

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations

Combined Financial Statements as of and for the Years Ended
April 30, 2014 and 2013, and Independent Auditors' Report

Community Foundation of Greater Memphis, Inc.
and Affiliated Foundations

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April 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Governors
Community Foundation of Greater Memphis, Inc.
and Affiliated Foundations
Memphis, Tennessee

We have audited the accompanying combined financial statements of Community Foundation of Greater Memphis, Inc. and Affiliated Foundations (the "Foundation"), which comprise the combined statements of financial position as of April 30, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Greater Memphis, Inc. and Affiliated Foundations as of April 30, 2014 and 2013, 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.

Dixon Hughes Goodman LLP

Memphis, Tennessee
December 18, 2014

Community Foundation of Greater Memphis, Inc.
and Affiliated Foundations

Combined Statements of Financial Position

April 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents (includes money market instruments of \$16,333,651 and \$8,686,862 in 2014 and 2013, respectively)	\$ 10,841,916	\$ 11,706,457
Investments	309,784,808	268,965,398
Notes receivable, net	353,862	504,714
Contributions receivable from charitable lead trusts, net	6,954,163	9,755,558
Interest and dividends receivable	492,053	555,232
Life insurance proceeds receivable	20,000	3,000,000
Cash surrender value of life insurance policies, net	13,674,481	15,196,325
Property and equipment, net	1,036,633	1,083,803
Other assets	4,000,993	4,173,112
	\$ 347,158,909	\$ 314,940,599
Liabilities and Net Assets		
Accounts payable	\$ 165,468	\$ 203,025
Accrued liabilities	122,218	110,150
Grants payable	4,039,927	2,871,305
Charitable remainder trusts payable	1,562,249	1,518,560
Agency funds	66,359,642	61,043,157
	72,249,504	65,746,197
Net assets		
Unrestricted		
Donor advised	218,924,256	195,215,341
Board designated	13,578,437	12,515,878
Total unrestricted net assets	232,502,693	207,731,219
Temporarily restricted	42,406,712	41,463,183
	274,909,405	249,194,402
	\$ 347,158,909	\$ 314,940,599

Community Foundation of Greater Memphis, Inc.
and Affiliated Foundations

Combined Statements of Activities

Years Ended April 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in net assets						
Revenues						
Contributions	\$ 86,671,160	\$ 4,010,317	\$ 90,681,477	\$ 73,004,349	\$ 3,815,268	\$ 76,819,617
Investment income-interest and dividends	3,135,198	567,066	3,702,264	3,211,644	543,489	3,755,133
Other	3,723,789	17,996	3,741,785	3,583,879	23,994	3,607,873
Net assets released from restrictions	6,089,169	(6,089,169)	-	4,531,912	(4,531,912)	-
Total revenues	99,619,316	(1,493,790)	98,125,526	84,331,784	(149,161)	84,182,623
Approved distributions and expenses						
Grants to selected or designated organizations	88,852,907	-	88,852,907	58,341,057	-	58,341,057
Program expenses	148,408	-	148,408	128,269	-	128,269
Fund expenses	3,598,634	-	3,598,634	3,632,689	-	3,632,689
Operating expenses	2,238,426	-	2,238,426	2,103,114	-	2,103,114
Total approved distributions and expenses	94,838,375	-	94,838,375	64,205,129	-	64,205,129
Revenues over (under) approved distributions and expenses before net gain on investments and net loss on other assets	4,780,941	(1,493,790)	3,287,151	20,126,655	(149,161)	19,977,494
Net gain on investments						
Realized	11,697,629	2,103,575	13,801,204	7,136,816	853,299	7,990,115
Unrealized	8,549,404	333,744	8,883,148	7,644,085	1,158,878	8,802,963
	20,247,033	2,437,319	22,684,352	14,780,901	2,012,177	16,793,078
Net loss on other assets						
Realized	(65,000)	-	(65,000)	-	-	-
Unrealized	(191,500)	-	(191,500)	(66,400)	-	(66,400)
Increase in net assets	24,771,474	943,529	25,715,003	34,841,156	1,863,016	36,704,172
Net assets at beginning of year	207,731,219	41,463,183	249,194,402	172,890,063	39,600,167	212,490,230
Net assets at end of year	\$ 232,502,693	\$ 42,406,712	\$ 274,909,405	\$ 207,731,219	\$ 41,463,183	\$ 249,194,402

See notes to combined financial statements.

Community Foundation of Greater Memphis, Inc.
and Affiliated Foundations

Combined Statements of Cash Flows

Years Ended April 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Increase in net assets	\$ 25,715,003	\$ 36,704,172
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	63,169	62,222
Decrease in allowance for uncollectible accounts	(992)	(1,143)
Realized gain on sale of investments	(13,801,204)	(7,990,115)
Unrealized gain on investments	(8,883,148)	(8,802,963)
Loss on other assets	256,500	66,400
Investment securities contributed	(28,612,071)	(19,534,484)
(Increase) decrease in cash surrender value of life insurance, net	1,521,844	(114,263)
Change in assets and liabilities:		
Contributions receivable from charitable lead trusts	2,801,395	946,609
Interest and dividends receivable	63,179	95,447
Other assets	(84,381)	(400,560)
Other receivable	2,980,000	(3,000,000)
Accounts payable and accrued liabilities	(25,489)	(127,486)
Grants payable	1,168,622	(433,774)
Charitable remainder trusts payable	(394,621)	(1,182,694)
Agency funds	(30,066)	(5,175,803)
Net cash used in operating activities	(17,262,260)	(8,888,435)
Cash flows from investing activities		
Proceeds from sale of investments	103,824,775	76,626,176
Purchases of investments	(87,562,901)	(70,208,849)
Payments received on notes receivable	151,844	7,024,423
Capital expenditures	(15,999)	(31,843)
Net cash provided by investing activities	16,397,719	13,409,907
(Decrease) increase in cash and cash equivalents	(864,541)	4,521,472
Cash and cash equivalents at beginning of year	11,706,457	7,184,985
Cash and cash equivalents at end of year	\$ 10,841,916	\$ 11,706,457
Noncash transactions:		
Investment exchanged for note receivable	\$ -	\$ 500,550
Securities contributed and held	\$ 155,338	\$ 120,047

See notes to combined financial statements.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations

Notes to Combined Financial Statements

April 30, 2014 and 2013

1. General Purpose and Activities

Community Foundation of Greater Memphis, Inc. is a nonprofit organization established to administer contributions received and distribute grants to meet community needs.

Affiliated foundations, which are commonly controlled by the Board of Governors of Community Foundation of Greater Memphis, Inc., include The Canale Foundation, Inc.; CFR Memphis, LLC; Community Foundation Realty, Inc.; The Clarence Day Foundation; The Dunavant Foundation; FLF Foundation, Inc.; Germantown United Methodist Church Endowment, Inc.; Gilliland Family Fund, Inc.; Jay Martin Foundation, Inc.; Jeniam II Foundation; MARCH Foundation; Memphis-Plough Community Foundation; The Pictsweet Foundation; Porter-Leath Early Childhood Foundation; The Gayle S. Rose Foundation, Inc.; and The Turley Foundation, Inc.

Donors contribute to the following fund types: Unrestricted Funds – those for which the Board has full discretion in making distributions for charitable purposes to meet community needs; Donor Advised Funds – unrestricted funds for which the donor has reserved the right to make nonbinding distribution recommendations to the Board; Field of Interest Funds – those used at the Board's discretion to meet a general field of charitable need specified by the donor; and Donor Designated Funds – those established to provide sustaining support to specific agencies or institutions specified by the donor (collectively funds).

Unrestricted net assets include contributions to the Unrestricted Funds, Donor Advised Funds and affiliated foundations. Temporarily restricted net assets include contributions to the Field of Interest Funds, Designated Funds and split interest agreements.

2. Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the accounts of the Community Foundation of Greater Memphis, Inc. and the affiliated foundations (collectively referred to as the "Foundation"). The combined financial statements of the Foundation have been prepared on the accrual basis. The combined financial statements reflect the assets and financial activity of the various funds administered by the Foundation.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

All highly liquid investments with a remaining maturity of three months or less at the date of purchase are considered to be cash equivalents.

Contributions

Contributions are recorded as revenue when an unconditional promise to give is received. Bequests are accrued as revenue when the respective donor has died and the will has been declared valid. Other deferred contributions are recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable. Contributions are recorded at fair value at the date of donation. Contributions receivable are recorded at the present value of expected net proceeds ultimately payable to the Foundation. Contributions receivable are adjusted annually and any present value gain or loss is reflected in the combined statements of activities as an adjustment to contributions.

Agency Funds

Assets contributed to the Foundation from or for the direct benefit of another nonprofit organization are accounted for as a liability (Agency Funds) rather than being recognized as revenue to the Foundation, as the Foundation is acting as an agent on the behalf of the other nonprofit organization. Investment or other income produced from these assets is also accounted for as a liability.

Investments

Investments are carried at fair value. Securities are held in custodial accounts administered by certain major financial institutions. Interest and dividend income is recorded on an accrual basis. Realized gains and losses on the sales of securities are calculated on the basis of specific identification of the securities sold.

The Foundation operates a pooled investment portfolio. New funds or additions to existing funds are assigned shares in the investment pool based upon the per share estimated fair value at the beginning of the month in which the funds are deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis.

The Foundation's investments include various types of securities in various companies within various markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Foundation's combined financial statements.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value as defined under accounting principles generally accepted in the United States of America is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Property and Equipment

The Foundation capitalizes expenditures for property and equipment. Property and equipment purchased are stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Allowance for Uncollectible Amounts

An allowance for uncollectible amounts is recorded against notes receivable to reduce the recorded balance to an amount that is estimated as collectible by management. A charge to operating expenses is recorded in the period any portion of a receivable is estimated to be uncollectible.

Split Interest Agreements

Under charitable remainder trust agreements, assets are transferred to the Foundation and the specified income earned from these assets is distributed to designated beneficiaries, either for life or for a designated period of time. The estimated present value of the earnings to be distributed is recorded as a liability of the Foundation designated as charitable remainder trusts payable. Upon death of the beneficiary or expiration of the specified time period, the right to the remainder of the funds transfers to the Foundation. At April 30, 2014 and 2013, the Foundation held \$3,260,428 and \$4,756,919, respectively, of assets under split interest agreements. The present value of the remainder interest of the split interest agreements included in the net assets of the Foundation at April 30, 2014 and 2013, was \$1,698,180 and \$3,238,358, respectively.

2. Summary of Significant Accounting Policies (continued)

Under charitable lead trust agreements, income is distributed to the Foundation for a designated time period. Upon expiration of the time period, the remainder of the funds will transfer to the donor or selected beneficiaries. The estimated present value of amounts receivable under charitable lead trust agreements is included in contributions receivable from charitable lead trusts.

Present values of charitable remainder trusts and charitable lead trusts are based on discounted rates ranging from 1.7% to 2.7%.

Grants Payable

Grants payable to selected or designated organizations and the related expense are recorded when the grants are approved by the Board of Governors for payment.

Expenses

Program expenses are comprised of those expenses directly related to grant programs, including salary costs for those employed solely for a particular project. Fund expenses are those expenses, such as property insurance and life insurance premiums, incurred directly with administration of donor advised funds and maintenance of properties held as grant investments. Operating expenses are administrative costs not directly identifiable with a specific fund or project.

Income Taxes

The Foundation has been determined to be exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code as evidenced by a determination letter dated August 22, 1990. Additionally, the Foundation has been determined to be an organization that is not a private foundation. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of April 30, 2014 and 2013. Fiscal years ending on or after April 30, 2011, remain subject to examination by federal and state tax authorities.

Donated Services

Unpaid volunteers contribute significant amounts of time to fund-raising campaigns and other program activities of the Foundation. No amounts have been reflected in the accompanying combined financial statements for these donated services, as they do not meet the criteria requiring such recognition.

Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

The Foundation has evaluated the effect subsequent events would have on the combined financial statements through December 18, 2014, which is the date the combined financial statements were available to be issued.

Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued Accounting Standards Update No. 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flow*. The standard will require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts are from donated financial assets that were nearly immediately converted into cash. Accordingly, the cash receipts from the sale of those financial assets will be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts would be classified as cash flows from financing activities. The new standard will be effective for the Foundation's year ended April 30, 2015. The Foundation has not determined the impact that this standard will have on its financial statements.

3. Investments

The cost and fair value of investments at April 30, 2014 and 2013, are as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
U.S. Government and agency obligations	\$ 13,145,245	\$ 13,131,319	\$ 6,708,760	\$ 7,102,038
Corporate bonds	69,546,326	70,001,418	57,123,234	58,311,767
Equity securities	130,573,202	173,986,771	124,145,250	155,626,024
Absolute return funds	17,571,912	21,655,704	16,993,873	19,462,631
Hedged equity funds	19,626,698	23,806,798	15,197,457	21,639,382
Private real estate investments	3,941,990	4,116,850	4,059,491	3,746,487
Private company investments	3,078,031	3,085,948	3,074,534	3,077,069
	<u>\$ 257,483,404</u>	<u>\$ 309,784,808</u>	<u>\$ 227,302,599</u>	<u>\$ 268,965,398</u>

A summary of investment income for the years ended April 30, 2014 and 2013, follows:

	2014	2013
Interest and dividend income	\$ 3,702,264	\$ 3,755,133
Realized gain	13,801,204	7,990,115
Unrealized gain (loss)	8,883,148	8,802,963
Investment fees, included in expenses	(929,906)	(797,892)
	<u>\$ 25,456,710</u>	<u>\$ 19,750,319</u>

4. Fair Value of Financial Assets and Liabilities

Prices for investment securities, such as domestic common stocks, mutual funds, and U.S. government and agency fixed income securities, and the transacted values for money market mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Prices for corporate bonds and certain equity securities are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

There is limited or no observable data for the prices of certain hedged equity investments, absolute return (hedge fund) investments, private real estate investments and international and domestic private equity investments (collectively, "alternative investments") that are held by the Foundation, and the resulting fair values of these securities are categorized as Level 3. The fair value of these investments as of April 30, 2014 and 2013, was estimated based primarily on the net asset value ("NAV") or its equivalent provided by the fund managers.

The NAV of alternative investments is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent arm's-length transactions involving securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio. Valuations provided by the general partners and investment managers are evaluated by management and the investment committee through accounting and financial reporting processes to review and monitor existence and valuation assertions. Management has instituted processes in the areas of initial due diligence, ongoing monitoring and financial reporting. Specific efforts employed by management include ongoing interaction with the fund manager to include on-site visits and interviews, ongoing monitoring of portfolio holdings, activities and performance. Management also reviews interim financial information and reviews details of investment holdings to obtain an understanding of the underlying investments. Monitoring also includes obtaining and reviewing audited financial statements noting the type of opinion, basis of accounting, procedures pertaining to the valuation of alternative investments and comparison of audited valuation with the fund's valuation.

There were no changes during the years ended April 30, 2014 and 2013, to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

The Foundation offers four primary investment pools for charitable assets. Donors may recommend the pool that fits best with their charitable plans. The following table sets forth within the fair value hierarchy the Foundation's investment pools and other investments accounted for at fair value on a recurring basis as of April 30, 2014 and 2013.

4. Fair Value of Financial Assets and Liabilities (continued)

	Assets at Fair Value as of April 30, 2014				Total
	Cash	Level 1	Level 2	Level 3	
Cash Equivalent Pool:					
Cash	\$ 249,933	\$ -	\$ -	\$ -	\$ 249,933
Money market funds	-	11,190,025	-	-	11,190,025
U.S. Government and agency obligations	-	8,202,673	-	-	8,202,673
Corporate and municipal bonds and bond funds	-	-	15,324,679	-	15,324,679
	<u>249,933</u>	<u>19,392,698</u>	<u>15,324,679</u>	<u>-</u>	<u>34,967,310</u>
Fixed Income Pool:					
Money market funds	-	4,427	-	-	4,427
Corporate and municipal bonds and bond funds	-	10,743,045	-	-	10,743,045
	<u>-</u>	<u>10,747,472</u>	<u>-</u>	<u>-</u>	<u>10,747,472</u>
Balanced Pool:					
Money market funds	-	2,604,174	-	-	2,604,174
U.S. Government and agency obligations	-	2,819,057	427,532	-	3,246,589
Corporate and municipal bonds and bond funds	-	10,875,839	22,865,731	-	33,741,570
Equity securities and equity funds	-	60,078,265	20,223,150	1,579,667	81,881,082
Absolute return funds	-	-	-	14,144,743	14,144,743
Hedged equity funds	-	-	-	16,525,416	16,525,416
Private real estate investments	-	302,588	-	2,824,653	3,127,241
	<u>-</u>	<u>76,679,923</u>	<u>43,516,413</u>	<u>35,074,479</u>	<u>155,270,815</u>
Equity Pool:					
Money market funds	-	470,638	-	-	470,638
Equity securities and equity funds	-	13,508,461	4,187,511	473,899	18,169,871
Hedged equity funds	-	-	-	3,645,828	3,645,828
	<u>-</u>	<u>13,979,099</u>	<u>4,187,511</u>	<u>4,119,727</u>	<u>22,286,337</u>
Other:					
Cash	578,237	-	-	-	578,237
Money market funds	-	2,064,387	-	-	2,064,387
U.S. Government and agency obligations	-	1,682,057	-	-	1,682,057
Corporate and municipal bonds and bond funds	-	5,985,559	3,683,360	523,205	10,192,124
Equity securities and equity funds	-	69,818,658	4,117,160	-	73,935,818
Absolute return funds	-	-	1,605,596	5,905,365	7,510,961
Hedged equity funds	-	-	-	3,635,554	3,635,554
Private real estate investments	-	-	-	989,609	989,609
Private company investments	-	11,833	-	3,074,115	3,085,948
	<u>578,237</u>	<u>79,562,494</u>	<u>9,406,116</u>	<u>14,127,848</u>	<u>103,674,695</u>
Total	<u>\$ 828,170</u>	<u>\$ 200,361,686</u>	<u>\$ 72,434,719</u>	<u>\$ 53,322,054</u>	<u>326,946,629</u>
Cash deposits and money market instruments included in cash and cash equivalents					<u>(17,161,821)</u>
Investments					<u>\$ 309,784,808</u>

4. Fair Value of Financial Assets and Liabilities (continued)

	Assets at Fair Value as of April 30, 2013				Total
	Cash	Level 1	Level 2	Level 3	
Cash Equivalent Pool:					
Money market funds	\$ -	\$ 2,327,251	\$ -	\$ -	\$ 2,327,251
U.S. Government and agency obligations	-	749,573	-	-	749,573
Corporate and municipal bonds and bond funds	-	-	18,199,433	-	18,199,433
	-	3,076,824	18,199,433	-	21,276,257
Fixed Income Pool:					
Money market funds	-	2,307	-	-	2,307
Corporate and municipal bonds and bond funds	-	8,166,394	-	-	8,166,394
	-	8,168,701	-	-	8,168,701
Balanced Pool:					
Money market funds	-	2,550,671	-	-	2,550,671
U.S. Government and agency obligations	-	5,526,490	-	-	5,526,490
Corporate and municipal bonds and bond funds	-	8,608,062	15,551,260	-	24,159,322
Equity securities and equity funds	-	56,431,078	18,122,583	-	74,553,661
Absolute return funds	-	-	-	13,099,857	13,099,857
Hedged equity funds	-	-	-	15,678,540	15,678,540
Private real estate investments	-	77,384	-	2,610,533	2,687,917
	-	73,193,685	33,673,843	31,388,930	138,256,458
Equity Pool:					
Money market funds	-	557,748	-	-	557,748
Equity securities and equity funds	-	13,750,792	3,747,542	-	17,498,334
Hedged equity funds	-	-	-	3,485,135	3,485,135
	-	14,308,540	3,747,542	3,485,135	21,541,217
Other:					
Cash	4,392,992	-	-	-	4,392,992
Money market funds	-	3,248,885	-	-	3,248,885
U.S. Government and agency obligations	-	825,975	-	-	825,975
Corporate and municipal bonds and bond funds	-	3,919,543	3,867,076	-	7,786,619
Equity securities and equity funds	-	57,515,557	5,975,797	82,674	63,574,028
Absolute return funds	-	-	-	6,362,774	6,362,774
Hedged equity funds	-	-	-	2,475,707	2,475,707
Private real estate investments	-	-	-	1,058,570	1,058,570
Private company investments	-	42,305	-	3,034,764	3,077,069
	4,392,992	65,552,265	9,842,873	13,014,489	92,802,619
Total	\$ 4,392,992	\$ 164,300,015	\$ 65,463,691	\$ 47,888,554	282,045,252
Cash deposits and money market instruments included in cash and cash equivalents					(13,079,854)
Investments					\$ 268,965,398

4. Fair Value of Financial Assets and Liabilities (continued)

The following table illustrates the activity of level 3 assets from May 1, 2012, to April 30, 2014:

	<u>Bond Funds</u>	<u>Equity Funds</u>	<u>Absolute Return Funds</u>	<u>Hedged Equity Funds</u>	<u>Real Estate Investments</u>	<u>Private Company Investments</u>	<u>Total</u>
Fair value May 1, 2012	\$ -	\$ 1,554,012	\$ 17,990,190	\$ 21,707,192	\$ 3,828,425	\$ 120,153	\$ 45,199,972
Realized gains (losses)	-	794,602	264,278	359,358	(7,811)	57,156	1,467,583
Change in unrealized gains (losses)	-	(696,340)	1,196,534	500,953	(104,461)	(18,370)	878,316
Purchases	-	-	2,285,515	-	101,474	3,033,004	5,419,993
Sales	-	(1,569,600)	(2,273,886)	(928,121)	(148,524)	(157,179)	(5,077,310)
Fair value April 30, 2013	-	82,674	19,462,631	21,639,382	3,669,103	3,034,764	47,888,554
Realized gains	1,171	85,012	343,808	3,574,019	(70,604)	6,330	3,939,736
Change in unrealized gains (losses)	7,088	20,894	1,370,730	(2,197,937)	269,691	-	(529,534)
Purchases	545,708	1,950,000	11,315,361	11,315,361	96,136	33,021	13,940,226
Sales	(30,762)	(85,014)	(1,127,061)	(10,524,027)	(150,064)	-	(11,916,928)
Fair value April 30, 2014	<u>\$ 523,205</u>	<u>\$ 2,053,566</u>	<u>\$ 20,050,108</u>	<u>\$ 23,806,798</u>	<u>\$ 3,814,262</u>	<u>\$ 3,074,115</u>	<u>\$ 53,322,054</u>

The following table provides information related to the previously mentioned investments that are valued based primarily on NAV.

	<u>Fair Value April 30, 2014</u>	<u>Fair Value April 30, 2013</u>	<u>Unfunded Commitments at April 30, 2014</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Absolute return funds ^(a)	\$ 20,160,165	\$ 19,446,145	\$ -	Annually	60 - 95 days
Bond funds ^(b)	10,752,300	6,008,877	-	Monthly	10 days
Equity funds ^(c)	29,853,189	25,907,962	-	Monthly/Quarterly	6 - 60 days
Real estate funds ^(d)	2,824,653	2,610,533	-	Quarterly	45 - 100 days
Hedged equity funds ^(e)	23,806,798	21,639,382	-	Monthly/Quarterly /Annually	60 - 100 days
Total	<u>\$ 87,397,105</u>	<u>\$ 75,612,899</u>	<u>\$ -</u>		

- a) **Absolute Return Funds** – This category includes multi-strategy funds, partnerships and funds of funds that attempt to generate positive returns that are not correlated to the returns of the overall markets. The main strategies include: credit oriented hedges, direct lending, master limited partnerships, energy/commodities, various arbitrage strategies such as convertible, merger, risk, and statistical, and other value oriented hedges. Other strategies utilized are equities held in both long and short positions in global markets. Investments in this category are limited by various gate constraints during periods of illiquidity.
- b) **Bond Funds** - This category includes investments in various fixed income strategies through funds and partnerships. The underlying investments include asset backed securities, corporate obligations, convertible bonds, and U.S. Treasury and agency securities. There are no significant periods of liquidity constraints on securities held within the category.

4. Fair Value of Financial Assets and Liabilities (continued)

- c) **Equity Funds** – This category consists of investments in varying types of equity funds, partnerships and funds of funds. Underlying investments include small, medium, and large capitalization domestic and foreign company equities. Investments in this category are not limited by gate constraints or significant periods of illiquidity. However, 5% of the fund is restricted to 10% of value daily maximum liquidation.
- d) **Real Estate Funds** – This category consists of investment partnerships and funds that invest primarily in U.S. and foreign commercial real estate. Investments in this category allow quarterly redemptions, but distributions during periods of illiquidity are restricted by gate constraints.
- e) **Hedged Equity Funds** – This category consists of funds, partnerships and funds of funds that make long and short position equity investments. Securities utilized in this strategy include equity securities of publicly traded and privately held global companies. Investment distributions are subject to 60 to 100 days advance notice. However, distributions during periods of illiquidity are restricted by gate constraints.

5. Notes Receivable

Notes receivable at April 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Economic development notes	\$ 124,309	\$ 130,859
Other	<u>360,693</u>	<u>505,987</u>
	485,002	636,846
Less allowance for uncollectible amounts	<u>(131,140)</u>	<u>(132,132)</u>
	<u>\$ 353,862</u>	<u>\$ 504,714</u>

The Foundation received a grant of approximately \$1.6 million from the City of Memphis for business loans to certain qualified borrowers. These economic development notes are collateralized by real property, bear interest from 5.0% to 10.5% and are payable in monthly installments of principal and interest over periods of five to twenty years.

6. Contributions Receivable from Charitable Trusts

Contributions receivable from charitable lead trusts are scheduled to be received as follows at April 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Within one year	\$ 1,371,515	\$ 1,686,410
Two to five years	4,732,915	5,837,631
Over five years	<u>1,673,113</u>	<u>4,424,950</u>
	7,777,543	11,948,991
Less present value adjustments using discount rates of 2.67% and 1.7% at April 30, 2014 and 2013, respectively	<u>(823,380)</u>	<u>(2,193,433)</u>
	<u>\$ 6,954,163</u>	<u>\$ 9,755,558</u>

7. Property and Equipment

Property and equipment at April 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 202,000	\$ 202,000
Building and improvements	1,408,564	1,392,565
Furniture and equipment	<u>334,719</u>	<u>334,719</u>
	1,945,283	1,929,284
Less accumulated depreciation	<u>(908,650)</u>	<u>(845,481)</u>
	<u>\$ 1,036,633</u>	<u>\$ 1,083,803</u>

8. Other Assets

Other assets at April 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Land held for resale at fair value	\$ 2,244,900	\$ 2,391,400
Cultural artifacts, at appraised value at date of gift	1,727,600	1,727,600
Miscellaneous other assets	<u>28,493</u>	<u>54,112</u>
	<u>\$ 4,000,993</u>	<u>\$ 4,173,112</u>

Land held for resale is recorded at fair value at the date of donation and adjusted as unrealized gains or losses when updated valuations are received from third-party valuations such as Foundation commissioned appraisals or government property tax assessment appraisals. Land held for resale is categorized as Level 3 in the fair value hierarchy.

9. Grants Payable

The following summarizes the changes in grants payable during 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Grants payable at beginning of year	\$ 2,871,305	\$ 3,305,079
Unconditional grants recognized, net of adjustments of \$148,322 and \$74,708, respectively, to reflect present value of multi-year grants	88,852,907	58,341,057
Less grant payments	<u>(87,684,285)</u>	<u>(58,774,831)</u>
	<u>\$ 4,039,927</u>	<u>\$ 2,871,305</u>

9. Grants Payable (continued)

Grants payable are scheduled to be disbursed as follows:

Year ending April 30:		
2015		\$ 1,984,165
2016		1,074,234
2017		904,900
2018		143,950
2019		<u>81,000</u>
Total		4,188,249
Less adjustments to reflect present value of multi-year grants discounted using a rate of 2.67% at April 30, 2014		<u>(148,322)</u>
		<u>\$ 4,039,927</u>

10. Agency Funds

Transactions in agency funds are summarized as follows:

	<u>2014</u>	<u>2013</u>
Additions:		
Contributions	\$ 8,004,242	\$ 6,561,206
Investment income – interest and dividends	970,038	1,106,528
Net gain on investments	<u>5,346,551</u>	<u>4,973,002</u>
	14,320,831	12,640,736
Deductions:		
Grants to designated organizations	8,490,981	12,328,658
Other expenses	<u>513,365</u>	<u>514,880</u>
	<u>9,004,346</u>	<u>12,843,538</u>
Increase (decrease) in agency funds	5,316,485	(202,802)
Balance in agency funds, beginning of year	<u>61,043,157</u>	<u>61,245,959</u>
	<u>\$ 66,359,642</u>	<u>\$ 61,043,157</u>

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at April 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Field of interest funds	\$ 12,403,414	\$ 9,140,502
Designated funds	21,360,930	19,446,346
Split interest agreements	<u>8,642,368</u>	<u>12,876,335</u>
	<u>\$ 42,406,712</u>	<u>\$ 41,463,183</u>