

Community Foundation of Greater Memphis, Inc.  
and Affiliated Foundations

Combined Financial Statements

April 30, 2015 and 2014  
(With Independent Auditors' Report Thereon)

Community Foundation of Greater Memphis, Inc.  
and Affiliated Foundations

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April 30, 2015 and 2014

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## Independent Auditors' Report

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

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, 2015 and 2014, 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, 2015 and 2014, 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.

***Change in Accounting Principle***

As described in Note 2 to the financial statements, effective May 1, 2014, the Foundation adopted the provisions of the Financial Accounting Standard Board's Update 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, and changed its accounting to classify cash receipts from the sale of donated investment securities in cash inflows from operating activities when these donated securities are nearly immediately converted into cash. Our opinion is not modified with respect to that matter.

*Dixon Hughes Goodman LLP*

March 22, 2016

Community Foundation of Greater Memphis, Inc.  
and Affiliated Foundations

Combined Statements of Financial Position

April 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash and cash equivalents (includes money market instruments of \$44,314,141 and \$16,333,651 in 2015 and 2014, respectively)	\$ 21,718,701	\$ 10,841,916
Investments	373,230,360	309,784,808
Accounts receivable	151,491	-
Notes receivable, net	10,549	353,862
Contributions receivable from charitable lead trusts, net	6,090,262	6,954,163
Interest and dividends receivable	812,980	492,053
Life insurance proceeds receivable	20,000	20,000
Cash surrender value of life insurance policies, net	13,901,578	13,674,481
Property and equipment, net	1,008,367	1,036,633
Other assets	3,090,819	4,000,993
	<b>\$ 420,035,107</b>	<b>\$ 347,158,909</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 159,373	\$ 165,468
Accrued liabilities	142,408	122,218
Grants payable	3,382,589	4,039,927
Charitable remainder trusts payable	1,383,841	1,562,249
Agency funds	72,175,511	66,359,642
	77,243,722	72,249,504
<b>Net assets</b>		
Unrestricted		
Donor advised	286,330,914	218,924,256
Board designated	14,273,222	13,578,437
Total unrestricted net assets	300,604,136	232,502,693
Temporarily restricted	41,787,154	42,406,712
Permanently restricted	400,095	-
	342,791,385	274,909,405
	<b>\$ 420,035,107</b>	<b>\$ 347,158,909</b>

Community Foundation of Greater Memphis, Inc.  
and Affiliated Foundations

Combined Statements of Activities

Years Ended April 30, 2015 and 2014

	2015				2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Changes in net assets</b>							
<b>Revenues</b>							
Contributions	\$ 168,901,157	\$ 34,025	\$ 400,095	\$ 169,335,277	\$ 86,671,160	\$ 4,010,317	\$ 90,681,477
Investment income-interest and dividends	3,710,262	653,038		4,363,300	3,135,198	567,066	3,702,264
Other	450,561	14,998		465,559	3,723,789	17,996	3,741,785
Net assets released from restrictions	2,761,402	(2,761,402)	-	-	6,089,169	(6,089,169)	-
<b>Total revenues</b>	<b>175,823,382</b>	<b>(2,059,341)</b>	<b>400,095</b>	<b>174,164,136</b>	<b>99,619,316</b>	<b>(1,493,790)</b>	<b>98,125,526</b>
<b>Approved distributions and expenses</b>							
Grants to selected or designated organizations	115,417,103	-	-	115,417,103	88,852,907	-	88,852,907
Program expenses	145,048	-	-	145,048	148,408	-	148,408
Fund expenses	1,523,268	-	-	1,523,268	3,598,634	-	3,598,634
Operating expenses	2,349,597	-	-	2,349,597	2,238,426	-	2,238,426
<b>Total approved distributions and expenses</b>	<b>119,435,016</b>	<b>-</b>	<b>-</b>	<b>119,435,016</b>	<b>94,838,375</b>	<b>-</b>	<b>94,838,375</b>
Revenues over (under) approved distributions and expenses before net gain on investments and net loss on other assets	56,388,366	(2,059,341)	400,095	54,729,120	4,780,941	(1,493,790)	3,287,151
<b>Net gain on investments</b>							
Realized	13,114,631	2,280,657	-	15,395,288	11,697,629	2,103,575	13,801,204
Unrealized	(817,754)	(840,874)	-	(1,658,628)	8,549,404	333,744	8,883,148
	12,296,877	1,439,783	-	13,736,660	20,247,033	2,437,319	22,684,352
<b>Net loss on other assets</b>							
Realized	(126,000)	-	-	(126,000)	(65,000)	-	(65,000)
Unrealized	(457,800)	-	-	(457,800)	(191,500)	-	(191,500)
<b>Increase in net assets</b>	<b>68,101,443</b>	<b>(619,558)</b>	<b>400,095</b>	<b>67,881,980</b>	<b>24,771,474</b>	<b>943,529</b>	<b>25,715,003</b>
<b>Net assets at beginning of year</b>	<b>232,502,693</b>	<b>42,406,712</b>	<b>-</b>	<b>274,909,405</b>	<b>207,731,219</b>	<b>41,463,183</b>	<b>249,194,402</b>
<b>Net assets at end of year</b>	<b>\$ 300,604,136</b>	<b>\$ 41,787,154</b>	<b>\$ 400,095</b>	<b>\$ 342,791,385</b>	<b>\$ 232,502,693</b>	<b>\$ 42,406,712</b>	<b>\$ 274,909,405</b>

See notes to combined financial statements.

Community Foundation of Greater Memphis, Inc.  
and Affiliated Foundations

Combined Statements of Cash Flows

Years Ended April 30, 2015 and 2014

	2015	2014
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 67,881,980	\$ 25,715,003
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	62,642	63,169
Decrease in allowance for uncollectible accounts	-	(992)
Realized gain on sale of investments	(15,395,288)	(13,801,204)
Unrealized loss (gain) on investments	1,658,628	(8,883,148)
Loss on other assets	583,800	256,500
Investment securities contributed and held	(25,876,219)	(155,338)
(Increase) decrease in cash surrender value of life insurance, net	(227,097)	1,521,844
Change in assets and liabilities:		
Contributions receivable from charitable lead trusts	863,901	2,801,395
Interest and dividends receivable	(320,927)	63,179
Other assets	326,374	(84,381)
Accounts receivable	(151,491)	-
Other receivable	-	2,980,000
Accounts payable and accrued liabilities	14,095	(25,489)
Grants payable	(657,338)	1,168,622
Charitable remainder trusts payable	(259,334)	(394,621)
Agency funds	3,394,227	(30,066)
Net cash provided by operating activities	31,897,953	11,194,473
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	103,194,049	75,368,042
Purchases of investments	(124,524,154)	(87,562,901)
Payments received on notes receivable	343,313	151,844
Capital expenditures	(34,376)	(15,999)
Net cash used in investing activities	(21,021,168)	(12,059,014)
Increase (decrease) in cash and cash equivalents	10,876,785	(864,541)
Cash and cash equivalents at beginning of year	10,841,916	11,706,457
Cash and cash equivalents at end of year	\$ 21,718,701	\$ 10,841,916

# Community Foundation of Greater Memphis, Inc. and Affiliated Foundations

## Notes to Combined Financial Statements

April 30, 2015 and 2014

### **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.; Teacher Town USA, 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, 2015 and 2014, the Foundation held \$3,108,396 and \$3,260,428, 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, 2015 and 2014, was \$1,724,555 and \$1,698,180, 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, 2015 and 2014. Fiscal years ending on or after April 30, 2012, 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

## 2. Summary of Significant Accounting Policies (continued)

revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Subsequent Events

The Foundation has evaluated the effect subsequent events would have on the combined financial statements through March 22, 2016, which is the date the combined financial statements were available to be issued.

### Recent Accounting Pronouncements

Effective May 1, 2014, the Foundation adopted the provisions of the Financial Accounting Standards Board's 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 Flows*. The standard requires 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 are 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 Foundation elected to restate the statement of cash flows for the year ended April 30, 2014, the effect of which was to increase cash flows from operating activities and decrease cash flows from investing activities by approximately \$28,456,000. The adoption of the new standard had no effect on the Foundation's net assets or changes in net assets.

## 3. Investments

The cost and fair value of investments at April 30, 2015 and 2014, are as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
U.S. Government and agency obligations	\$ 9,808,366	\$ 9,862,783	\$ 13,145,245	\$ 13,131,319
Corporate bonds	94,640,263	94,802,241	69,546,326	70,001,418
Equity securities	169,082,007	210,555,104	130,573,202	173,986,771
Absolute return funds	19,776,852	23,888,919	17,571,912	21,655,704
Hedged equity funds	15,473,030	17,747,162	19,626,698	23,806,798
Private real estate investments	1,919,609	1,860,933	3,941,990	4,116,850
Private company investments	14,470,067	14,513,218	3,078,031	3,085,948
	<u>\$ 325,170,194</u>	<u>\$ 373,230,360</u>	<u>\$ 257,483,404</u>	<u>\$ 309,784,808</u>

### 3. Investments (continued)

A summary of investment income for the years ended April 30, 2015 and 2014, follows:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 4,363,300	\$ 3,702,264
Realized gain	15,395,288	13,801,204
Unrealized gain (loss)	(1,658,628)	8,883,148
Investment fees, included in expenses	<u>(909,242)</u>	<u>(929,906)</u>
	<u>\$ 17,190,718</u>	<u>\$ 25,456,710</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, 2015 and 2014, 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.

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

There were no changes during the years ended April 30, 2015 and 2014, 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, 2015 and 2014.

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

	Assets at Fair Value as of April 30, 2015				Total
	Cash	Level 1	Level 2	Level 3	
<b>Cash Equivalent Pool:</b>					
Money market funds	\$ -	\$ 35,237,731	\$ -	\$ -	\$ 35,237,731
U.S. Government and agency obligations	-	2,750,600	-	-	2,750,600
Corporate and municipal bonds and bond funds	-	-	40,383,358	-	40,383,358
	-	37,988,331	40,383,358	-	78,371,689
<b>Fixed Income Pool:</b>					
Money market funds	-	8,495	-	-	8,495
Corporate and municipal bonds and bond funds	-	11,072,902	-	-	11,072,902
	-	11,081,397	-	-	11,081,397
<b>Balanced Pool:</b>					
Cash	67,306	-	-	-	67,306
Money market funds	-	5,848,871	-	-	5,848,871
U.S. Government and agency obligations	-	2,890,366	2,128,092	-	5,018,458
Corporate and municipal bonds and bond funds	-	10,823,299	22,437,000	-	33,260,299
Equity securities and equity funds	-	71,075,214	21,454,541	1,657,808	94,187,563
Absolute return funds	-	-	-	16,268,229	16,268,229
Hedged equity funds	-	-	-	11,231,528	11,231,528
Private real estate investments	-	-	-	871,324	871,324
	67,306	90,637,750	46,019,633	30,028,889	166,753,578
<b>Equity Pool:</b>					
Money market funds	-	664,327	-	-	664,327
Equity securities and equity funds	-	15,675,849	4,451,422	497,341	20,624,612
Hedged equity funds	-	-	-	2,535,957	2,535,957
	-	16,340,176	4,451,422	3,033,298	23,824,896
<b>Other:</b>					
Cash	133,611	-	-	-	133,611
Money market funds	-	2,554,717	-	-	2,554,717
U.S. Government and agency obligations	-	2,093,725	-	-	2,093,725
Corporate and municipal bonds and bond funds	-	5,087,218	3,139,413	555,301	8,781,932
Equity securities and equity funds	-	92,403,768	3,339,161	-	95,742,929
Absolute return funds	-	-	1,303,750	7,620,690	8,924,440
Hedged equity funds	-	-	-	3,979,677	3,979,677
Private real estate investments	-	-	-	989,609	989,609
Private company investments	-	-	-	14,513,218	14,513,218
	133,611	102,139,428	7,782,324	27,658,495	137,713,858
Total	\$ 200,917	\$ 258,187,082	\$ 98,636,737	\$ 60,720,682	417,745,418

Cash deposits and money market instruments included in cash and cash equivalents	(44,515,058)
Investments	<u>\$ 373,230,360</u>

#### 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	
<b>Cash Equivalent Pool:</b>					
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>
<b>Fixed Income Pool:</b>					
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>
<b>Balanced Pool:</b>					
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>
<b>Equity Pool:</b>					
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>
<b>Other:</b>					
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	(17,161,821)
Investments	<u>\$ 309,784,808</u>

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

The following table illustrates the activity of level 3 assets from May 1, 2013, to April 30, 2015:

	<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, 2013	\$ -	\$ 82,674	\$ 19,462,631	\$ 21,639,382	\$ 3,669,103	\$ 3,034,764	\$ 47,888,554
Realized gains (losses)	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	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	523,205	2,053,566	20,050,108	23,806,798	3,814,262	3,074,115	53,322,054
Realized gains	-	-	518,647	3,452,704	373,059	17,157	4,361,567
Change in unrealized gains (losses)	32,096	101,583	102,454	(1,958,151)	(174,633)	35,061	(1,861,590)
Purchases	-	-	10,632,194	2,199,205	1,067,660	13,859,082	27,758,141
Sales	-	-	(7,414,484)	(9,753,394)	(3,219,415)	(2,472,197)	(22,859,490)
Fair value April 30, 2015	<u>\$ 555,301</u>	<u>\$ 2,155,149</u>	<u>\$ 23,888,919</u>	<u>\$ 17,747,162</u>	<u>\$ 1,860,933</u>	<u>\$ 14,513,218</u>	<u>\$ 60,720,682</u>

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

	<u>Fair Value April 30, 2015</u>	<u>Fair Value April 30, 2014</u>	<u>Unfunded Commitments at April 30, 2015</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Absolute return funds <sup>(a)</sup>	\$ 23,881,447	\$ 20,160,165	\$ -	Annually	60 - 95 days
Bond funds <sup>(b)</sup>	12,117,126	10,752,300	-	Monthly	10 days
Equity funds <sup>(c)</sup>	31,400,273	29,853,189	-	Monthly/Quarterly	6 - 60 days
Real estate funds <sup>(d)</sup>	938,630	2,824,653	2,070,000	Quarterly	45 - 100 days
Hedged equity funds <sup>(e)</sup>	17,747,162	23,806,798	-	Monthly/Quarterly /Annually	60 - 100 days
Total	<u>\$ 86,084,638</u>	<u>\$ 87,397,105</u>	<u>\$ 2,070,000</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, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Economic development notes	\$ 123,739	\$ 124,309
Other	<u>17,950</u>	<u>360,693</u>
	141,689	485,002
Less allowance for uncollectible amounts	<u>(131,140)</u>	<u>(131,140)</u>
	<u>\$ 10,549</u>	<u>\$ 353,862</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Within one year	\$ 1,359,047	\$ 1,371,515
Two to five years	4,453,705	4,732,915
Over five years	<u>1,072,757</u>	<u>1,673,113</u>
	6,885,509	7,777,543
Less present value adjustments using discount rates of 2.05% and 2.67% at April 30, 2015 and 2014, respectively	<u>(795,247)</u>	<u>(823,380)</u>
	<u>\$ 6,090,262</u>	<u>\$ 6,954,163</u>

## 7. Property and Equipment

Property and equipment at April 30, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 202,000	\$ 202,000
Building and improvements	1,412,599	1,408,564
Furniture and equipment	<u>336,751</u>	<u>334,719</u>
	1,951,350	1,945,283
Less accumulated depreciation	<u>(942,983)</u>	<u>(908,650)</u>
	<u>\$ 1,008,367</u>	<u>\$ 1,036,633</u>

## 8. Other Assets

Other assets at April 30, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Land held for resale at fair value	\$ 1,342,100	\$ 2,244,900
Cultural artifacts, at appraised value at date of gift	1,727,600	1,727,600
Miscellaneous other assets	<u>21,119</u>	<u>28,493</u>
	<u>\$ 3,090,819</u>	<u>\$ 4,000,993</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 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Grants payable at beginning of year	\$ 4,039,927	\$ 2,871,305
Unconditional grants recognized, net of adjustments of \$86,896 and \$148,322, respectively, to reflect present value of multi-year grants	115,417,103	88,852,907
Less grant payments	<u>(116,074,441)</u>	<u>(87,684,285)</u>
	<u>\$ 3,382,589</u>	<u>\$ 4,039,927</u>

## 9. Grants Payable (continued)

Grants payable are scheduled to be disbursed as follows:

Year ending April 30:		
2016	\$	1,784,235
2017		1,123,650
2018		282,600
2019		219,000
2020		10,000
Thereafter		<u>50,000</u>
Total		3,469,485
Less adjustments to reflect present value of multi-year grants discounted using a rate of 2.05% at April 30, 2015		<u>(86,896)</u>
	\$	<u><u>3,382,589</u></u>

## 10. Agency Funds

Transactions in agency funds are summarized as follows:

	<u>2015</u>	<u>2014</u>
Additions:		
Contributions	\$ 4,157,210	\$ 8,004,242
Investment income – interest and dividends	1,253,497	970,038
Net gain on investments	<u>2,421,642</u>	<u>5,346,551</u>
	7,832,349	14,320,831
Deductions:		
Grants to designated organizations	1,437,592	8,490,981
Other expenses	<u>578,888</u>	<u>513,365</u>
	<u>2,016,480</u>	<u>9,004,346</u>
Increase in agency funds	5,815,869	5,316,485
Balance in agency funds, beginning of year	<u>66,359,642</u>	<u>61,043,157</u>
	<u>\$ 72,175,511</u>	<u>\$ 66,359,642</u>

## 11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at April 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Field of interest funds	\$ 12,355,252	\$ 12,403,414
Designated funds	21,627,193	21,360,930
Split interest agreements	<u>7,804,709</u>	<u>8,642,368</u>
	<u>\$ 41,787,154</u>	<u>\$ 42,406,712</u>

## **12. Permanently Restricted Net Assets**

Permanently restricted net assets of \$400,095 at April 30, 2015, consist of an endowment established by contributions to the Foundation's GiVE 365 program. Half of all contributions to GiVE 365 are invested in an endowment fund, the earnings from which are temporarily restricted for grants that meet community needs.