

**THE COMMUNITY FOUNDATION
OF GREATER BIRMINGHAM**

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



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The report accompanying this deliverable was issued
by Warren Averett, LLC.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
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DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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, and for 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 13, 2024

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 12,424,272	\$ 11,084,133
Pledges receivable, net	791,217	1,033,001
Marketable securities	260,304,374	238,304,959
Other assets, net	194,657	301,913
Charitable gift annuities	120,251	138,126
Receivables from split-interest agreements	4,250,371	4,427,394
Beneficial interest in perpetual trusts	12,100,802	11,327,757
TOTAL ASSETS	\$ 290,185,944	\$ 266,617,283
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	\$ 3,716,790	\$ 3,385,493
Other liabilities	322,551	261,530
Funds held as agency endowments	16,675,038	15,279,062
Total liabilities	20,714,379	18,926,085
NET ASSETS		
Without donor restrictions	245,857,053	225,117,528
With donor restrictions	23,614,512	22,573,670
Total net assets	269,471,565	247,691,198
TOTAL LIABILITIES AND NET ASSETS	\$ 290,185,944	\$ 266,617,283

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, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and bequests	\$ 23,721,585	\$ 409,869	\$ 24,131,454
Net investment gain	29,840,352	747,460	30,587,812
Gain on interest in perpetual trusts	-	773,045	773,045
Actuarial gain on annuity obligations	-	27,137	27,137
Other income	296,913	-	296,913
Net assets released from restrictions	916,669	(916,669)	-
Total revenue and support	54,775,519	1,040,842	55,816,361
EXPENSES			
Grants	30,434,254	-	30,434,254
Operating and general expenses:			
Development	1,121,841	-	1,121,841
Finance, governance and administration	594,245	-	594,245
Grantmaking and initiatives	1,885,654	-	1,885,654
Total expenses	34,035,994	-	34,035,994
CHANGE IN NET ASSETS	20,739,525	1,040,842	21,780,367
NET ASSETS AT BEGINNING OF YEAR	225,117,528	22,573,670	247,691,198
NET ASSETS AT END OF YEAR	\$ 245,857,053	\$ 23,614,512	\$ 269,471,565

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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and bequests	\$ 34,371,445	\$ 1,224,334	\$ 35,595,779
Net investment loss	(38,112,250)	(1,030,800)	(39,143,050)
Loss on interest in perpetual trusts	-	(2,237,640)	(2,237,640)
Actuarial loss on annuity obligations	-	(169,658)	(169,658)
Other income	134,934	-	134,934
Net assets released from restrictions	<u>733,432</u>	<u>(733,432)</u>	<u>-</u>
Total revenue and support	(2,872,439)	(2,947,196)	(5,819,635)
EXPENSES			
Grants	23,909,654	-	23,909,654
Operating and general expenses:			
Development	931,416	-	931,416
Finance, governance and administration	669,853	-	669,853
Grantmaking and initiatives	<u>2,002,634</u>	<u>-</u>	<u>2,002,634</u>
Total expenses	<u>27,513,557</u>	<u>-</u>	<u>27,513,557</u>
CHANGE IN NET ASSETS	(30,385,996)	(2,947,196)	(33,333,192)
NET ASSETS AT BEGINNING OF YEAR	<u>255,503,524</u>	<u>25,520,866</u>	<u>281,024,390</u>
NET ASSETS AT END OF YEAR	<u>\$ 225,117,528</u>	<u>\$ 22,573,670</u>	<u>\$ 247,691,198</u>

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,780,367	\$ (33,333,192)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,709	12,242
Change in provision for credit losses	(5,033)	18,060
Net unrealized and realized (gain) loss on investments	(27,995,349)	44,026,109
Loss on annuity obligations	17,875	29,161
Loss on split-interest agreements	477,023	140,495
Loss (gain) on interest in perpetual trusts	(773,045)	2,237,640
Loss on sale of real estate	-	156,779
Contributions of marketable securities, split-interest agreements, other assets, charitable gift annuities and perpetual trusts	(10,245,490)	(20,155,605)
Change in pledges receivable, net	246,817	(815,023)
Change in other assets, net	94,547	(148,075)
Change in grants payable	331,297	188,626
Change in other liabilities	61,021	104,626
Change in funds held as agency endowments	<u>1,395,976</u>	<u>(157,004)</u>
Net cash used in operating activities	<u>(14,601,285)</u>	<u>(7,695,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and sales of marketable securities	113,964,144	189,983,955
Proceeds from sale of real estate	-	14,221
Purchase of marketable securities	<u>(98,022,720)</u>	<u>(176,852,942)</u>
Net cash provided by investing activities	<u>15,941,424</u>	<u>13,145,234</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,340,139	5,450,073
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,084,133</u>	<u>5,634,060</u>
END OF YEAR	<u><u>\$ 12,424,272</u></u>	<u><u>\$ 11,084,133</u></u>

See notes to the financial statements.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

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 9 regarding the Foundation's endowment funds.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 7. 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Contributions and Bequests

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

Allowance for Credit Losses

The allowance for credit losses 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. As of December 31, 2023 and 2022, allowance for credit losses amounted to \$17,267 and \$22,300, respectively.

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 Financial Accounting Standards Board (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.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 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, 2023 AND 2022

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. Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices are classified as level 2. 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. Additionally, the Foundation has investments measured at net asset value (NAV), as provided by the trustee, which is based on the fair value of the underlying investments held by the fund, less its liabilities.

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, 2023 or 2022, that it would be unable to substantiate. The Foundation has filed its tax returns through December 31, 2022.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through August 13, 2024, the date the financial statements were available to be issued.

THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

2. PLEDGES RECEIVABLE

New pledges in 2023 amounted to \$100,000 (\$1,027,576 in 2022). Pledges receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 283,347	\$ 305,000
Receivable in one to five years	<u>580,000</u>	<u>810,000</u>
Total pledges receivable	863,347	1,115,000
Less discount to net present value	54,863	59,699
Less allowance for uncollectible pledges receivable	<u>17,267</u>	<u>22,300</u>
Net pledges receivable	<u>\$ 791,217</u>	<u>\$ 1,033,001</u>

3. MARKETABLE SECURITIES

Marketable securities at December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Domestic equities	\$ 113,444,171	\$ 92,291,260
International equities	52,411,437	43,402,055
Corporate debt securities	18,557,935	15,606,231
Other domestic bonds	28,965,500	30,324,844
High-yield bonds	2,256,602	2,473,110
International bond funds	3,380,544	3,439,400
Private equity	8,441,608	4,561,793
Fund of funds	4,411,751	11,472,745
Real estate and REITs	10,133,633	8,665,746
Real assets	1,708,339	4,323,413
Cash and cash equivalents	<u>16,592,854</u>	<u>21,744,362</u>
Marketable securities at end of year	<u>\$ 260,304,374</u>	<u>\$ 238,304,959</u>

Investment management and custodial fees for 2023 and 2022 were \$912,272 and \$890,677, 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, 2023 AND 2022

4. RECEIVABLES FROM SPLIT-INTEREST AGREEMENTS

At December 31, 2023, the Foundation has split-interest agreements with a combined value of \$4,250,371 (\$4,427,394 at December 31, 2022). The following table summarizes activity in such funds during the years ended December 31:

	<u>2023</u>	<u>2022</u>
Receivables from split-interest agreements at beginning of year	\$ 4,427,394	\$ 4,559,561
Contributions	300,000	300,000
Settlement of receivable	(488,995)	(291,671)
Unrealized investment losses	11,972	(140,496)
Receivables from split-interest agreements at end of year	<u>\$ 4,250,371</u>	<u>\$ 4,427,394</u>

5. FUNDS HELD AS AGENCY ENDOWMENTS

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

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

At December 31, 2023, the Foundation managed 42 agency endowment funds with a combined value of \$16,675,038. At December 31, 2022, the Foundation managed 40 agency endowment funds with a combined value of \$15,279,062. The following table summarizes activity in such funds during the years ended December 31:

	<u>2023</u>	<u>2022</u>
Agency endowment fund balances at beginning of year	\$ 15,279,062	\$ 15,436,066
Contributions	4,077,961	3,987,319
Investment income, net	244,904	12,366
Unrealized and realized investment gains (losses)	1,544,952	(2,360,497)
Grants and other changes	(4,471,841)	(1,796,192)
Agency endowment fund balances at end of year	<u>\$ 16,675,038</u>	<u>\$ 15,279,062</u>

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

6. 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,543,288	\$ 2,476,215
Operating reserves	1,294,025	1,121,504
Special initiatives	1,945,607	937,249
Grants awarded	3,638,732	3,385,493
Board designated endowment for operating support	5,490,370	5,076,358
Long-term investments made available for current use	1,602,139	1,696,775
	<u>\$ 16,514,161</u>	<u>\$ 14,693,594</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 2023 and 2022, the allocation accounted for 8% 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, 2023 AND 2022**

7. 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, 2023:

	Grants	Grantmaking and Initiatives	Finance, Governance and Administration	Development	Total
Grants	\$ 30,434,254	\$ -	\$ -	\$ -	\$ 30,434,254
Administrative	-	105,380	57,851	117,085	280,316
Communications/marketing	-	23,621	1,189	97,717	122,527
Development/advancement	-	28,546	332	58,242	87,120
Grant cycles/initiatives	-	840,623	1,696	1,948	844,267
Personnel costs	-	712,538	402,375	730,715	1,845,628
Professional services	-	116,209	73,444	92,163	281,816
Travel/development	-	53,848	54,757	18,752	127,357
Depreciation	-	4,889	2,601	5,219	12,709
	<u>\$ 30,434,254</u>	<u>\$ 1,885,654</u>	<u>\$ 594,245</u>	<u>\$ 1,121,841</u>	<u>\$ 34,035,994</u>

The table below categorizes the operating and general expenses by both their nature and their function for the year ended December 31, 2022:

	Grants	Grantmaking and Initiatives	Finance, Governance and Administration	Development	Total
Grants	\$ 23,909,654	\$ -	\$ -	\$ -	\$ 23,909,654
Administrative	-	100,144	65,041	117,373	282,558
Communications/marketing	-	1,033	214	55,141	56,388
Development/advancement	-	1,865	450	40,879	43,194
Grant cycles/initiatives	-	1,229,732	3,084	3,916	1,236,732
Personnel costs	-	628,094	505,285	606,206	1,739,585
Professional services	-	21,995	40,366	92,933	155,294
Travel/development	-	15,212	52,399	10,299	77,910
Depreciation	-	4,559	3,014	4,669	12,242
	<u>\$ 23,909,654</u>	<u>\$ 2,002,634</u>	<u>\$ 669,853</u>	<u>\$ 931,416</u>	<u>\$ 27,513,557</u>

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8. 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, 2023:

ASSETS	Fair Value	Assets Measured at Net Asset Value ^(a)	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Marketable securities:					
Domestic equities	\$ 113,444,171	\$ 47,958,341	\$ 65,485,830	\$ -	\$ -
International equities	52,411,437	31,490,839	20,920,598	-	-
Corporate debt securities	18,557,935	3,565,395	-	14,992,540	-
Other domestic bonds	28,965,500	11,372,247	-	17,593,253	-
High-yield bonds	2,256,602	324,697	-	1,931,905	-
International bond funds	3,380,544	47,058	-	3,333,486	-
Private equity	8,441,608	8,441,608	-	-	-
Fund of funds	4,411,751	4,411,751	-	-	-
Real estate and REITs	10,133,633	9,808,826	324,807	-	-
Real assets	1,708,339	1,375,551	332,788	-	-
Cash and cash equivalents	16,592,854	444,325	16,148,529	-	-
	<u>260,304,374</u>	<u>119,240,638</u>	<u>103,212,552</u>	<u>37,851,184</u>	<u>-</u>
Charitable gift annuities	120,251	-	-	120,251	-
Split-interest receivables	4,250,371	-	-	4,250,371	-
Beneficial interest in perpetual trusts	12,100,802	-	-	-	12,100,802
	<u>16,471,424</u>	<u>-</u>	<u>-</u>	<u>4,370,622</u>	<u>12,100,802</u>
	<u>\$ 276,775,798</u>	<u>\$ 119,240,638</u>	<u>\$ 103,212,552</u>	<u>\$ 42,221,806</u>	<u>\$ 12,100,802</u>

^(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items in the statements of financial position.

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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, 2022:

ASSETS	Fair Value	Assets Measured at Net Asset Value ^(a)	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	\$ 92,291,260	\$ 39,109,776	\$ 53,181,484	\$ -	\$ -
International equities	43,402,055	25,716,639	17,685,416	-	-
Corporate debt securities	15,606,231	3,393,468	-	12,212,763	-
Other domestic bonds	30,324,844	9,324,430	-	21,000,414	-
High-yield bonds	2,473,110	-	-	2,473,110	-
International bond funds	3,439,400	-	-	3,439,400	-
Private equity	4,561,793	4,561,793	-	-	-
Fund of funds	11,472,745	4,982,285	6,490,460	-	-
Real estate and REITs	8,665,746	8,356,631	309,115	-	-
Real assets	4,323,413	2,436,748	1,886,665	-	-
Cash and cash equivalents	21,744,362	966,219	20,778,143	-	-
	238,304,959	98,847,989	100,331,283	39,125,687	-
Charitable gift annuities	138,126	-	-	138,126	-
Split-interest receivables	4,427,394	-	-	4,427,394	-
Beneficial interest in perpetual trusts	11,327,757	-	-	-	11,327,757
	15,893,277	-	-	4,565,520	11,327,757
	<u>\$ 254,198,236</u>	<u>\$ 98,847,989</u>	<u>\$ 100,331,283</u>	<u>\$ 43,691,207</u>	<u>\$ 11,327,757</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items in the statements of financial position.

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 11,327,757	\$ 13,565,397
Unrealized gains (losses) relating to instruments held at the reporting date	773,045	(2,237,640)
Balance at end of year	<u>\$ 12,100,802</u>	<u>\$ 11,327,757</u>

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.

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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, 2023:

	Fair Value Measurement of Investments That Calculate Net Asset Value			
	Fair Value 2023	Unfunded Commitments 2023	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative Investments				
Private REIT (a)	\$ 3,118,802	\$ -	Quarterly	100 days
Hedge Funds (b)	4,411,751	-	Semi-annually	105 days
Real Estate (c)	4,296,226	-	Quarterly	60 days
Limited Partnership (d)	1,059,740	3,663,513	Currently ineligible	
Limited Partnership (e)	1,146,647	1,343,219	Currently ineligible	
Pooled LLC (f)	58,776,655	-	Daily	5 days
Pooled LLC (g)	19,505,787	-	Daily	5 days
Pooled LLC (h)	15,685,858	-	Daily	5 days
Pooled LLC (i)	2,610,153	-	Daily	5 days
Pooled LLC (j)	5,179,302	-	Quarterly	100 days
GP Ownership (k)	48,308	-	n/a	n/a
Private Credit (l)	124,845	877,141	n/a	n/a
Real Estate and REITs (m)	917,679	135,866	n/a	n/a
Real Estate and REITs (n)	326,635	705,870	n/a	n/a
Commodities (o)	1,031,250	4,463	n/a	n/a
Private Credit / Real Estate (p)	1,001,000	-	Quarterly	90 day notice
Total	\$ 119,240,638	\$ 6,730,072		

- (a) This fund is an open-ended, commercial real estate investment vehicle with the objective to generate consistent income from a diversified portfolio. The investment philosophy is centered around tactical management of sector allocations, asset selection and leverage utilization to optimize performance throughout market cycles. The Fund aims to be a leader in both investment performance and sustainability within the NFI-ODCE over the long term. 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.

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- (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.
- (f) The objective of this total return global equity fund is to provide a return that exceeds the MSCI ACWI while maintaining a similar risk level to the benchmark. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (g) This global equity fund intends to exceed the MSCI ACWI through an active, risk managed approach to tactical asset allocation. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (h) The objective of this core bond holding is to provide exposure to a diversified portfolio of fixed income securities with improved risk-adjusted performance versus the benchmark over a rolling five-year period. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (i) This is an inflation-sensitive fund that seeks to preserve and grow purchasing power and guard against varying inflationary environments. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (j) This is an alternative fixed income fund. The fund's objective is to provide total return over traditional fixed income, while remaining focused on prudent risk management. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (k) This investment is an ownership percentage that the general partner investors receive based on their commitment to Blue Owl Finance II. Equity contributions are paid by seed investor into the management company until ORTF II Liquidity Event, and distributions are paid quarterly from the management company profits. This investment participates in an incremental increase to net return projections of the Blue OWI Tech Finance II fund and potentially benefits from further expansion of the Owl Rock platform.
- (l) Direct lending fund that makes loans to technology companies primarily backed by private equity and venture capital sponsors. BOTF II will target 10–12% net returns and will provide income distributions quarterly. The Fund will target 0.9x–1.25x debt-to-equity leverage (regulatory cap at 2.0x). Owl Rock intends to take BOTF II public as they successfully did with their first flagship BDC.
- (m) Marble Capital Fund IV is focused on providing preferred equity for ground-up multifamily developments in high-growth markets across the country. Fund IV will focus on providing investors with a defensive investment generating equity-like returns while taking on debt-like risk in a historically low volatility asset class.
- (n) Mavik Capital Management (Mavik Capital) is an opportunistic real estate credit manager operating within the U.S. middle market (\$10-\$30 million size loans). Mavik Capital is value-oriented, emphasizing highly structured investments, predictable current yield, and a significant margin of safety. The company has been investing in real estate credit since 2009, deploying >\$3 billion of capital.
- (o) The fund acquires oil and gas mineral rights and royalty assets to create a long duration, current income stream built for yield focused investors. Structured as direct investment by limited partners in an operating company, avoiding double promotion and management fees.
- (p) Private, nonbank, asset-based lender that provides short-term commercial bridge loans to seasoned real estate owners located in key, national metropolitan areas. All loans are secured by first trust deeds or mortgages, as well as personal and corporate guarantees from the real estate owners, and have had a target loan to value of 65%.

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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, 2022:

	Fair Value Measurement of Investments That Calculate Net Asset Value			
	Fair Value 2022	Unfunded Commitments 2022	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative Investments				
Hedge funds (a)	\$ 3,465,477	\$ -	Quarterly	100 days
Hedge funds (b)	4,982,285	-	Semi-annually	105 days
Real estate (c)	4,667,800	-	Quarterly	60 days
Limited partnership (d)	1,595,385	3,663,513	Currently ineligible	
Limited partnership (e)	626,649	1,343,219	Currently ineligible	
Pooled LLC (f)	48,468,929	-	Daily	5 days
Pooled LLC (g)	16,357,486	-	Daily	5 days
Pooled LLC (h)	13,229,894	-	Daily	5 days
Pooled LLC (i)	2,481,161	-	Daily	5 days
Pooled LLC (j)	2,969,630	-	Quarterly	100 days
Real estate (k)	3,293	1,000,000	Currently ineligible	
Total	\$ 98,847,989	\$ 6,006,732		

- (a) This fund is an open-ended, commercial real estate investment vehicle with the objective to generate consistent income from a diversified portfolio. The investment philosophy is centered around tactical management of sector allocations, asset selection and leverage utilization to optimize performance throughout market cycles. The fund aims to be a leader in both investment performance and sustainability within the NFI-ODCE over the long term. 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.
- (f) The objective of this total return global equity fund is to provide a return that exceeds the MSCI ACWI while maintaining a similar risk level to the benchmark. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

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- (g) This global equity fund intends to exceed the MSCI ACWI through an active, risk managed approach to tactical asset allocation. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (h) The objective of this core bond holding is to provide exposure to a diversified portfolio of fixed income securities with improved risk-adjusted performance versus the benchmark over a rolling five-year period. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (i) This is an inflation-sensitive fund that seeks to preserve and grow purchasing power and guard against varying inflationary environments. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (j) This is an alternative fixed income fund. The fund's objective is to provide total return over traditional fixed income, while remaining focused on prudent risk management. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (k) This fund is a private, nonbank, asset-based lender. The fund provides short-term commercial bridge loans to seasoned real estate owners located in key, national metropolitan areas. All loans are secured by first trust deeds or mortgages on real properties with ample equity. The Foundation committed \$1,000,000 in 2022. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

9. 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, 2023, the Foundation had no underwater endowments.

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The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 98,958,542	\$ 18,008,150	\$ 116,966,692
Net gain on investments	12,661,077	1,518,910	14,179,987
Contributions	1,434,729	100,000	1,534,729
Amounts appropriated for expenditure	(5,244,580)	(75,876)	(5,320,456)
Other changes – payments on pledges	351,653	(351,653)	-
Transfers/adjustments	(15,630)	44,359	28,729
Change in endowment net assets	9,187,249	1,235,740	10,422,989
Endowment net assets at end of year	<u>\$ 108,145,791</u>	<u>\$ 19,243,890</u>	<u>\$ 127,389,681</u>

The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 110,764,940	\$ 20,718,757	\$ 131,483,697
Net loss on investments	(16,351,130)	(3,259,170)	(19,610,300)
Contributions	12,295,713	1,000,000	13,295,713
Amounts appropriated for expenditure	(6,372,131)	(331,241)	(6,703,372)
Other changes – payments on pledges	68,300	(68,300)	-
Transfers/adjustments	(1,447,150)	(51,896)	(1,499,046)
Change in endowment net assets	(11,806,398)	(2,710,607)	(14,517,005)
Endowment net assets at end of year	<u>\$ 98,958,542</u>	<u>\$ 18,008,150</u>	<u>\$ 116,966,692</u>

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The following depicts the endowment net asset composition by type of fund as of December 31, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-designated endowment funds	\$ -	\$ 18,435,243	\$ 18,435,243
Other endowment funds:			
Donor-advised	13,388,607	-	13,388,607
Designated	18,167,240	717,018	18,884,258
50 th anniversary catalyst	10,209,711	18,329	10,228,040
Scholarship	6,182,636	-	6,182,636
Community – unrestricted	1,916,324	-	1,916,324
Field of interest	23,717,508	73,300	23,790,808
	<u>73,582,026</u>	<u>808,647</u>	<u>74,390,673</u>
Board-designated endowment funds	34,563,765	-	34,563,765
Total endowment funds	<u>\$ 108,145,791</u>	<u>\$ 19,243,890</u>	<u>\$ 127,389,681</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, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-designated endowment funds	\$ -	\$ 16,999,043	\$ 16,999,043
Other endowment funds:			
Donor-advised	12,117,603	-	12,117,603
Designated	16,589,146	958,152	17,547,298
50 th anniversary catalyst	9,181,917	37,058	9,218,975
Scholarship	5,578,300	-	5,578,300
Community – unrestricted	1,616,781	-	1,616,781
Field of interest	21,466,266	13,897	21,480,163
	<u>66,550,013</u>	<u>1,009,107</u>	<u>67,559,120</u>
Board-designated endowment funds	32,408,529	-	32,408,529
Total endowment funds	<u>\$ 98,958,542</u>	<u>\$ 18,008,150</u>	<u>\$ 116,966,692</u>

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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, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment funds	\$ 108,145,791	\$ 19,243,890	\$ 127,389,681
Non-endowment funds:			
Donor-advised	127,186,227	-	127,186,227
Designated	3,955,878	-	3,955,878
Community catalyst	1,088,281	-	1,088,281
Field of interest	953,269	-	953,269
Scholarship	1,221,740	-	1,221,740
Other	3,305,867	-	3,305,867
	<u>137,711,262</u>	<u>-</u>	<u>137,711,262</u>
Charitable gift annuities	-	120,251	120,251
Split-interest agreements	-	4,250,371	4,250,371
	<u>\$ 245,857,053</u>	<u>\$ 23,614,512</u>	<u>\$ 269,471,565</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, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment funds	\$ 98,958,542	\$ 18,008,150	\$ 116,966,692
Non-endowment funds:			
Donor-advised	117,608,608	-	117,608,608
Designated	3,947,382	-	3,947,382
Community catalyst	795,789	-	795,789
Field of interest	609,014	-	609,014
Scholarship	1,108,996	-	1,108,996
Other	2,089,197	-	2,089,197
	<u>126,158,986</u>	<u>-</u>	<u>126,158,986</u>
Charitable gift annuities	-	138,126	138,126
Split-interest agreements	-	4,427,394	4,427,394
	<u>\$ 225,117,528</u>	<u>\$ 22,573,670</u>	<u>\$ 247,691,198</u>

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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.

10. 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: 1.00% on the first \$1,000,000, 0.75% on the next \$1,000,000, 0.50% on the next \$1,000,000, and 0.25% 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 2.00% fee. Those that offer scholarships through a Designated Fund are assessed the normal Designated Fund tiered fee beginning at 1.00%.

The administrative fee for agency endowment funds opened on or before December 31, 2010, is assessed as follows: 0.60% on the first \$1,000,000 and 0.50% on the remaining balance. For those funds established after January 1, 2011, the first \$1,000,000 is assessed at 0.75%, and over that at 0.60%. 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.

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11. 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, 2023, was \$60,163 (\$61,580 in 2022).

12. 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, 2023, the Board of Directors had designated both endowed and non-endowed net assets without donor restrictions totaling \$37,093,304 for the following purposes:

Designated for Competitive Grantmaking and Initiatives Related to a Field of Interest – \$2,047,800 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 – \$26,882,749 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 – \$56,399 designated for scholarships to Birmingham area students.

Designated for Grantmaking in a Specific Field of Interest – \$44,212 limited to programs related to specific fields of interest. Cannot be used for Competitive Grantmaking.

Designated for Catalyst Grantmaking and Initiatives – \$453,993 designated for special transformational projects approved by the Board.

Designated for the Long-Term Benefit of the Named Beneficiary – \$6,486,647 in endowed funds to be used for the sole purpose of supporting the designated charitable organizations.

Designated for Operating Reserves – \$1,121,504 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

13. 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>2023</u>	<u>2022</u>
Art and culture	\$ 32,136	\$ 32,032
Education	45,909	39,018
Health and welfare	1,086,765	437,007
Human services	100,846	37,307
Religious	4,870	8,117
Designated	717,017	982,046
Donor-advised	3,453,634	3,607,532
Community funds for competitive grantmaking	975,843	987,434
50 th anniversary catalyst	18,329	37,058
	<u>\$ 6,435,349</u>	<u>\$ 6,167,551</u>

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

	<u>2023</u>	<u>2022</u>
Community funds for competitive grantmaking	\$ 2,703,952	\$ 2,538,037
Human services	9,475,211	8,868,082
Health and welfare	5,000,000	5,000,000
	<u>\$ 17,179,163</u>	<u>\$ 16,406,119</u>

14. 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.