

**THE COMMUNITY FOUNDATION  
OF GREATER BIRMINGHAM**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
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DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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.

*Warren Averett, LLC*

Birmingham, Alabama

July 21, 2021

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>		
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 5,151,322	\$ 5,717,640
Pledges receivable, net of allowance for uncollectible accounts of \$16,689 (\$18,819 at December 31, 2019)	787,073	873,511
Marketable securities, at fair value, cost of \$136,137,961 (\$193,420,916 at December 31, 2019)	242,562,523	215,822,203
Interest receivable	96,762	123,415
Other assets, net	62,002	59,719
Investment in real estate	171,000	517,889
Charitable gift annuities	179,323	177,780
Receivables from split-interest agreements	2,694,601	3,829,333
Beneficial interest in perpetual trusts	12,929,981	12,054,663
<b>TOTAL ASSETS</b>	<b>\$ 264,634,587</b>	<b>\$ 239,176,153</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Grants payable	\$ 2,202,594	\$ 4,050,971
Other liabilities	93,853	83,798
Funds held as agency endowments	13,860,294	12,793,226
Total liabilities	16,156,741	16,927,995
<b>NET ASSETS</b>		
Without donor restrictions	225,090,699	199,257,623
With donor restrictions	23,387,147	22,990,535
Total net assets	248,477,846	222,248,158
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 264,634,587</b>	<b>\$ 239,176,153</b>

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, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contributions and bequests	\$ 25,269,893	\$ 149,235	\$ 25,419,128
Net investment return	24,395,062	823,312	25,218,374
Gain on interest in perpetual trusts	-	875,318	875,318
Net assets released from restrictions	1,407,797	(1,407,797)	-
Income from Paycheck Protection Program	234,800	-	234,800
Other income	31,860	-	31,860
Total revenue and support	<u>51,339,412</u>	<u>440,068</u>	<u>51,779,480</u>
<b>EXPENSES AND LOSSES</b>			
Grants	23,519,221	-	23,519,221
Actuarial loss on annuity obligations	-	43,456	43,456
Operating and general expenses:			
Development	818,557	-	818,557
Finance, governance, and administration	571,776	-	571,776
Grantmaking and initiatives	596,782	-	596,782
Total expenses and losses	<u>25,506,336</u>	<u>43,456</u>	<u>25,549,792</u>
<b>CHANGE IN NET ASSETS</b>	25,833,076	396,612	26,229,688
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>199,257,623</u>	<u>22,990,535</u>	<u>222,248,158</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 225,090,699</u>	<u>\$ 23,387,147</u>	<u>\$ 248,477,846</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, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contributions and bequests	\$ 16,215,113	\$ 1,232,127	\$ 17,447,240
Net investment return	29,311,367	886,384	30,197,751
Gain on interest in perpetual trusts	-	1,420,426	1,420,426
Actuarial gain on annuity obligations	-	130,576	130,576
Net assets released from restrictions	1,165,121	(1,165,121)	-
Total revenue and support	<u>46,691,601</u>	<u>2,504,392</u>	<u>49,195,993</u>
<b>EXPENSES AND LOSSES</b>			
Grants	22,673,834	-	22,673,834
Other expenses	277,017	-	277,017
Operating and general expenses:			
Development	1,003,399	-	1,003,399
Finance, governance, and administration	536,555	-	536,555
Grantmaking and initiatives	601,924	-	601,924
Total expenses and losses	<u>25,092,729</u>	<u>-</u>	<u>25,092,729</u>
<b>CHANGE IN NET ASSETS</b>	21,598,872	2,504,392	24,103,264
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>177,658,751</u>	<u>20,486,143</u>	<u>198,144,894</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 199,257,623</u>	<u>\$ 22,990,535</u>	<u>\$ 222,248,158</u>

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 26,229,688	\$ 24,103,264
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	18,646	16,960
Change in provision for uncollectible accounts	(2,130)	(17,817)
Forgiveness of loan through Paycheck Protection Program	(234,800)	-
Net unrealized and realized (gain) loss on investments	(22,173,515)	(28,057,559)
(Gain) loss on annuity obligations	43,456	(130,576)
(Gain) loss on interest in perpetual trusts	(875,318)	(1,420,426)
Contributions of marketable securities, split-interest agreements, other assets, charitable gift annuities, and perpetual trusts	(13,474,749)	(10,938,626)
Change in pledges receivable	88,568	864,608
Change in interest receivable	26,653	66,607
Change in other assets	(20,924)	(8,045)
Change in grants payable	(1,848,377)	646,455
Change in other liabilities	10,055	(25,826)
Change in funds held as agency endowments	1,067,068	1,899,595
Net cash used by operating activities	(11,145,679)	(13,001,386)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and sales of marketable securities	91,387,271	168,777,533
Proceeds from sale of real estate	346,889	-
Purchase of marketable securities	(81,389,599)	(155,983,891)
Net cash provided by investing activities	10,344,561	12,793,642
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program	234,800	-
Net cash provided by financing activities	234,800	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(566,318)	(207,744)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF OF YEAR</b>	5,717,640	5,925,384
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 5,151,322	\$ 5,717,640

See notes to the financial statements.



**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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**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 Foundation's mission is to ignite passion for transformational change, so it is dedicated to bringing people together and taking on big challenges. To accomplish this, the Foundation has implemented five new priorities: fostering equity and inclusion; creating economic opportunity for all, overcoming persistent poverty; driving regional cooperation; and nurturing thriving communities.

**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. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions 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 net assets without donor restrictions 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.

**Net Assets With Donor Restrictions**

Net assets with donor restrictions can be 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, these net assets are reclassified to net assets without donor restrictions 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. Other net assets with donor restrictions 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, 2020 AND 2019**

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**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 10 regarding the Foundation's endowment funds.

**Functional Allocation of Expenses**

The costs of providing the various programs and support services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The natural classification detail of expenses by function is reflected in Note 8. Most expenses have been allocated among the various functions based on time and effort. Some expenses relate to more than one function and must be allocated consistently on a reasonable basis. These expenses are allocated on a usage basis.

**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.

**Fixed Assets and Depreciation**

Property and equipment in excess of \$1,000 are recorded at cost if purchased and at estimated fair value if donated. These assets are considered fixed assets and are depreciated using the straight-line method currently over a period ranging from 3-5 years. The cost and any accumulated depreciation are removed from the books for items sold or disposed of, and any resulting gain or loss is included in the determination of the change in net assets.

**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.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

In accordance with the *Not-for-Profit Entities* Topic 958 of the FASB Accounting Standards Codification (ASC), the Foundation reports net investment return in the accompanying statements of activities and changes in net assets, which consists of interest, dividends, realized and unrealized gains and losses netted with any direct internal and external investment expenses.

**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 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 net assets with donor restrictions.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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 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.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

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 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, 2020 or 2019, that it would be unable to substantiate. The Foundation has filed its tax returns through December 31, 2019.

**Recent Accounting Pronouncements**

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU are intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The ASU assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and determining whether a contribution is conditional. The Foundation adopted this ASU on January 1, 2020. The adoption of this ASU did not have a material impact on the financial statements.

**Subsequent Events**

Management has evaluated subsequent events and their potential effects on these financial statements through July 21, 2021, the date the financial statements were available to be issued. See Note 16 regarding the Foundation's subsequent events.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. PLEDGES RECEIVABLE**

New pledges in 2020 amounted to \$57,500 (\$0 in 2019). Pledges receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 34,019	\$ 145,705
Receivable in one to five years	<u>809,789</u>	<u>809,812</u>
Total pledges receivable	843,808	955,517
Less discount to net present value	40,046	63,187
Less allowance for uncollectible pledges receivable	<u>16,689</u>	<u>18,819</u>
Net pledges receivable	<u>\$ 787,073</u>	<u>\$ 873,511</u>

**3. MARKETABLE SECURITIES**

Marketable securities at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Domestic equities	\$ 107,650,453	\$ 82,870,468
International equities	38,912,763	39,181,999
Corporate debt securities	18,145,457	15,869,769
Other domestic bonds	19,872,082	24,320,099
High yield bonds	4,151,908	2,319,337
International bond funds	2,193,280	1,635,101
Private equity	3,794,570	3,673,778
Fund of funds	12,181,590	18,570,887
Real estate and REITs	8,568,905	10,714,818
Real assets	1,905,875	1,744,998
Cash and cash equivalents	<u>25,185,640</u>	<u>14,920,949</u>
Marketable securities at end of year	<u>\$ 242,562,523</u>	<u>\$215,822,203</u>

Investment management and custodial fees for 2020 and 2019 were \$819,163 and \$857,180, respectively. These fees are netted with gross investment returns on the statements of activities and changes in net assets.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. CHARITABLE GIFT ANNUITIES**

At December 31, 2020, the Foundation has charitable gift annuities with a combined value of \$179,323 (\$177,780 at December 31, 2019). The following table summarizes activity in such funds during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Charitable gift annuities at beginning of year	\$ 177,780	\$ 167,856
Investment income	3,889	4,886
Investment gain	15,193	21,998
Fiduciary fees	(2,578)	(1,999)
Payments to beneficiaries	-	-
Annuity liability payments	<u>(14,961)</u>	<u>(14,961)</u>
Charitable gift annuities at end of year	<u>\$ 179,323</u>	<u>\$ 177,780</u>

**5. RECEIVABLES FROM SPLIT-INTEREST AGREEMENTS**

At December 31, 2020, the Foundation has split-interest agreements with a combined value of \$2,694,601 (\$3,829,333 at December 31, 2019). The following table summarizes activity in such funds during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Receivables from split-interest agreements at beginning of year	\$ 3,829,333	\$ 2,694,993
Contributions	91,465	1,192,876
Settlement of receivable	(1,167,548)	(167,115)
Unrealized investment gains (losses)	<u>(58,649)</u>	<u>108,579</u>
Receivables from split-interest agreements at end of year	<u>\$ 2,694,601</u>	<u>\$ 3,829,333</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 COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
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**6. FUNDS HELD AS AGENCY ENDOWMENTS – CONTINUED**

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, 2020 and 2019, the Foundation managed approximately 37 agency endowment funds with a combined value of \$13,860,294 and \$12,793,226 respectively. The following table summarizes activity in such funds during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Agency endowment fund balances at beginning of year	\$ 12,793,226	\$ 10,893,631
Contributions	330,037	324,015
Investment income	207,450	237,402
Unrealized and realized investment gains	1,302,063	1,736,599
Grants and other changes	(652,107)	(282,687)
Fiduciary fees	<u>(120,375)</u>	<u>(115,734)</u>
Agency endowment fund balances at end of year	<u>\$ 13,860,294</u>	<u>\$ 12,793,226</u>



**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
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**7. LIQUIDITY**

Financial assets available for grants, special initiatives, and general operating expenses within one year of the statement of financial position date comprise the following at December 31:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 2,312,173	\$ 1,998,688
Operating reserves	575,086	484,548
Special initiatives	1,389,119	1,580,814
Grants awarded	2,202,594	4,050,971
Board-designated endowment for operating support	5,808,587	5,343,037
Long-term investments made available for current use	1,563,087	1,734,267
	<u>\$ 13,850,646</u>	<u>\$ 15,192,325</u>

- Cash and cash equivalents represent estimated administrative fees for the subsequent year along with residual funds from the prior year's operating budget.
- Operating reserves represent residual funds from prior years approved by the Board for future operating shortfalls.
- Special initiatives represent funds set aside for special impact projects approved by the Board.
- Grants awarded represent grant commitments approved by the Board as of December 31.
- Board-designated endowment for operating support represents funds established by the Board to support general operations. Each year, the fund makes a distribution to the general operating budget based on the spending policy. In 2020, the allocation accounted for 10.7% (11.0% in 2019) of the Foundation's operating budget. Although the Foundation does not intend to request an allocation in excess of the annual spendable amount from the endowment, the Board can choose to do so should it be deemed necessary.
- Long-term investments made available for current use represent estimated competitive grantmaking funds from the Foundation's unrestricted endowments based on the annual spending policy.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as awarded grants, general expenditures, liabilities, and other obligations become due. The Foundation currently invests cash in excess of daily requirements in money market funds.

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**8. FUNCTIONAL EXPENSE ALLOCATION**

The table below categorizes the operating and general expenses by both their nature and their function for the year ended December 31, 2020:

	<b>Grants</b>	<b>Grant-making and initiatives and other</b>	<b>Finance, governance, and administration</b>	<b>Development</b>	<b>Total</b>
Grants	\$ 23,519,221	\$ -	\$ -	\$ -	\$ 23,519,221
Administrative	-	58,509	51,724	96,225	206,458
Communications/marketing	-	4,112	202	28,261	32,575
Development/advancement	-	-	100	14,837	14,937
Grant cycles/initiatives	-	33,687	-	13,344	47,031
Personnel costs	-	458,059	439,935	613,550	1,511,544
Professional services	-	31,253	56,817	33,484	121,554
Travel/development	-	5,464	17,894	11,012	34,370
Depreciation	-	5,698	5,104	7,844	18,646
	<u>\$ 23,519,221</u>	<u>\$ 596,782</u>	<u>\$ 571,776</u>	<u>\$ 818,557</u>	<u>\$ 25,506,336</u>

The table below categorizes the operating and general expenses by both their nature and their function for the year ended December 31, 2019:

	<b>Grants</b>	<b>Grant-making and initiatives and other</b>	<b>Finance, governance, and administration</b>	<b>Development</b>	<b>Total</b>
Grants	\$ 22,673,834	\$ -	\$ -	\$ -	\$ 22,673,834
Administrative	-	64,917	58,148	77,812	200,877
Communications/marketing	-	42,772	300	295,300	338,372
Development/advancement	-	-	117	24,561	24,678
Grant cycles/initiatives	-	18,933	408	20,904	40,245
Personnel costs	-	432,375	410,763	536,581	1,379,719
Professional services	-	30,161	44,364	37,837	112,362
Travel/development	-	7,302	17,675	3,688	28,665
Depreciation	-	5,464	4,780	6,716	16,960
Other expenses	-	277,017	-	-	277,017
	<u>\$ 22,673,834</u>	<u>\$ 878,941</u>	<u>\$ 536,555</u>	<u>\$ 1,003,399</u>	<u>\$ 25,092,729</u>

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**9. 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, 2020:

ASSETS	Fair Value Measurement at Report Date Using			
	Fair Value	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Marketable securities:				
Domestic equities	\$107,650,453	\$107,650,453	\$ -	\$ -
International equities	38,912,763	38,912,763	-	-
Corporate debt securities	18,145,457	18,145,457	-	-
Other domestic bonds	19,872,082	19,872,082	-	-
High yield bonds	4,151,908	4,151,908	-	-
International bond funds	2,193,280	2,193,280	-	-
Private equity	3,794,570	-	-	3,794,570
Fund of funds	12,181,590	-	-	12,181,590
Real estate and REITs	8,568,905	98,935	-	8,469,970
Real assets	1,905,875	1,905,875	-	-
Cash and cash equivalents	25,185,640	25,185,640	-	-
	242,562,523	218,116,393	-	24,446,130
Charitable gift annuities	179,323	-	179,323	-
Split-interest receivables	2,694,601	-	2,694,601	-
Beneficial interest in perpetual trusts	12,929,981	-	-	12,929,981
<b>Total Assets</b>	<b>\$ 258,366,428</b>	<b>\$ 218,116,393</b>	<b>\$ 2,873,924</b>	<b>\$ 37,376,111</b>



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**9. 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, 2019:

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	\$ 82,870,468	\$ 82,870,468	\$ -	\$ -
International equities	39,181,999	39,181,999	-	-
Corporate debt securities	15,869,769	15,869,769	-	-
Other domestic bonds	24,320,099	24,320,099	-	-
High yield bonds	2,319,337	2,319,337	-	-
International bond funds	1,635,101	1,635,101	-	-
Private equity	3,673,778	-	-	3,673,778
Fund of funds	18,570,887	-	-	18,570,887
Real estate investment trusts	10,714,818	321,582	-	10,393,236
Real assets	1,744,998	1,744,998	-	-
Cash and cash equivalents	14,920,949	14,920,949	-	-
	215,822,203	183,184,302	-	32,637,901
Charitable gift annuities	177,780	-	177,780	-
Split-interest receivables	3,829,333	-	3,829,333	-
Beneficial interest in perpetual trusts	12,054,663	-	-	12,054,663
<b>Total Assets</b>	<b>\$ 231,883,979</b>	<b>\$ 183,184,302</b>	<b>\$ 4,007,113</b>	<b>\$ 44,692,564</b>

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, 2019

	Beneficial Interest in Perpetual Trusts	Marketable Securities
Balance at beginning of year	\$ 10,634,238	\$ 30,288,773
Realized losses	-	(1,802,770)
Unrealized gains (losses) relating to instruments held at the reporting date	1,420,425	4,644,415
Purchases	-	585,000
Sales, issuances, and settlements (net)	-	(1,097,517)
Balance at end of year	<u>\$ 12,054,663</u>	<u>\$ 32,637,901</u>

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**9. 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, 2020:

<b>Fair Value Measurement of Investments That Calculate Net Asset Value</b>				
	<b>Fair Value 2020</b>	<b>Unfunded Commitments 2020</b>	<b>Redemption Frequency (If Currently Eligible)</b>	<b>Redemption Notice Period</b>
<b>Alternative Investments</b>				
Hedge Funds (a)	\$ 48,659	\$ -	Quarterly	95 days
Hedge Funds (a)	6,546,456	-	Quarterly	100 days
Hedge Funds (b)	5,586,474	-	Semi-annually	105 days
Real Estate (c)	7,226,654	-	Quarterly	60 days
Limited Partnership (d)	4,096,160	3,657,461	Currently ineligible	
Limited Partnership (e)	941,727	774,570	Currently ineligible	
<b>Total</b>	<b>\$ 24,446,130</b>	<b>\$ 4,432,031</b>		

- (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) 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.
- (c) 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.
- (d) 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 funding beginning in 2015. The fund term is ten years.
- (e) 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.

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**9. 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, 2019:

	<b>Fair Value Measurement of Investments That Calculate Net Asset Value</b>			
	<b>Fair Value 2019</b>	<b>Unfunded Commitments 2019</b>	<b>Redemption Frequency (If Currently Eligible)</b>	<b>Redemption Notice Period</b>
<b>Alternative Investments</b>				
Hedge Funds (a)	\$ 1,168,946	\$ -	Quarterly	95 days
Hedge Funds (a)	8,345,625	-	Quarterly	100 days
Hedge Funds (b)	9,056,316	-	Semi-annually	105 days
Hedge Funds (c)	8,721,082	-	Quarterly	60 days
Real Estate (d)	3,952,149	4,350,700	Currently ineligible	
Limited Partnership (e)	1,393,783	262,500	Currently ineligible	
<b>Total</b>	<b>\$ 32,637,901</b>	<b>\$ 4,613,200</b>		

- (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 funding beginning in 2015. The fund term is ten 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.

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**10. 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 net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

**Underwater Endowments**

In accordance with the *Not-for-Profit Entities* Topic 958 of the FASB Accounting Standards Codification, the Foundation is required to disclose any underwater endowments as of the financial statement date, along with any actions taken as a result. At December 31, 2020, the Foundation had no underwater endowments.



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**10. ENDOWMENTS – CONTINUED**

The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2020:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 92,012,316	\$ 18,940,240	\$ 110,952,556
Interest and dividends, net of investment expenses	1,245,686	62,619	1,308,305
Net appreciation	9,743,819	1,619,878	11,363,697
Contributions	1,782,650	57,501	1,840,151
Amounts appropriated for expenditure	(4,263,961)	(82,225)	(4,346,186)
Other changes – payments on pledges	29,212	(29,212)	-
Transfers/adjustments	-	(53,996)	(53,996)
Change in endowment net assets	<u>8,537,406</u>	<u>1,574,565</u>	<u>10,111,971</u>
Endowment net assets at end of year	<u>\$ 100,549,722</u>	<u>\$ 20,514,805</u>	<u>\$ 121,064,527</u>

The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2019:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 81,178,068	\$ 16,750,207	\$ 97,928,275
Interest and dividends, net of investment expenses	1,622,444	75,071	1,697,515
Net appreciation	11,837,442	2,211,259	14,048,701
Contributions	1,517,232	-	1,517,232
Amounts appropriated for expenditure	(3,697,564)	(79,447)	(3,777,011)
Other changes – payments on pledges	16,850	(16,850)	-
Transfers/adjustments	(462,156)	-	(462,156)
Change in endowment net assets	<u>10,834,248</u>	<u>2,190,033</u>	<u>13,024,281</u>
Endowment net assets at end of year	<u>\$ 92,012,316</u>	<u>\$ 18,940,240</u>	<u>\$ 110,952,556</u>

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**10. ENDOWMENTS – CONTINUED**

The following depicts the endowment net asset composition by type of fund as of December 31, 2020:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Donor-designated endowment funds	\$ -	\$ 19,763,041	\$ 19,763,041
Other endowment funds:			
Donor-advised	15,858,901		15,858,901
Designated	17,684,467	-	17,684,467
50 <sup>th</sup> anniversary catalyst	9,430,437	9,000	9,439,437
Scholarship	5,043,069	-	5,043,069
Community – unrestricted	1,894,888	-	1,894,888
Field of interest	13,212,259	742,764	13,955,023
	<u>63,124,021</u>	<u>751,764</u>	<u>63,875,785</u>
Board-designated endowment funds	<u>37,425,701</u>	<u>-</u>	<u>37,425,701</u>
	<u>\$ 100,549,722</u>	<u>\$ 20,514,805</u>	<u>\$ 121,064,527</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, 2019:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Donor-designated endowment funds	\$ -	\$ 18,162,769	\$ 18,162,769
Other endowment funds:			
Donor-advised	13,796,757		13,796,757
Designated	16,693,628	-	16,693,628
50 <sup>th</sup> anniversary catalyst	8,374,715	21,600	8,396,315
Scholarship	4,546,124	-	4,546,124
Community – unrestricted	1,783,105	-	1,783,105
Field of interest	11,540,310	755,871	12,296,181
	<u>56,734,639</u>	<u>777,471</u>	<u>57,512,110</u>
Board-designated endowment funds	<u>35,277,677</u>	<u>-</u>	<u>35,277,677</u>
	<u>\$ 92,012,316</u>	<u>\$ 18,940,240</u>	<u>\$ 110,952,556</u>

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**10. ENDOWMENTS – CONTINUED**

In addition to endowment net assets, the Foundation also manages other non-endowed funds. The following table summarizes all Foundation net assets as of December 31, 2020:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Endowment funds	\$ 100,549,722	\$ 20,514,805	\$ 121,064,527
Non-endowment funds:			
Donor-advised	113,896,840	-	113,896,840
Designated	3,625,794	-	3,625,794
Community catalyst	1,855,000	31,923	1,886,923
Field of interest	858,780	-	858,780
Scholarship	1,262,831	-	1,262,831
Other	3,041,732	-	3,041,732
	<u>124,540,977</u>	<u>31,923</u>	<u>124,572,900</u>
Charitable gift annuities	-	145,818	145,818
Split-interest agreements	-	2,694,601	2,694,601
	<u>\$ 225,090,699</u>	<u>\$ 23,387,147</u>	<u>\$ 248,477,846</u>

In addition to endowment net assets, the Foundation also manages other non-endowed funds. The following table summarizes all Foundation net assets as of December 31, 2019:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Endowment funds	\$ 92,012,316	\$ 18,940,240	\$ 110,952,556
Non-endowment funds:			
Donor-advised	97,836,073	-	97,836,073
Designated	3,360,522	-	3,360,522
Community catalyst	1,823,011	6,491	1,829,502
Field of interest	633,332	75,000	708,332
Scholarship	1,225,345	-	1,225,345
Other	2,367,024	-	2,367,024
	<u>107,245,307</u>	<u>81,491</u>	<u>107,326,798</u>
Charitable gift annuities	-	139,471	139,471
Split-interest agreements	-	3,829,333	3,829,333
	<u>\$ 199,257,623</u>	<u>\$ 22,990,535</u>	<u>\$ 222,248,158</u>

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**10. 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.

The overall, long-term goal of the Foundation's investment strategy is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending, thus protecting the purchasing power of the assets.

The current spending policy for grantmaking is to distribute an approved percentage of the quarterly balance of the trailing 12 quarters. The percentage is determined annually by the Foundation's Investment Committee in collaboration with its Investment Consultant. This strategy 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.

**11. ADMINISTRATIVE AND FIDUCIARY FEES**

The Foundation charges an administrative fee to the various grantmaking 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 the remaining balance over \$3,000,000. The unrestricted and general field of interest funds are assessed at 1.15% of the market value. Customized field of interest funds that require a separate grant process are assessed on a tiered scale: 1.50% on the first \$2,000,000, 1.25% on the next \$1,000,000, and 1.15% on the next \$2,000,000. 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  
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**12. 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, 2020, was \$41,869 (\$48,283 in 2019).

**13. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Periodically, the Foundation may receive assets where the fund agreement or the gift instrument is silent regarding items such as the fund type, fund purpose, how assets may be spent, or how grants will be made from the fund. These assets are used to create funds known as Board-Designated funds and are governed by the respective policy. The Board may also designate funds to serve the operating needs of the Foundation or to support special initiatives. At December 31, 2020, the Board of Directors had designated both endowed and non-endowed net assets without donor restrictions totaling \$39,983,874 for the following purposes:

Designated for Competitive Grantmaking and Initiatives related to a Field of Interest – \$1,946,772 of endowed funds to be used for Competitive Grantmaking in specific fields of interest. Annual funding is determined using the Foundation’s spending policy, which ensures the assets remain in perpetuity.

Designated for Unrestricted Competitive Grantmaking and Initiatives – \$29,684,697 consisting of both endowed and non-endowed unrestricted funds designated by the Board for the perpetual support of Competitive Grantmaking. Annual funding is determined using the Foundation’s spending policy, which ensures the assets remain in perpetuity.

Designated for Scholarships – \$61,377 designated for scholarships to Birmingham area students.

Designated for Grantmaking in a Specific Field of Interest – \$433,091 limited to programs related to specific fields of interest. Cannot be used for Competitive Grantmaking.

Designated for Catalyst Grantmaking and Initiatives – \$448,744 designated for special transformational projects approved by the Board.

Designated for the Long-term Benefit of the Named Beneficiary – \$6,834,107 in endowed funds to be used for the sole purpose of supporting the designated charitable organizations.

Designated for Operating Reserves – \$575,086 in cash reserves set aside by the Board to be drawn upon in the event of financial distress or an immediate liquidity need.

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**14. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions due to time or purpose at December 31 are designated for the following purposes:

	<u>2020</u>	<u>2019</u>
Art and culture	\$ 42,536	\$ 42,053
Education	49,644	37,033
Health and welfare	1,560,708	847,359
Human services	74,778	29,920
Religious	18,291	22,956
Donor-advised	2,513,721	3,469,077
Community funds for competitive grantmaking	1,084,298	1,301,411
50 <sup>th</sup> anniversary catalyst	34,828	107,700
	<u>\$ 5,378,804</u>	<u>\$ 5,857,509</u>

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

	<u>2020</u>	<u>2019</u>
Community funds for competitive grantmaking	\$ 2,893,706	\$ 2,697,797
Human services	10,114,637	9,435,229
Health and welfare	5,000,000	5,000,000
	<u>\$ 18,008,343</u>	<u>\$ 17,133,026</u>

**15. 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 signed a lease extension taking it through July 2022, with a one year right to renew. Rent expense for 2020 totaled \$113,056 (\$104,565 in 2019). The Foundation expects to incur future minimum lease payments under this operating lease as follows:

2021	\$ 106,692
2022	62,237
	<u>\$ 168,929</u>

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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**16. SUBSEQUENT EVENTS**

On April 9, 2021, the SBA approved the Foundation's \$234,800 Paycheck Protection Program (PPP) loan forgiveness application. The Foundation has chosen to recognize the PPP loan amount as revenue in 2020 so that it matches the related expenses in the same year they were incurred.