,040,929</u> | <u>\$239,326,929</u> |

4. CHARITABLE GIFT ANNUITIES

At December 31, 2017, the Foundation has charitable gift annuities with a combined value of \$232,096 (\$336,916 at December 31, 2016). The following table summarizes activity in such funds during the years ended December 31:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Charitable gift annuities at beginning of year | \$ 336,916 | \$ 360,406 |
| Investment income | 5,740 | 8,562 |
| Investment gain | 31,550 | 10,714 |
| Fiduciary fees | (4,406) | (4,022) |
| Payments to beneficiaries | (108,763) | - |
| Annuity liability payments | <u>(28,941)</u> | <u>(38,744)</u> |
| Charitable gift annuities at end of year | <u>\$ 232,096</u> | <u>\$ 336,916</u> |

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. RECEIVABLES FROM SPLIT-INTEREST AGREEMENTS

At December 31, 2017, the Foundation has split-interest agreements with a combined value of \$2,127,844 (\$2,205,962 at December 31, 2016). The following table summarizes activity in such funds during the years ended December 31:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Receivables from split-interest agreements at beginning of year | \$ 2,205,962 | \$ 2,282,975 |
| Contributions | - | 200,000 |
| Settlement of receivable | (127,178) | (359,015) |
| Unrealized investment gains | 49,060 | 82,002 |
| | <u>\$ 2,127,844</u> | <u>\$ 2,205,962</u> |

6. FUNDS HELD AS AGENCY ENDOWMENTS

GAAP establishes standards for transactions in which an organization, such as the Foundation, accepts a contribution from a donor and agrees to use those assets on behalf of another organization or transfer those assets, the return of investment of those assets, or both to another entity that is specified by the donor. GAAP specifically requires that if a not-for-profit organization (NPO) establishes a fund at an organization with its own funds and specifies itself as the beneficiary of the fund, the organization must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power over agency endowment funds and continues to report the funds as assets of the Foundation. However, in accordance with GAAP, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPO.

At December 31, 2017 and 2016, the Foundation managed approximately 36 agency endowment funds with a combined value of \$11,498,242 and \$10,916,416, respectively. The following table summarizes activity in such funds during the years ended December 31:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| Agency endowment fund balances at beginning of year | \$ 10,916,416 | \$ 11,142,144 |
| Contributions | 627,888 | 268,851 |
| Investment income | 137,627 | 160,071 |
| Unrealized and realized investment gains | 1,251,521 | 559,532 |
| Grants and other changes | (1,319,656) | (1,097,084) |
| Fiduciary fees | (115,554) | (117,098) |
| | <u>\$ 11,498,242</u> | <u>\$ 10,916,416</u> |

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

7. FAIR VALUE MEASUREMENTS

The Foundation's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 1 for a discussion of the Foundation's policies regarding this hierarchy.

The following fair value hierarchy table presents information about the Foundation's assets and liabilities measured or disclosed at fair value on a recurring basis as of December 31, 2017:

| ASSETS | Fair Value | Fair Value Measurement at Report Date Using | | |
|---|-----------------------|--|--|--|
| | | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
| Marketable securities: | | | | |
| Domestic equities | \$ 62,943,344 | \$ 62,943,344 | \$ - | \$ - |
| International equities | 39,812,368 | 39,812,368 | - | - |
| Corporate debt securities | 20,098,848 | 20,098,848 | - | - |
| Other domestic bonds | 26,547,862 | 26,547,862 | - | - |
| High yield bonds | 2,542,420 | 2,542,420 | - | - |
| International bond funds | 2,830,867 | 2,830,867 | - | - |
| Private equity | 3,255,562 | - | - | 3,255,562 |
| Fund of funds | 16,941,426 | - | 318,324 | 16,623,102 |
| Real estate and REITs | 9,808,518 | 630,081 | - | 9,178,437 |
| Real assets | 4,332,109 | 3,017,603 | - | 1,314,506 |
| Cash and cash equivalents | 11,927,605 | 11,927,605 | - | - |
| | 201,040,929 | 170,350,998 | 318,324 | 30,371,607 |
| Charitable gift annuities | 232,096 | - | 232,096 | - |
| Split-interest receivables | 2,127,844 | - | 2,127,844 | - |
| Beneficial interest in perpetual trusts | 11,787,215 | - | - | 11,787,215 |
| Total Assets | \$ 215,188,084 | \$ 170,350,998 | \$ 2,678,264 | \$ 42,158,822 |

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

7. FAIR VALUE MEASUREMENTS – CONTINUED

The following fair value hierarchy table presents information about the Foundation's assets and liabilities measured or disclosed at fair value on a recurring basis as of December 31, 2016:

| ASSETS | Fair Value | Fair Value Measurement at Report Date Using | | |
|---|-----------------------|--|---|--|
| | | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
| Marketable securities: | | | | |
| Domestic equities | \$ 72,915,131 | \$ 72,915,131 | \$ - | \$ - |
| International equities | 40,792,572 | 40,792,572 | - | - |
| Corporate debt securities | 23,077,746 | 23,077,746 | - | - |
| Other domestic bonds | 35,479,369 | 35,479,369 | - | - |
| High yield bonds | 2,085,889 | 2,085,889 | - | - |
| International bond funds | 4,291,750 | 4,291,750 | - | - |
| Private equity | 1,119,324 | - | - | 1,119,324 |
| Fund of funds | 23,718,778 | - | 183,170 | 23,535,608 |
| Real estate investment trusts | 13,803,791 | 427,859 | - | 13,375,932 |
| Real assets | 9,709,232 | 7,155,024 | - | 2,554,208 |
| Cash and cash equivalents | 12,333,347 | 12,333,347 | - | - |
| | 239,326,929 | 198,558,687 | 183,170 | 40,585,072 |
| Charitable gift annuities | 336,916 | - | 336,916 | - |
| Split-interest receivables | 2,205,962 | - | 2,205,962 | - |
| Beneficial interest in perpetual trusts | 11,329,448 | - | - | 11,329,448 |
| Total Assets | \$ 253,199,255 | \$ 198,558,687 | \$ 2,726,048 | \$ 51,914,520 |

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investment assets for the year ended December 31, 2016:

| | Beneficial Interest in Perpetual Trusts | Marketable Securities |
|---|--|--------------------------|
| Balance at beginning of year | \$ 10,753,220 | \$ 24,810,312 |
| Realized gains | - | 186,553 |
| Unrealized gains relating to instruments held at the reporting date | 576,228 | 585,207 |
| Purchases | - | 26,394,940 |
| Sales, issuances, and settlements (net) | - | (11,391,940) |
| Balance at end of year | <u>\$ 11,329,448</u> | <u>\$ 40,585,072</u> |

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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7. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents information about the Foundation’s investments that have fair values estimated using net asset value per share as of December 31, 2017:

| Fair Value Measurement of Investments That Calculate Net Asset Value | | | | |
|---|----------------------------|--|---|-------------------------------------|
| | Fair Value 2017 | Unfunded Commitments 2017 | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
| Alternative Investments | | | | |
| Hedge Funds (a) | \$ 1,110,677 | \$ - | Quarterly | 95 days |
| Hedge Funds (a) | 2,492,485 | - | Quarterly | 100 days |
| Hedge Funds (b) | 146,088 | - | Quarterly | 95 days |
| Hedge Funds (c) | 12,873,852 | - | Semi-annually | 105 days |
| Real Estate (d) | 7,755,373 | - | Quarterly | 60 days |
| Limited Partnership (e) | 4,312,314 | 3,175,292 | Currently ineligible | |
| Limited Partnership (f) | 357,025 | 1,200,000 | Currently ineligible | |
| Total | \$ 29,047,814 | \$ 4,375,292 | | |

- (a) These funds are hedge funds that invest in multiple strategies to diversify risk and reduce volatility. Investments are in U.S. and non-U.S. markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (b) These funds are hedge funds that invest in multiple fund investments managed by external investment advisors that pursue a variety of absolute return strategies. This includes non-traditional investment strategies that utilize a variety of securities and financial instruments and employ sophisticated trading and portfolio management techniques. They seek, over time, to achieve net returns commensurate with the long-run return on public equities with half the volatility of and low correlation to the equity markets. Investments are in U.S. and non-U.S. markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (c) This fund’s investment objective is to achieve capital appreciation through a balanced level of risk primarily by allocating assets to a select number of fundamental long/short equity and credit-focused managers. Underlying investments are in U.S. and non-U.S. markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (d) This is a portfolio of core real estate, which is comprised of participating mortgage loans and equity real estate investments. The fund is diversified by property type and geographic location. The valuation has been estimated based on the net asset value per share.
- (e) This is a limited partnership to capitalize on changing market conditions or temporary inefficiencies resulting in opportunistic investments in stressed or dislocated areas of the market. The Foundation committed \$6,750,000 with payments beginning in 2017. The fund term is 10 years.
- (f) This is a limited partnership designed to invest in distressed opportunities and special situations in public and private companies, primarily in North America and Europe. The fund term is five years, and there is the potential for two additional 18- month periods. The Foundation committed \$1,500,000.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

7. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents information about the Foundation’s investments that have fair values estimated using net asset value per share as of December 31, 2016:

| | Fair Value Measurement of Investments That Calculate Net Asset Value | | | |
|--------------------------------|---|--|---|-------------------------------------|
| | Fair Value 2016 | Unfunded Commitments 2016 | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
| Alternative Investments | | | | |
| Hedge Funds (a) | \$ 3,149,008 | \$ - | Quarterly | 95 days |
| Hedge Funds (a) | 10,215,859 | - | Quarterly | 100 days |
| Hedge Funds (b) | 133,604 | - | Quarterly | 95 days |
| Hedge Funds (c) | 10,037,136 | - | Semi-annually | 105 days |
| Real Estate (d) | 11,617,515 | - | Quarterly | 60 days |
| Limited Partnership (e) | 2,664,269 | 4,459,193 | Currently ineligible | |
| Limited Partnership (f) | 192,347 | 1,320,000 | Currently ineligible | |
| Total | \$ 38,009,738 | \$ 5,779,193 | | |

- (a) These funds are hedge funds that invest in multiple strategies to diversify risk and reduce volatility. Investments are in U.S. and non-U.S. markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (b) These funds are hedge funds that invest in multiple fund investments managed by external investment advisors that pursue a variety of absolute return strategies. This includes non-traditional investment strategies that utilize a variety of securities and financial instruments and employ sophisticated trading and portfolio management techniques. They seek, over time, to achieve net returns commensurate with the long-run return on public equities with half the volatility of and low correlation to the equity markets. Investments are in U.S. and non-U.S. markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (c) This fund’s investment objective is to achieve capital appreciation through a balanced level of risk primarily by allocating assets to a select number of fundamental long/short equity and credit-focused managers. Underlying investments are in U.S. and non-U.S. markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (d) This is a portfolio of core real estate, which is comprised of participating mortgage loans and equity real estate investments. The fund is diversified by property type and geographic location. The valuation has been estimated based on the net asset value per share.
- (e) This is a limited partnership to capitalize on changing market conditions or temporary inefficiencies resulting in opportunistic investments in stressed or dislocated areas of the market. The Foundation committed \$6,750,000 with payments beginning in 2017. The fund term is 10 years.
- (f) This is a limited partnership designed to invest in distressed opportunities and special situations in public and private companies, primarily in North America and Europe. The fund term is five years, and there is the potential for two additional 18- month periods. The Foundation committed \$1,500,000.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. ENDOWMENTS

The Foundation's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

UPMIFA requires the purchasing power of donor-restricted endowment funds to be preserved, absent explicit donor stipulations to the contrary. The Board of Directors has determined that the majority of the Foundation's contributions and net assets are subject to the terms of the Foundation's bylaws and do not meet the definition of endowment under UPMIFA. Certain contributions are received subject to other gift instruments or specific agreements with the Foundation.

Under the terms of the Foundation's bylaws, the Board of Directors has the ability to distribute as much of the corpus of any trust or separate gift, device, bequest, or fund as the Board of Directors in its sole discretion shall determine. As a result of the ability to distribute the corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

8. ENDOWMENTS – CONTINUED

The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets at beginning of year | \$ 72,334,102 | \$ 804,480 | \$ 16,407,810 | \$ 89,546,392 |
| Interest and dividends, net of investment expenses | 852,123 | 7,200 | - | 859,323 |
| Net appreciation | 7,540,007 | 682,284 | 457,767 | 8,680,058 |
| Contributions | 4,747,987 | 15,850 | - | 4,763,837 |
| Amounts appropriated for expenditure | (4,258,866) | (360,951) | - | (4,619,817) |
| Other changes – payments on pledges | 256,599 | (256,599) | - | - |
| Transfers/adjustments | 287,810 | - | - | 287,810 |
| Change in endowment net assets | <u>9,425,660</u> | <u>87,784</u> | <u>457,767</u> | <u>9,971,211</u> |
| Endowment net assets at end of year | <u>\$ 81,759,762</u> | <u>\$ 892,264</u> | <u>\$ 16,865,577</u> | <u>\$ 99,517,603</u> |

The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets at beginning of year | \$ 69,520,929 | \$ 975,648 | \$ 15,831,582 | \$ 86,328,159 |
| Interest and dividends, net of investment expenses | 957,544 | 24,522 | - | 982,066 |
| Net appreciation | 3,856,893 | 285,387 | 576,228 | 4,718,508 |
| Contributions | 1,465,364 | - | - | 1,465,364 |
| Amounts appropriated for expenditure | (3,732,857) | (238,817) | - | (3,971,674) |
| Other changes – payments on pledges | 242,260 | (242,260) | - | - |
| Transfers/adjustments | 23,969 | - | - | 23,969 |
| Change in endowment net assets | <u>2,813,173</u> | <u>(171,168)</u> | <u>576,228</u> | <u>3,218,233</u> |
| Endowment net assets at end of year | <u>\$ 72,334,102</u> | <u>\$ 804,480</u> | <u>\$ 16,407,810</u> | <u>\$ 89,546,392</u> |

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

8. ENDOWMENTS – CONTINUED

The following depicts the endowment net asset composition by type of fund as of December 31, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-designated endowment funds | \$ - | \$ 853,163 | \$ 16,865,577 | \$ 17,718,740 |
| Other endowment funds: | | | | |
| Donor-advised | 10,923,532 | - | - | 10,923,532 |
| Designated | 16,648,010 | - | - | 16,648,010 |
| 50 th anniversary catalyst | 7,982,685 | - | - | 7,982,685 |
| Scholarship | 55,852 | - | - | 55,852 |
| Community – unrestricted | 2,120,463 | - | - | 2,120,463 |
| Field of interest | 9,473,093 | 16,850 | - | 9,489,943 |
| | <u>47,203,635</u> | <u>16,850</u> | <u>-</u> | <u>47,220,485</u> |
| Board-designated endowment funds | 34,556,127 | 22,251 | - | 34,578,378 |
| | <u>\$ 81,759,762</u> | <u>\$ 892,264</u> | <u>\$ 16,865,577</u> | <u>\$ 99,517,603</u> |

Other endowment funds include funds that are subject to the Foundation's spending policy under the gift agreement.

The following depicts the endowment net asset composition by type of fund as of December 31, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-designated endowment funds | \$ - | \$ 524,480 | \$ 16,407,810 | \$ 16,932,290 |
| Other endowment funds: | | | | |
| Donor-advised | 10,335,725 | - | - | 10,335,725 |
| Designated | 14,943,170 | - | - | 14,943,170 |
| 50 th anniversary catalyst | 6,959,163 | 179,643 | - | 7,138,806 |
| Scholarship | 10,037 | - | - | 10,037 |
| Community – unrestricted | 2,139,506 | - | - | 2,139,506 |
| Field of interest | 5,339,909 | 5,550 | - | 5,345,459 |
| | <u>39,727,510</u> | <u>185,193</u> | <u>-</u> | <u>39,912,703</u> |
| Board-designated endowment funds | 32,606,592 | 94,807 | - | 32,701,399 |
| | <u>\$ 72,334,102</u> | <u>\$ 804,480</u> | <u>\$ 16,407,810</u> | <u>\$ 89,546,392</u> |

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

8. ENDOWMENTS – CONTINUED

In addition to endowment net assets, the Foundation also manages other nonendowed funds. The following table summarizes all Foundation net assets as of December 31, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| Endowment funds | \$ 81,759,762 | \$ 892,264 | \$ 16,865,577 | \$ 99,517,603 |
| Nonendowment funds: | | | | |
| Donor-advised | 95,200,895 | - | - | 95,200,895 |
| Designated | 3,164,553 | - | - | 3,164,553 |
| Community catalyst | 2,290,728 | 141,522 | - | 2,432,250 |
| Field of interest | 609,844 | - | - | 609,844 |
| Scholarship | 1,293,342 | - | - | 1,293,342 |
| Other | 1,657,471 | 20,000 | - | 1,677,471 |
| | <u>104,216,833</u> | <u>161,522</u> | <u>-</u> | <u>104,378,355</u> |
| Charitable gift annuities | - | 184,027 | - | 184,027 |
| Split-interest agreements | - | 2,127,844 | - | 2,127,844 |
| | <u>\$ 185,976,595</u> | <u>\$ 3,365,657</u> | <u>\$ 16,865,577</u> | <u>\$ 206,207,829</u> |

In addition to endowment net assets, the Foundation also manages other nonendowed funds. The following table summarizes all Foundation net assets as of December 31, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| Endowment funds | \$ 72,334,102 | \$ 804,480 | \$ 16,407,810 | \$ 89,546,392 |
| Nonendowment funds: | | | | |
| Donor-advised | 144,377,599 | 134,288 | - | 144,511,887 |
| Designated | 2,304,652 | - | - | 2,304,652 |
| Community catalyst | 2,612,832 | 211,706 | - | 2,824,538 |
| Field of interest | 550,797 | - | - | 550,797 |
| Scholarship | 1,357,502 | - | - | 1,357,502 |
| Other | 1,262,611 | - | - | 1,262,611 |
| | <u>152,465,993</u> | <u>345,994</u> | <u>-</u> | <u>152,811,987</u> |
| Charitable gift annuities | - | 284,191 | - | 284,191 |
| Split-interest agreements | - | 2,205,962 | - | 2,205,962 |
| | <u>\$ 224,800,095</u> | <u>\$ 3,640,627</u> | <u>\$ 16,407,810</u> | <u>\$ 244,848,532</u> |

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. ENDOWMENTS – CONTINUED

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term objectives within prudent risk parameters.

The current spending policy for grant making is to distribute a maximum annual amount of 5% of the quarterly balance of the trailing 12 quarters. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through new gifts and investment returns.

9. ADMINISTRATIVE AND FIDUCIARY FEES

The Foundation charges an administrative fee to the various grant making funds to cover its operating expenses. The fee is withdrawn from the funds at the beginning of each calendar year and is calculated based on the average daily balance of the prior year's fair market value.

The fee of each donor-advised and donor-designated fund is based on the fair market value on an annual basis as follows: 1% on the first \$1,000,000, .75% on the next \$1,000,000, .50% on the next \$1,000,000, and .25% on funds over \$3,000,000. The unrestricted and field of interest funds are assessed at 1.15% of the market value. The fee from the community catalyst funds is calculated at 1.00% of the market value. Scholarship funds that support the General Scholarship Pool or a Custom Scholarship Fund are assessed a 2% fee. Those that offer scholarships through a Designated Fund are assessed the normal Designated Fund tiered fee beginning at 1%.

The administrative fee for agency endowment funds opened on or before December 31, 2010, is assessed as follows: .60% on the first \$1,000,000 and .50% on the remaining balance. For those funds established after January 1, 2011, the first \$1,000,000 is assessed at .75%, and over that at .60%. For any donor-advised, designated, or agency endowment fund over \$10,000,000, the fee will be determined on an individual basis. The minimum administrative fee charged to any individual fund is \$250. In addition, each fund pays an investment management fee to the respective financial institution.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. RETIREMENT PLAN

The Foundation sponsors a 403(b) retirement plan. All employees of the Foundation who work 20 hours or more per week are eligible to participate. The Foundation makes contributions to the plan at the rate of 5% of salary for each employee who meets the minimum requirement of one year of service and 20 hours of service per week; however, the Foundation does not match any employee contributions. Retirement plan expense for the year ended December 31, 2017, was \$40,268 (\$45,489 in 2016).

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are designated for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Art and culture | \$ 45,904 | \$ 43,720 |
| Education | 317,281 | 385,762 |
| Environmental | 3,140 | 7,412 |
| Health and welfare | 666,145 | 346,062 |
| Human services | 55,757 | 19,701 |
| Religious | 33,399 | 35,082 |
| Donor-advised | 993,330 | 1,250,628 |
| Community funds for competitive grant making | 1,087,077 | 1,066,104 |
| 50 th anniversary catalyst | 141,522 | 391,349 |
| Leadership/operating | 22,102 | 94,807 |
| | <u>\$ 3,365,657</u> | <u>\$ 3,640,627</u> |

12. PERMANENTLY RESTRICTED NET ASSETS

Earnings from permanently restricted net assets at December 31 are designated for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Community funds for competitive grant making | \$ 2,702,766 | \$ 2,593,551 |
| Human services | 9,162,811 | 8,814,259 |
| Health and welfare | 5,000,000 | 5,000,000 |
| | <u>\$ 16,865,577</u> | <u>\$ 16,407,810</u> |

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

13. COMMITMENTS

In June 2012, the Foundation entered into a 60-month operating lease agreement for its current office space, which expired in July 2017. Under fully executed lease amendments, the Foundation exercised its option and signed two one-year lease extensions taking it through July 2019. Rent expense for 2017 totaled \$101,827 (\$99,424 in 2016). The Foundation expects to incur future minimum lease payments under this operating lease as follows:

| | |
|------|-------------------|
| 2018 | \$ 104,879 |
| 2019 | <u>62,237</u> |
| | <u>\$ 167,116</u> |

SUPPLEMENTARY INFORMATION

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
UNAUDITED STATEMENT OF OPERATING AND GENERAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Development | Finance, Governance, and Administration | Grant Making and Initiatives | Total |
|--------------------------|--------------------|--|---|---------------------|
| Administrative | \$ 84,201 | \$ 51,450 | \$ 58,700 | \$ 194,351 |
| Communications/marketing | 19,970 | 10,000 | - | 29,970 |
| Development/advancement | 27,251 | 225 | - | 27,476 |
| Grant cycles/initiatives | 763 | 5 | 150,480 | 151,248 |
| Personnel costs | 475,227 | 386,493 | 403,932 | 1,265,652 |
| Professional services | 29,964 | 43,052 | 24,628 | 97,644 |
| Travel/development | 18,352 | 17,193 | 4,424 | 39,969 |
| Depreciation | 5,168 | 3,900 | 4,468 | 13,536 |
| | <u>\$ 660,896</u> | <u>\$ 512,318</u> | <u>\$ 646,632</u> | <u>\$ 1,819,846</u> |

See independent auditors' report.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
UNAUDITED STATEMENT OF OPERATING AND GENERAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | <u>Development</u> | <u>Finance, Governance, and Administration</u> | <u>Grant Making and Initiatives</u> | <u>Total</u> |
|--------------------------|--------------------|--|---|---------------------|
| Administrative | \$ 81,719 | \$ 55,793 | \$ 62,603 | \$ 200,115 |
| Communications/marketing | 24,375 | - | 59 | 24,434 |
| Development/advancement | 29,799 | 48 | - | 29,847 |
| Grant cycles/initiatives | 99 | - | 17,758 | 17,857 |
| Personnel costs | 484,925 | 410,862 | 438,419 | 1,334,206 |
| Professional services | 19,361 | 36,595 | 10,354 | 66,310 |
| Travel/development | 19,807 | 16,974 | 12,335 | 49,116 |
| Depreciation | 5,566 | 6,490 | 5,023 | 17,079 |
| | <u>\$ 665,651</u> | <u>\$ 526,762</u> | <u>\$ 546,551</u> | <u>\$ 1,738,964</u> |

See independent auditors' report.