

**THE COMMUNITY FOUNDATION
OF GREATER BIRMINGHAM**

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
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DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Community Foundation of Greater Birmingham

Opinion

We have audited the accompanying financial statements of The Community Foundation of Greater Birmingham (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Community Foundation of Greater Birmingham and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation of Greater Birmingham's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation of Greater Birmingham's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation of Greater Birmingham's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Warren Averett, LLC
Birmingham, Alabama
August 10, 2022

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	2021	2020
Cash and cash equivalents	\$ 5,634,060	\$ 5,151,322
Pledges receivable, net of allowance for uncollectible accounts of \$4,240 (\$16,689 at December 31, 2020)	236,038	787,073
Marketable securities, at fair value, cost of \$152,750,825 (\$136,137,961 at December 31, 2020)	275,300,004	242,562,523
Interest receivable	105,035	96,762
Other assets, net	61,045	62,002
Investment in real estate	171,000	171,000
Charitable gift annuities	182,087	179,323
Receivables from split-interest agreements	4,559,561	2,694,601
Beneficial interest in perpetual trusts	13,565,397	12,929,981
TOTAL ASSETS	\$ 299,814,227	\$ 264,634,587
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	\$ 3,196,867	\$ 2,202,594
Other liabilities	156,904	93,853
Funds held as agency endowments	15,436,066	13,860,294
Total liabilities	18,789,837	16,156,741
NET ASSETS		
Without donor restrictions	255,503,524	225,090,699
With donor restrictions	25,520,866	23,387,147
Total net assets	281,024,390	248,477,846
TOTAL LIABILITIES AND NET ASSETS	\$ 299,814,227	\$ 264,634,587

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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and bequests	\$ 27,633,596	\$ 2,487,004	\$ 30,120,600
Net investment return	26,064,355	803,542	26,867,897
Gain on interest in perpetual trusts	-	635,416	635,416
Actuarial gain on annuity obligations	-	69,432	69,432
Net assets released from restrictions	1,861,675	(1,861,675)	-
Total revenue and support	<u>55,559,626</u>	<u>2,133,719</u>	<u>57,693,345</u>
EXPENSES AND LOSSES			
Grants	23,077,318	-	23,077,318
Operating and general expenses:			
Development	824,814	-	824,814
Finance, governance, and administration	615,912	-	615,912
Grantmaking and initiatives	628,757	-	628,757
Total expenses and losses	<u>25,146,801</u>	<u>-</u>	<u>25,146,801</u>
CHANGE IN NET ASSETS	30,412,825	2,133,719	32,546,544
NET ASSETS AT BEGINNING OF YEAR	<u>225,090,699</u>	<u>23,387,147</u>	<u>248,477,846</u>
NET ASSETS AT END OF YEAR	<u>\$ 255,503,524</u>	<u>\$ 25,520,866</u>	<u>\$ 281,024,390</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, 2020**

	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
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>
EXPENSES AND LOSSES			
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>
CHANGE IN NET ASSETS	25,833,076	396,612	26,229,688
NET ASSETS AT BEGINNING OF YEAR	<u>199,257,623</u>	<u>22,990,535</u>	<u>222,248,158</u>
NET ASSETS AT END OF YEAR	<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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 32,546,544	\$ 26,229,688
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	13,405	18,646
Change in provision for uncollectible accounts	(12,449)	(2,130)
Forgiveness of loan through Paycheck Protection Program	-	(234,800)
Net unrealized and realized gain on investments	(22,286,531)	(22,173,515)
(Gain) loss on annuity obligations	(69,432)	43,456
Gain on interest in perpetual trusts	(635,416)	(875,318)
Contributions of marketable securities, split-interest agreements, other assets, charitable gift annuities, and perpetual trusts	(12,166,451)	(13,474,749)
Change in pledges receivable	563,484	88,568
Change in interest receivable	(8,273)	26,653
Change in other assets	(12,448)	(20,924)
Change in grants payable	994,273	(1,848,377)
Change in other liabilities	63,051	10,055
Change in funds held as agency endowments	1,575,772	1,067,068
Net cash provided (used) by operating activities	<u>565,529</u>	<u>(11,145,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and sales of marketable securities	94,228,167	91,387,271
Proceeds from sale of real estate	-	346,889
Purchase of marketable securities	<u>(94,310,958)</u>	<u>(81,389,599)</u>
Net cash provided (used) by investing activities	<u>(82,791)</u>	<u>10,344,561</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	<u>-</u>	<u>234,800</u>
Net cash provided by financing activities	<u>-</u>	<u>234,800</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	482,738	(566,318)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,151,322</u>	<u>5,717,640</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,634,060</u>	<u>\$ 5,151,322</u>

See notes to the financial statements.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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
DECEMBER 31, 2021 AND 2020

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
DECEMBER 31, 2021 AND 2020

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, 2021 or 2020, that it would be unable to substantiate. The Foundation has filed its tax returns through December 31, 2020.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases, (Topic 842)*, increasing the transparency and comparability among clubs by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard will be effective for the calendar year ending December 31, 2022. The Foundation is currently evaluating the effect that the provisions of ASU No. 2016-02 will have on The Foundation's financial statements.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through August 10, 2022, the date the financial statements were available to be issued. See Note 17 regarding the Foundation's subsequent events.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

2. PLEDGES RECEIVABLE

New pledges in 2021 amounted to \$210,000 (\$57,500 in 2020). Pledges receivable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 81,139	\$ 34,019
Receivable in one to five years	<u>161,232</u>	<u>809,789</u>
Total pledges receivable	242,371	843,808
Less discount to net present value	2,093	40,046
Less allowance for uncollectible pledges receivable	<u>4,240</u>	<u>16,689</u>
Net pledges receivable	<u>\$ 236,038</u>	<u>\$ 787,073</u>

3. MARKETABLE SECURITIES

Marketable securities at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Domestic equities	\$ 117,362,820	\$107,650,453
International equities	56,424,416	38,912,763
Corporate debt securities	18,559,196	18,145,457
Other domestic bonds	26,313,250	19,872,082
High yield bonds	2,683,967	4,151,908
International bond funds	4,394,154	2,193,280
Private equity	2,586,024	3,794,570
Fund of funds	12,851,111	12,181,590
Real estate and REITs	6,510,186	8,568,905
Real assets	4,238,980	1,905,875
Cash and cash equivalents	<u>23,375,900</u>	<u>25,185,640</u>
Marketable securities at end of year	<u>\$ 275,300,004</u>	<u>\$242,562,523</u>

Investment management and custodial fees for 2021 and 2020 were \$854,965 and \$819,163, 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
DECEMBER 31, 2021 AND 2020**

4. CHARITABLE GIFT ANNUITIES

At December 31, 2021, the Foundation has charitable gift annuities with a combined value of \$182,087 (\$179,323 at December 31, 2020). The following table summarizes activity in such funds during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Charitable gift annuities at beginning of year	\$ 179,323	\$ 177,780
Investment income	7,468	3,889
Investment gain	12,830	15,193
Fiduciary fees	(2,573)	(2,578)
Annuity liability payments	(14,961)	(14,961)
	<u>\$ 182,087</u>	<u>\$ 179,323</u>

5. RECEIVABLES FROM SPLIT-INTEREST AGREEMENTS

At December 31, 2021, the Foundation has split-interest agreements with a combined value of \$4,559,561 (\$2,694,601 at December 31, 2020). The following table summarizes activity in such funds during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Receivables from split-interest agreements at beginning of year	\$ 2,694,601	\$ 3,829,333
Contributions	2,226,602	91,465
Settlement of receivable	(418,243)	(1,167,548)
Unrealized investment gains (losses)	56,601	(58,649)
	<u>\$ 4,559,561</u>	<u>\$ 2,694,601</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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, the Foundation managed approximately 40 agency endowment funds with a combined value of \$15,436,066 and \$13,860,294 respectively. The following table summarizes activity in such funds during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Agency endowment fund balances at beginning of year	\$ 13,860,293	\$ 12,793,226
Contributions	353,084	330,037
Investment income	244,486	207,450
Unrealized and realized investment gains	1,448,531	1,302,063
Grants and other changes	(337,856)	(652,107)
Fiduciary fees	<u>(132,472)</u>	<u>(120,375)</u>
Agency endowment fund balances at end of year	<u>\$ 15,436,066</u>	<u>\$ 13,860,294</u>

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,392,613	\$ 2,312,173
Operating reserves	1,026,237	575,086
Special initiatives	1,875,610	1,389,119
Grants awarded	3,196,867	2,202,594
Board-designated endowment for operating support	6,251,471	5,808,587
Long-term investments made available for current use	1,739,514	1,563,087
	<u>\$ 16,482,312</u>	<u>\$ 13,850,646</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 2021, the allocation accounted for 11% (10.7% in 2020) 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.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021:

	<u>Grants</u>	<u>Grant-making and initiatives and other</u>	<u>Finance, governance, and administration</u>	<u>Development</u>	<u>Total</u>
Grants	\$ 23,077,318	\$ -	\$ -	\$ -	\$ 23,077,318
Administrative	-	64,722	55,906	90,948	211,576
Communications/marketing	-	-	101	19,694	19,795
Development/advancement	-	100	200	32,110	32,410
Grant cycles/initiatives	-	4,238	-	16,000	20,238
Personnel costs	-	528,323	477,043	614,691	1,620,057
Professional services	-	20,158	55,779	38,561	114,498
Travel/development	-	2,879	23,158	7,554	33,591
Depreciation	-	4,424	3,725	5,256	13,405
Other Expenses	-	3,913	-	-	3,913
	<u>\$ 23,077,318</u>	<u>\$ 628,757</u>	<u>\$ 615,912</u>	<u>\$ 824,814</u>	<u>\$ 25,146,801</u>

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

	<u>Grants</u>	<u>Grant-making and initiatives and other</u>	<u>Finance, governance, and administration</u>	<u>Development</u>	<u>Total</u>
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 COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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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, 2021:

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	\$117,362,820	\$117,362,820	\$ -	\$ -
International equities	56,424,416	56,424,416	-	-
Corporate debt securities	18,559,196	18,559,196	-	-
Other domestic bonds	26,313,250	26,313,250	-	-
High yield bonds	2,683,967	2,683,967	-	-
International bond funds	4,394,154	4,394,154	-	-
Private equity	2,586,024	-	-	2,586,024
Fund of funds	12,851,111	6,777,042	-	6,074,069
Real estate and REITs	6,510,186	380,088	-	6,130,098
Real assets	4,238,980	4,238,980	-	-
Cash and cash equivalents	23,375,900	23,375,900	-	-
	275,300,004	260,509,813	-	14,790,191
Charitable gift annuities	182,087	-	182,087	-
Split-interest receivables	4,559,561	-	4,559,561	-
Beneficial interest in perpetual trusts	13,565,397	-	-	13,565,397
Total Assets	\$ 293,607,049	\$ 260,509,813	\$ 4,741,648	\$ 28,355,588

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

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, 2021:

	Beneficial Interest in Perpetual Trusts	Marketable Securities
	<hr/>	<hr/>
Balance at beginning of year	\$ 12,929,981	\$ 24,446,130
Realized losses	-	(1,273,155)
Unrealized gains (losses) relating to instruments held at the reporting date	635,416	3,994,196
Purchases	-	2,330
Distributions, sales, issuances, and settlements (net)	-	(12,379,310)
	<hr/>	<hr/>
Balance at end of year	\$ 13,565,397	\$ 14,790,191

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 measurements. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
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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, 2020:

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	\$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 investment trusts	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
Total Assets	\$ 258,366,428	\$ 218,116,393	\$ 2,873,924	\$ 37,376,111

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, 2020:

	Beneficial Interest in Perpetual Trusts	Marketable Securities
Balance at beginning of year	\$ 12,054,663	\$ 32,637,901
Realized losses	-	(1,916,491)
Unrealized gains (losses) relating to instruments held at the reporting date	875,318	4,932,324
Purchases	-	112,500
Sales, issuances, and settlements (net)	-	(11,320,104)
Balance at end of year	<u>\$ 12,929,981</u>	<u>\$ 24,446,130</u>

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021:

	<u>Fair Value Measurement of Investments That Calculate Net Asset Value</u>			
	<u>Fair Value 2021</u>	<u>Unfunded Commitments 2021</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Alternative Investments				
Hedge Funds (a)	\$ -	\$ -	Quarterly	95 days
Hedge Funds (a)	-	-	Quarterly	100 days
Hedge Funds (b)	6,074,069	-	Semi-annually	105 days
Real Estate (c)	5,327,581	-	Quarterly	60 days
Limited Partnership (d)	2,675,058	3,663,513	Currently ineligible	
Limited Partnership (e)	713,483	1,154,189	Currently ineligible	
Total	<u>\$ 14,790,191</u>	<u>\$ 4,817,702</u>		

- (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 10 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.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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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:

	Fair Value Measurement of Investments That Calculate Net Asset Value			
	Fair Value 2020	Unfunded Commitments 2020	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative Investments				
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	
Total	\$ 24,446,130	\$ 4,432,031		

- (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.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021, the Foundation had no underwater endowments.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

10. ENDOWMENTS – CONTINUED

The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 100,549,722	\$ 20,514,805	\$ 121,064,527
Interest and dividends, net of investment expenses	1,431,003	101,884	1,532,887
Net appreciation	10,271,989	1,317,103	11,589,092
Contributions	2,053,164	170,000	2,223,164
Amounts appropriated for expenditure	(4,262,257)	(579,803)	(4,842,060)
Other changes – payments on pledges	832,461	(832,461)	-
Transfers/adjustments	(111,142)	27,229	(83,913)
Change in endowment net assets	10,215,218	203,952	10,419,170
Endowment net assets at end of year	\$ 110,764,940	\$ 20,718,757	\$ 131,483,697

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
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	8,537,406	1,574,565	10,111,971
Endowment net assets at end of year	\$ 100,549,722	\$ 20,514,805	\$ 121,064,527

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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10. ENDOWMENTS – CONTINUED

The following depicts the endowment net asset composition by type of fund as of December 31, 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-designated endowment funds	\$ -	\$ 20,535,458	\$ 20,535,458
Other endowment funds:			
Donor-advised	17,116,439		17,116,439
Designated	19,152,431	80,000	19,232,431
50 th anniversary catalyst	10,771,717	77,199	10,848,916
Scholarship	6,500,134	-	6,500,134
Community – unrestricted	2,012,324	-	2,012,324
Field of interest	15,312,992	26,100	15,339,092
	<u>70,866,037</u>	<u>183,299</u>	<u>71,049,336</u>
Board-designated endowment funds	<u>39,898,903</u>	<u>-</u>	<u>39,898,903</u>
	<u>\$ 110,764,940</u>	<u>\$ 20,718,757</u>	<u>\$ 131,483,697</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, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
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 th 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>

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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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, 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment funds	\$ 110,764,940	\$ 20,718,757	\$ 131,483,697
Non-endowment funds:			
Donor-advised	135,946,708	-	135,946,708
Designated	2,534,344	-	2,534,344
Community catalyst	878,698	60,461	939,159
Field of interest	763,970	-	763,970
Scholarship	1,353,600	-	1,353,600
Other	3,261,264	-	3,261,264
	144,738,584	60,461	144,799,045
Charitable gift annuities	-	182,087	182,087
Split-interest agreements	-	4,559,561	4,559,561
	<u>\$ 255,503,524</u>	<u>\$ 25,520,866</u>	<u>\$ 281,024,390</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, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
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
	124,540,977	31,923	124,572,900
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>

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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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, 2021, was \$58,558 (\$41,869 in 2020).

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, 2021, the Board of Directors had designated both endowed and non-endowed net assets without donor restrictions totaling \$42,706,595 for the following purposes:

Designated for Competitive Grantmaking and Initiatives related to a Field of Interest – \$2,147,457 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 – \$31,459,894 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 – \$65,132 designated for scholarships to Birmingham area students.

Designated for Grantmaking in a Specific Field of Interest – \$168,160 limited to programs related to specific fields of interest. Cannot be used for Competitive Grantmaking.

Designated for Catalyst Grantmaking and Initiatives – \$498,781 designated for special transformational projects approved by the Board.

Designated for the Long-term Benefit of the Named Beneficiary – \$7,340,934 in endowed funds to be used for the sole purpose of supporting the designated charitable organizations.

Designated for Operating Reserves – \$1,026,237 in cash reserves set aside by the Board to be drawn upon in the event of financial distress or an immediate liquidity need.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
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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>2021</u>	<u>2020</u>
Art and culture	\$ 43,326	\$ 42,536
Education	63,681	49,644
Health and welfare	1,734,901	1,560,708
Human services	55,832	74,778
Religious	14,836	18,291
Donor-advised	3,717,155	2,513,721
Community funds for competitive grantmaking	1,144,674	1,084,298
50 th anniversary catalyst	102,702	34,828
	<u>\$ 6,877,107</u>	<u>\$ 5,378,804</u>

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

	<u>2021</u>	<u>2020</u>
Community funds for competitive grantmaking	\$ 3,025,716	\$ 2,893,706
Human services	10,618,043	10,114,637
Health and welfare	5,000,000	5,000,000
	<u>\$ 18,643,759</u>	<u>\$ 18,008,343</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 recently exercised its last right to renew the lease extension taking it through July 2023. Rent expense for 2021 totaled \$118,445 (\$113,056 in 2020). The Foundation expects to incur future minimum lease payments under this operating lease as follows:

2022	\$ 108,027
2023	64,106
	<u>\$ 172,133</u>

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

16. FISCAL SPONSORSHIPS

Occasionally, the Community Foundation is asked to serve as fiscal sponsor for community activities consistent with its mission that are clearly charitable in nature and provide public benefit to the five counties it serves. These arrangements are governed by either the Foundation's variance powers or a separate Memorandum of Understanding (MOU). For funds held under an MOU, a liability is established and reported as part of Other Liabilities on the Statements of Financial Position.

17. SUBSEQUENT EVENTS

Due to poor economic conditions, the Community Foundation had significant unrealized losses related to its investments after year-end. The Foundation's investments are subject to market changes and conditions which can result in significant gains or losses throughout the year.