

**THE COMMUNITY FOUNDATION  
OF GREATER BIRMINGHAM**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024 AND 2023**

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
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**DECEMBER 31, 2024 AND 2023**

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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, 2024 and 2023, and the related statements of activities 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, 2024 and 2023, 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 14, 2025

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**

|  | <u>2024</u>                  | <u>2023</u>                  |
|--|------------------------------|------------------------------|
| <b>ASSETS</b>                              |                              |                              |
| Cash and cash equivalents                  | \$ 12,785,155                | \$ 12,424,272                |
| Pledges receivable, net                    | 497,831                      | 791,217                      |
| Marketable securities                      | 317,432,513                  | 260,304,374                  |
| Other assets, net                          | 807,809                      | 194,657                      |
| Charitable gift annuities                  | 125,863                      | 120,251                      |
| Receivables from split-interest agreements | 4,249,105                    | 4,250,371                    |
| Beneficial interest in perpetual trusts    | 12,543,911                   | 12,100,802                   |
| Operating lease right-of-use asset, net    | 2,198,408                    | -                            |
| <b>TOTAL ASSETS</b>                        | <u><u>\$ 350,640,595</u></u> | <u><u>\$ 290,185,944</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>          |                              |                              |
| <b>LIABILITIES</b>                         |                              |                              |
| Grants payable                             | \$ 3,056,186                 | \$ 3,716,790                 |
| Other liabilities                          | 571,616                      | 322,551                      |
| Operating lease liability                  | 2,206,525                    | -                            |
| Funds held as agency endowments            | 18,404,531                   | 16,675,038                   |
| Total liabilities                          | 24,238,858                   | 20,714,379                   |
| <b>NET ASSETS</b>                          |                              |                              |
| Without donor restrictions                 | 302,207,939                  | 245,857,053                  |
| With donor restrictions                    | 24,193,798                   | 23,614,512                   |
| Total net assets                           | 326,401,737                  | 269,471,565                  |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>    | <u><u>\$ 350,640,595</u></u> | <u><u>\$ 290,185,944</u></u> |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>   |
|---|---------------------------------------|------------------------------------|----------------|
| <b>REVENUE AND SUPPORT</b>                |                                       |                                    |                |
| Contributions and bequests                | \$ 71,848,231                         | \$ 249,474                         | \$ 72,097,705  |
| Net investment gain                       | 30,519,613                            | 777,107                            | 31,296,720     |
| Gain on interest in perpetual trusts      | -                                     | 443,109                            | 443,109        |
| Actuarial gain on annuity obligations     | -                                     | 69,068                             | 69,068         |
| Other income                              | 316,703                               | -                                  | 316,703        |
| Net assets released from restrictions     | 959,472                               | (959,472)                          | -              |
| Total revenue and support                 | 103,644,019                           | 579,286                            | 104,223,305    |
| <b>EXPENSES</b>                           |                                       |                                    |                |
| Grants                                    | 43,829,969                            | -                                  | 43,829,969     |
| Operating and general expenses:           |                                       |                                    |                |
| Development                               | 1,108,428                             | -                                  | 1,108,428      |
| Finance, governance and<br>administration | 612,474                               | -                                  | 612,474        |
| Grantmaking and initiatives               | 1,742,262                             | -                                  | 1,742,262      |
| Total expenses                            | 47,293,133                            | -                                  | 47,293,133     |
| <b>CHANGE IN NET ASSETS</b>               | 56,350,886                            | 579,286                            | 56,930,172     |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>    | 245,857,053                           | 23,614,512                         | 269,471,565    |
| <b>NET ASSETS AT END OF YEAR</b>          | \$ 302,207,939                        | \$ 24,193,798                      | \$ 326,401,737 |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---|---------------------------------------|------------------------------------|-----------------------|
| <b>REVENUE AND SUPPORT</b>                |                                       |                                    |                       |
| 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            |
| <b>EXPENSES</b>                           |                                       |                                    |                       |
| Grants                                    | 30,434,254                            | -                                  | 30,434,254            |
| Operating and general expenses:           |                                       |                                    |                       |
| Development                               | 1,121,841                             | -                                  | 1,121,841             |
| Finance, governance and<br>administration | 594,245                               | -                                  | 594,245               |
| Grantmaking and initiatives               | 1,885,654                             | -                                  | 1,885,654             |
| Total expenses                            | 34,035,994                            | -                                  | 34,035,994            |
| <b>CHANGE IN NET ASSETS</b>               | 20,739,525                            | 1,040,842                          | 21,780,367            |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>    | 225,117,528                           | 22,573,670                         | 247,691,198           |
| <b>NET ASSETS AT END OF YEAR</b>          | <u>\$ 245,857,053</u>                 | <u>\$ 23,614,512</u>               | <u>\$ 269,471,565</u> |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

|   | <u>2024</u>                 | <u>2023</u>                 |
|---|-----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                             |                             |
| Change in net assets  | \$ 56,930,172               | \$ 21,780,367               |
| Adjustments:  |                             |                             |
| Depreciation  | 26,940                      | 12,709                      |
| Noncash lease expense   | 43,197                      | -                           |
| Net unrealized and realized gain on investments   | (27,696,201)                | (27,995,349)                |
| Gain on annuity obligations   | (69,068)                    | (27,137)                    |
| Gain on split-interest agreements   | (56,833)                    | (11,972)                    |
| Gain on interest in perpetual trusts  | (443,109)                   | (773,045)                   |
| Changes in operating assets and liabilities:  |                             |                             |
| Contributions of marketable securities, split-interest agreements, other assets, charitable gift annuities and perpetual trusts | (16,481,190)                | (10,200,478)                |
| Settlement of split-interest agreements   | 308,099                     | 488,995                     |
| Pledges receivable, net   | 293,386                     | 241,784                     |
| Other assets, net   | (640,092)                   | 94,547                      |
| Grants payable  | (660,604)                   | 331,297                     |
| Other liabilities   | 249,065                     | 61,021                      |
| Operating lease liability   | (35,080)                    | -                           |
| Funds held as agency endowments   | 1,729,493                   | 1,395,976                   |
| Net cash provided by (used in) operating activities   | <u>13,498,175</u>           | <u>(14,601,285)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                             |                             |
| Proceeds from maturities and sales of marketable securities   | 196,216,407                 | 113,964,144                 |
| Purchase of marketable securities   | <u>(209,353,699)</u>        | <u>(98,022,720)</u>         |
| Net cash (used in) provided by investing activities   | <u>(13,137,292)</u>         | <u>15,941,424</u>           |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | 360,883                     | 1,340,139                   |
| <b>CASH AND CASH EQUIVALENTS AT</b>   |                             |                             |
| <b>BEGINNING OF YEAR</b>  | <u>12,424,272</u>           | <u>11,084,133</u>           |
| <b>END OF YEAR</b>  | <u><u>\$ 12,785,155</u></u> | <u><u>\$ 12,424,272</u></u> |
| <b>SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITIES</b>  |                             |                             |
| Right-of-use assets obtained in exchange for operating lease obligations:   | <u><u>\$ 2,241,605</u></u>  | <u><u>\$ -</u></u>          |

See notes to the financial statements.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Community Foundation of Greater Birmingham (the Foundation) is composed of three separate legal entities. Two of the entities, a trust entity and a nonprofit corporation, are governed by a common Board of Directors and operate jointly as a community foundation for a single purpose. In 2004, the Charitable Real Estate Foundation (CREF) was set up as a support organization of the Foundation in order to facilitate gifts of real estate and has a separate Board of Directors approved by the Board of Directors of the Foundation. In 2023, the CREF changed to the Charitable Gift Foundation and accepts all complex gifts. 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 opportunities 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 has 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 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**  
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**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. 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, 2024 and 2023, allowance for credit losses amounted to \$11,610 and \$17,267, 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, 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**  
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**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.

**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. 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 ASC, which establish 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, 2024 AND 2023**

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**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, 2024 or 2023, that it would be unable to substantiate. The Foundation has filed its tax returns through December 31, 2023.

**Subsequent Events**

Management has evaluated subsequent events and their potential effects on these financial statements through August 14, 2025, the date the financial statements were available to be issued.

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

Pledges receivable consist of the following at December 31:

|                                    | <b>2024</b>       | <b>2023</b>       |
|------------------------------------|-------------------|-------------------|
| Receivable in less than one year   | \$ 91,179         | \$ 283,347        |
| Receivable in one to five years    | 489,340           | 580,000           |
| Total pledges receivable           | 580,519           | 863,347           |
| Less discount to net present value | (71,078)          | (54,863)          |
| Less allowance for credit losses   | (11,610)          | (17,267)          |
| Net pledges receivable             | <u>\$ 497,831</u> | <u>\$ 791,217</u> |

## **3. MARKETABLE SECURITIES**

Marketable securities at December 31 consist of the following:

|                                      | <b>2024</b>           | <b>2023</b>           |
|--------------------------------------|-----------------------|-----------------------|
| Domestic equities                    | \$ 151,972,342        | \$ 113,444,171        |
| International equities               | 51,573,306            | 52,411,437            |
| Corporate debt securities            | 20,974,507            | 18,557,935            |
| Other domestic bonds                 | 30,704,149            | 28,965,500            |
| High-yield bonds                     | 4,831,860             | 2,256,602             |
| International bond funds             | 5,918,479             | 3,380,544             |
| Private equity                       | 10,518,037            | 8,441,608             |
| Fund of funds                        | 5,091,715             | 4,411,751             |
| Real estate and REITs                | 11,654,341            | 10,133,633            |
| Real assets                          | 2,271,440             | 1,708,339             |
| Cash and cash equivalents            | 21,922,337            | 16,592,854            |
| Marketable securities at end of year | <u>\$ 317,432,513</u> | <u>\$ 260,304,374</u> |

Investment management and custodial fees for 2024 and 2023 were \$1,043,454 and \$912,272, respectively. These fees are netted with gross investment returns on the statements of activities.

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. RECEIVABLES FROM SPLIT-INTEREST AGREEMENTS**

At December 31, 2024 and 2023, the Foundation has split-interest agreements with a combined value of \$4,249,105 and \$4,250,371, respectively. The following table summarizes activity in such funds during the years ended December 31:

|   | <b>2024</b>         | <b>2023</b>         |
|---|---------------------|---------------------|
| Receivables from split-interest agreements at beginning of year | \$ 4,250,371        | \$ 4,427,394        |
| Contributions   | 250,000             | 300,000             |
| Settlement of receivable  | (308,099)           | (488,995)           |
| Unrealized investment gains                                     | 56,833              | 11,972              |
| Receivables from split-interest agreements at end of year       | <u>\$ 4,249,105</u> | <u>\$ 4,250,371</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, 2024, the Foundation managed 43 agency endowment funds with a combined value of \$18,404,531. At December 31, 2023, the Foundation managed 42 agency endowment funds with a combined value of \$16,675,038. The following table summarizes activity in such funds during the years ended December 31:

|   | <b>2024</b>          | <b>2023</b>          |
|---|----------------------|----------------------|
| Agency endowment fund balances at beginning of year | \$ 16,675,038        | \$ 15,279,062        |
| Contributions                                       | 3,993,942            | 4,077,961            |
| Investment income, net                              | 245,244              | 244,904              |
| Unrealized and realized investment gains            | 1,534,903            | 1,544,952            |
| Grants and other changes                            | (4,044,596)          | (4,471,841)          |
| Agency endowment fund balances at end of year       | <u>\$ 18,404,531</u> | <u>\$ 16,675,038</u> |

**THE COMMUNITY FOUNDATION OF GREATER BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. LIQUIDITY**

The below table reflects the Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets are considered to be unavailable for general expenditure when they are illiquid, not convertible to cash within one year, trust assets, agency endowment assets, deferred gift assets under split-interest agreements, Board designated endowment net assets, or endowment net assets subject to donor fund agreements with donor restrictions.

The Foundation is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. While the Foundation does not currently intend to expend Board designated endowment net assets for purposes other than those for which the funds have been designated, in the event of an unanticipated liquidity need, such funds could be expended for current operations at the discretion of the Foundation's Board. At December 31, 2024 and 2023, there are \$180,583,947 and \$137,711,262 in non-endowed donor advised and other designated funds, respectively. The Foundation retains variance power over these funds and therefore are included in the assets available for general expenditure.

Total financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31, 2024 and 2023:

|  | <u><b>2024</b></u>           | <u><b>2023</b></u>           |
|--|------------------------------|------------------------------|
| Financial assets   |                              |                              |
| Cash and cash equivalents  | \$ 12,785,155                | \$ 12,424,272                |
| Pledges receivable   | 497,831                      | 791,217                      |
| Marketable securities  | 317,432,513                  | 260,304,374                  |
| Certain other assets   | 351,060                      | 39,997                       |
| Charitable gift annuities  | 125,863                      | 120,251                      |
| Receivables from split-interest agreements   | 4,249,105                    | 4,250,371                    |
| Beneficial interest in perpetual trusts  | <u>12,543,911</u>            | <u>12,100,802</u>            |
|  | 347,985,438                  | 290,031,284                  |
| Less amounts not available to be used within one year<br>or amounts not available without board approval |                              |                              |
| Noncurrent portion of pledges receivable   | (489,340)                    | (580,000)                    |
| Funds held as agency endowments  | (18,404,531)                 | (16,673,806)                 |
| Board designated endowment net assets  | (121,623,991)                | (108,145,791)                |
| Net assets with donor restrictions   | <u>(24,193,798)</u>          | <u>(23,614,512)</u>          |
| Total financial assets available for general expenditure   | <u><u>\$ 183,273,778</u></u> | <u><u>\$ 141,017,175</u></u> |

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**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, 2024:

|                          | <b>Grants</b>        | <b>Grantmaking<br/>and Initiatives</b> | <b>Finance,<br/>Governance and<br/>Administration</b> | <b>Development</b>  | <b>Total</b>         |
|--------------------------|----------------------|--|---|---------------------|----------------------|
| Grants                   | \$ 43,829,969        | \$ -                                   | \$ -  | \$ -                | \$ 43,829,969        |
| Administrative           | -                    | 155,743                                | 87,378  | 146,172             | 389,293              |
| Communications/marketing | -                    | 2,165                                  | 75  | 86,479              | 88,719               |
| Development/advancement  | -                    | -                                      | 1,616   | 39,994              | 41,610               |
| Grant cycles/initiatives | -                    | 448,956                                | -   | -                   | 448,956              |
| Personnel costs          | -                    | 677,393                                | 434,385   | 778,333             | 1,890,111            |
| Professional services    | -                    | 422,677                                | 64,808  | 36,782              | 524,267              |
| Travel/development       | -                    | 25,212                                 | 18,672  | 9,384               | 53,268               |
| Depreciation             | -                    | 10,116                                 | 5,540   | 11,284              | 26,940               |
|                          | <u>\$ 43,829,969</u> | <u>\$ 1,742,262</u>                    | <u>\$ 612,474</u>                                     | <u>\$ 1,108,428</u> | <u>\$ 47,293,133</u> |

The table below categorizes the operating and general expenses by both their nature and their function for the year ended December 31, 2023:

|                          | <b>Grants</b>        | <b>Grantmaking<br/>and Initiatives</b> | <b>Finance,<br/>Governance and<br/>Administration</b> | <b>Development</b>  | <b>Total</b>         |
|--------------------------|----------------------|--|---|---------------------|----------------------|
| 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> |

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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, 2024:

| ASSETS                                  | Fair Value            | Assets<br>Measured at<br>Net Asset<br>Value <sup>(a)</sup> | Fair Value Measurement at Report Date Using      |   |  |
|---|-----------------------|--|--|---|--|
|   |                       |  | Quoted Prices<br>in Active<br>Markets<br>Level 1 | Significant<br>Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
| Marketable securities:                  |                       |  |  |   |  |
| Domestic equities                       | \$ 151,972,342        | \$ 43,685,817  | \$ 108,286,525                                   | \$ -  | \$ -   |
| International equities                  | 51,573,306            | 26,791,361   | 24,781,945                                       | -   | -  |
| Corporate debt securities               | 20,974,507            | 5,731,756  | -  | 15,242,751  | -  |
| Other domestic bonds                    | 30,704,149            | 11,286,966   | -  | 19,417,183  | -  |
| High-yield bonds                        | 4,831,860             | -  | -  | 4,831,860   | -  |
| International bond funds                | 5,918,479             | -  | -  | 5,918,479   | -  |
| Private equity                          | 10,518,037            | 10,518,037   | -  | -   | -  |
| Fund of funds                           | 5,091,715             | 5,091,715  | -  | -   | -  |
| Real estate and REITs                   | 11,654,341            | 11,533,602   | 120,739  | -   | -  |
| Real assets                             | 2,271,440             | 1,874,494  | 396,946  | -   | -  |
| Cash and cash equivalents               | 21,922,337            | 541,287  | 21,381,050                                       | -   | -  |
|   | <u>317,432,513</u>    | <u>117,055,035</u>   | <u>154,967,205</u>                               | <u>45,410,273</u>                                       | <u>-</u>   |
| Charitable gift annuities               | 125,863               | -  | -  | 125,863   | -  |
| Split-interest receivables              | 4,249,105             | -  | -  | 4,249,105   | -  |
| Beneficial interest in perpetual trusts | 12,543,911            | -  | -  | -   | 12,543,911                                       |
|   | <u>16,918,879</u>     | <u>-</u>   | <u>-</u>   | <u>4,374,968</u>  | <u>12,543,911</u>                                |
|   | <u>\$ 334,351,392</u> | <u>\$ 117,055,035</u>                                      | <u>\$ 154,967,205</u>                            | <u>\$ 49,785,241</u>                                    | <u>\$ 12,543,911</u>                             |

<sup>(a)</sup> 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, 2023:

| ASSETS                                  | Fair Value            | Assets Measured at Net Asset Value <sup>(a)</sup> | 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                       | \$ 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                                  | -   | -                                       |
|   | 260,304,374           | 119,240,638                                       | 103,212,552                                 | 37,851,184                                  | -                                       |
| 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                              |
|   | 16,471,424            | -   | -   | 4,370,622                                   | 12,100,802                              |
|   | <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>                    |

<sup>(a)</sup> 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:

|   | 2024                 | 2023                 |
|---|----------------------|----------------------|
| Balance at beginning of year  | \$ 12,100,802        | \$ 11,327,757        |
| Unrealized gains relating to instruments held at the reporting date | 443,109              | 773,045              |
| Balance at end of year  | <u>\$ 12,543,911</u> | <u>\$ 12,100,802</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

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adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

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, 2024:

| <b>Fair Value Measurement of Investments That Calculate Net Asset Value</b> |                            |  |   |                                     |
|---|----------------------------|--|---|-------------------------------------|
|   | <b>Fair Value<br/>2024</b> | <b>Unfunded<br/>Commitments<br/>2024</b> | <b>Redemption<br/>Frequency<br/>(If Currently<br/>Eligible)</b> | <b>Redemption<br/>Notice Period</b> |
| <b>Alternative Investments</b>  |                            |  |   |                                     |
| Private REIT <sup>(a)</sup>   | \$ 3,156,960               | \$ -                                     | Quarterly   | 100 days                            |
| Hedge funds <sup>(b)</sup>  | 5,091,715                  | -  | Semi-annually   | 105 days                            |
| Real estate <sup>(c)</sup>  | 3,842,616                  | -  | Quarterly   | 60 days                             |
| Limited partnership <sup>(d)</sup>  | 970,943                    | 3,513,472                                | Currently ineligible  | n/a                                 |
| Limited partnership <sup>(e)</sup>  | 1,196,249                  | 150,000                                  | Currently ineligible  | n/a                                 |
| Pooled LLC <sup>(f)</sup>   | 68,505,231                 | -  | Daily   | 5 days                              |
| Pooled LLC <sup>(g)</sup>   | 17,140,419                 | -  | Daily   | 5 days                              |
| Pooled LLC <sup>(h)</sup>   | 4,266,030                  | -  | Daily   | 5 days                              |
| Pooled LLC <sup>(i)</sup>   | 6,777,695                  | -  | Quarterly   | 100 days                            |
| GP ownership <sup>(j)</sup>   | 49,164                     | -  | n/a   | n/a                                 |
| Private credit <sup>(k)</sup>   | 400,018                    | 597,559                                  | n/a   | n/a                                 |
| Private credit <sup>(l)</sup>   | 873,253                    | 1,126,747                                | n/a   | n/a                                 |
| Real estate and REITs <sup>(m)</sup>  | 1,122,560                  | 5,866                                    | n/a   | n/a                                 |
| Real estate and REITs <sup>(n)</sup>  | 903,456                    | 133,248                                  | n/a   | n/a                                 |
| Commodities <sup>(o)</sup>  | 1,123,968                  | -  | n/a   | n/a                                 |
| Private credit/real estate <sup>(p)</sup>                                   | 1,634,758                  | -  | Quarterly   | 90 day notice                       |
| <b>Total</b>  | <b>\$ 117,055,035</b>      | <b>\$ 5,526,892</b>                      |   |                                     |

- (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 comprises 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) 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.
- (h) 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.
- (i) 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.
- (j) 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 Owl Tech Finance II fund and potentially benefits from further expansion of the Owl Rock platform.
- (k) 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.
- (l) This Fund provides preferred equity for ground-up multifamily developments across the country. The Fund will implement a credit facility equal to 25% of equity capital raised to provide fund level leverage. This credit facility will be used to provide borrowed capital to Fund IV and will be secured by all Fund III investments including all unfunded commitments from limited partners in Fund III.
- (m) This Fund 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) This Fund is an opportunistic real estate credit manager operating within the U.S. middle market (\$10-\$30 million size loans). The Fund 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 >\$3B 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, 2023:

**Fair Value Measurement of Investments That Calculate Net Asset Value**

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

- (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 comprises participating mortgage loans and equity real estate investments. The fund is diversified by property type and geographic location. The valuation has been estimated based on the net asset value per share.
- (d) This is a limited partnership to capitalize on changing market conditions or temporary inefficiencies resulting in opportunistic investments in stressed or dislocated areas of the market. The Foundation committed \$6,750,000 with funding beginning in 2015. The fund term is ten years.
- (e) This is a limited partnership designed to invest in distressed opportunities and special situations in public and private companies, primarily in North America and Europe. The fund term is five years, and there is the potential for two additional 18-month periods. The Foundation committed \$1,500,000.

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- (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 Owl 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%.

## **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

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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 ASC, 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, 2024 and 2023, the Foundation had no underwater endowments.

The following depicts the endowment funds, as well as the activity for the endowment funds, for the year ended December 31, 2024:

|   | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---|--|---|-----------------------|
| Endowment net assets at beginning of year | \$ 108,145,791                                       | \$ 19,243,890                                     | \$ 127,389,681        |
| Net gain on investments                   | 12,807,759   | 1,217,988   | 14,025,747            |
| Contributions                             | 6,086,264  | -   | 6,086,264             |
| Amounts appropriated for expenditure      | (5,698,650)  | (360,220)   | (6,058,870)           |
| Other changes – payments on pledges       | 282,828  | (282,828)   | -                     |
| Change in endowment net assets            | 13,478,201   | 574,940   | 14,053,141            |
| Endowment net assets at end of year       | <u>\$ 121,623,992</u>                                | <u>\$ 19,818,830</u>                              | <u>\$ 141,442,822</u> |

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

|   | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---|--|---|-----------------------|
| 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> |

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The following depicts the endowment net asset composition by type of fund as of December 31, 2024:

|                                       | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---------------------------------------|--|---|-----------------------|
| Donor-designated endowment funds      | \$ -   | \$ 19,284,438                                     | \$ 19,284,438         |
| Other endowment funds:                |  |   |                       |
| Donor-advised                         | 14,477,029   | -   | 14,477,029            |
| Designated                            | 24,686,355   | 469,063   | 25,155,418            |
| 50 <sup>th</sup> anniversary catalyst | 10,940,661   | 17,151  | 10,957,812            |
| Scholarship                           | 6,734,910  | -   | 6,734,910             |
| Community – unrestricted              | 2,017,205  | -   | 2,017,205             |
| Field of interest                     | 25,560,672   | 48,178  | 25,608,850            |
|                                       | 84,416,832   | 534,392   | 84,951,224            |
| Board-designated endowment funds      | 37,207,160   | -   | 37,207,160            |
| Total endowment funds                 | <u>\$ 121,623,992</u>                                | <u>\$ 19,818,830</u>                              | <u>\$ 141,442,822</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, 2023:

|                                       | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---------------------------------------|--|---|-----------------------|
| 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 <sup>th</sup> 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            |
|                                       | 73,582,026   | 808,647   | 74,390,673            |
| 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> |

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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, 2024:

|                           | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---------------------------|--|---|-----------------------|
| Endowment funds           | \$ 121,623,992                                       | \$ 19,818,830                                     | \$ 141,442,822        |
| Non-endowment funds:      |  |   |                       |
| Donor-advised             | 168,692,055  | -   | 168,692,055           |
| Designated                | 4,032,001  | -   | 4,032,001             |
| Community catalyst        | 1,624,931  | -   | 1,624,931             |
| Field of interest         | 854,182  | -   | 854,182               |
| Scholarship               | 1,354,593  | -   | 1,354,593             |
| Other                     | 4,026,185  | -   | 4,026,185             |
|                           | 180,583,947  | -   | 180,583,947           |
| Charitable gift annuities | -  | 125,863   | 125,863               |
| Split-interest agreements | -  | 4,249,105   | 4,249,105             |
|                           | <u>\$ 302,207,939</u>                                | <u>\$ 24,193,798</u>                              | <u>\$ 326,401,737</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, 2023:

|                           | <b>Net Assets<br/>Without Donor<br/>Restrictions</b> | <b>Net Assets<br/>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---------------------------|--|---|-----------------------|
| 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             |
|                           | 137,711,262  | -   | 137,711,262           |
| 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> |

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

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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.

#### **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

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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, 2024 and 2023, was \$55,255 and \$60,163, respectively.

## **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, 2024, the Board of Directors had designated both endowed and non-endowed net assets without donor restrictions totaling \$38,699,594 for the following purposes:

*Designated for Competitive Grantmaking and Initiatives Related to a Field of Interest* – \$2,164,928 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* – \$28,455,607 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* – \$62,360 designated for scholarships to Birmingham area students.

*Designated for Grantmaking in a Specific Field of Interest* – \$49,507 limited to programs related to specific fields of interest. Cannot be used for Competitive Grantmaking.

*Designated for Catalyst Grantmaking and Initiatives* – \$503,266 designated for special transformational projects approved by the Board.

*Designated for the Long-Term Benefit of the Named Beneficiary* – \$7,463,926 in endowed funds to be used for the sole purpose of supporting the designated charitable organizations.

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**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:

|   | <b>2024</b>         | <b>2023</b>         |
|---|---------------------|---------------------|
| Art and culture                             | \$ 31,638           | \$ 32,136           |
| Education                                   | 52,116              | 45,909              |
| Health and welfare                          | 1,483,290           | 1,086,765           |
| Human services                              | 79,429              | 100,846             |
| Religious                                   | 3,024               | 4,870               |
| Designated                                  | 914,625             | 717,017             |
| Donor-advised                               | 2,953,205           | 3,453,634           |
| Community funds for competitive grantmaking | 1,037,046           | 975,843             |
| 50 <sup>th</sup> anniversary catalyst       | 17,151              | 18,329              |
|   | <u>\$ 6,571,524</u> | <u>\$ 6,435,349</u> |

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

|   | <b>2024</b>          | <b>2023</b>          |
|---|----------------------|----------------------|
| Community funds for competitive grantmaking | \$ 2,795,080         | \$ 2,703,952         |
| Human services                              | 9,827,194            | 9,475,211            |
| Health and welfare                          | 5,000,000            | 5,000,000            |
|   | <u>\$ 17,622,274</u> | <u>\$ 17,179,163</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.

**15. LEASES**

The Foundation leases office space under a non-cancelable operating lease agreement. The lease commenced on January 1, 2024, and expires on December 31, 2028. The lease includes two five-year renewal options. Monthly lease payments began at \$14,794 and escalate by 2% annually. In accordance with ASC 842 – Leases, the Foundation has recognized an operating lease right-of-use asset and a corresponding operating lease liability of \$2,198,408 and \$2,206,525, respectively, on

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the statement of financial position as of December 31, 2024. ASC 842 was introduced to enhance transparency in lease accounting by requiring most leases to be recognized on the statement of financial position. This change provides stakeholders with a more complete picture of an organization's financial health by reflecting its lease obligations more accurately.