

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations

Combined Financial Statements

Years Ended April 30, 2016 and 2015

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Independent Auditors' Report

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, 2016 and 2015, 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, 2016 and 2015, 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 13, 2016**

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Financial Position
April 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents (includes money market instruments of \$95,530,665 and \$44,314,141 in 2016 and 2015, respectively)	\$ 90,493,524	\$ 21,718,701
Investments	332,754,266	373,230,360
Accounts receivable	24,265	151,491
Notes receivable, net	8,973,491	10,549
Contributions receivable from charitable lead trusts, net	4,912,499	6,090,262
Interest and dividends receivable	257,106	812,980
Life insurance proceeds receivable	20,000	20,000
Cash surrender value of life insurance policies, net	14,030,995	13,901,578
Property and equipment, net	1,079,022	1,008,367
Other assets	<u>3,100,746</u>	<u>3,090,819</u>
Total assets	<u>\$ 455,645,914</u>	<u>\$ 420,035,107</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 284,123	\$ 159,373
Accrued liabilities	129,007	142,408
Grants payable	4,127,653	3,382,589
Charitable remainder trusts payable	1,130,106	1,383,841
Agency funds	<u>79,178,707</u>	<u>72,175,511</u>
Total liabilities	84,849,596	77,243,722
Net assets:		
Unrestricted:		
Donor advised	319,726,574	286,330,914
Board designated	<u>13,701,764</u>	<u>14,273,222</u>
Total unrestricted net assets	333,428,338	300,604,136
Temporarily restricted	36,907,025	41,787,154
Permanently restricted	<u>460,955</u>	<u>400,095</u>
Total net assets	<u>370,796,318</u>	<u>342,791,385</u>
Total liabilities and net assets	<u>\$ 455,645,914</u>	<u>\$ 420,035,107</u>

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Activities
Years Ended April 30, 2016, and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:								
Revenues:								
Contributions	\$ 193,487,617	\$ 1,135,764	\$ 60,860	\$ 194,684,241	\$ 168,901,157	\$ 34,025	\$ 400,095	\$ 169,335,277
Investment income-interest and dividends	3,939,061	553,372	-	4,492,433	3,710,262	653,038	-	4,363,300
Other	593,206	15,310	-	608,516	450,561	14,998	-	465,559
Net assets released from restrictions	4,710,151	(4,710,151)	-	-	2,761,402	(2,761,402)	-	-
Total revenues	202,730,035	(3,005,705)	60,860	199,785,190	175,823,382	(2,059,341)	400,095	174,164,136
Approved distributions and expenses:								
Grants to selected or designated organizations	143,450,543	-	-	143,450,543	115,417,103	-	-	115,417,103
Program expenses	135,235	-	-	135,235	145,048	-	-	145,048
Fund expenses	1,150,971	-	-	1,150,971	1,523,268	-	-	1,523,268
Operating expenses	2,534,133	-	-	2,534,133	2,349,597	-	-	2,349,597
Total approved distributions and expenses	147,270,882	-	-	147,270,882	119,435,016	-	-	119,435,016
Revenues over (under) approved distributions and expenses before net gain on investments and net loss on other assets	55,459,153	(3,005,705)	60,860	52,514,308	56,388,366	(2,059,341)	400,095	54,729,120
Net gain (loss) on investments:								
Realized	4,698,240	741,315	-	5,439,555	13,114,631	2,280,657	-	15,395,288
Unrealized	(27,333,191)	(2,615,739)	-	(29,948,930)	(817,754)	(840,874)	-	(1,658,628)
	(22,634,951)	(1,874,424)	-	(24,509,375)	12,296,877	1,439,783	-	13,736,660
Net loss on other assets:								
Realized	-	-	-	-	(126,000)	-	-	(126,000)
Unrealized	-	-	-	-	(457,800)	-	-	(457,800)
Increase (decrease) in net assets	32,824,202	(4,880,129)	60,860	28,004,933	68,101,443	(619,558)	400,095	67,881,980
Net assets at beginning of year	300,604,136	41,787,154	400,095	342,791,385	232,502,693	42,406,712	-	274,909,405
Net assets at end of year	\$ 333,428,338	\$ 36,907,025	\$ 460,955	\$ 370,796,318	\$ 300,604,136	\$ 41,787,154	\$ 400,095	\$ 342,791,385

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Cash Flows
Years Ended April 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 28,004,933	\$ 67,881,980
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	74,416	62,642
Realized gain on sale of investments	(5,439,555)	(15,395,288)
Unrealized loss on investments	29,948,930	1,658,628
Loss on other assets	-	583,800
Investment securities contributed and held	(529,692)	(25,876,219)
Contributed note receivable	(8,963,135)	-
Increase in cash surrender value of life insurance, net	(129,417)	(227,097)
Change in assets and liabilities:		
Contributions receivable from charitable lead trusts	1,177,763	863,901
Interest and dividends receivable	555,874	(320,927)
Other assets	119,804	326,374
Accounts receivable	127,226	(151,491)
Accounts payable and accrued liabilities	(18,382)	14,095
Grants payable	745,064	(657,338)
Charitable remainder trusts payable	(67,137)	(259,334)
Agency funds	11,679,905	3,394,227
Net cash provided by operating activities	<u>57,286,597</u>	<u>31,897,953</u>
Cash flows from investing activities:		
Proceeds from sale of investments	106,058,409	103,194,049
Purchases of investments	(94,425,305)	(124,524,154)
Payments received on notes receivable	193	343,313
Capital expenditures	(145,071)	(34,376)
Net cash provided by (used in) investing activities	<u>11,488,226</u>	<u>(21,021,168)</u>
Net increase in cash and cash equivalents	68,774,823	10,876,785
Cash and cash equivalents at beginning of year	<u>21,718,701</u>	<u>10,841,916</u>
Cash and cash equivalents at end of year	<u>\$ 90,493,524</u>	<u>\$ 21,718,701</u>

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations Notes to Financial Statements

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. Permanently restricted net assets include contributions to the GiVE 365 program.

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.

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

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations Notes to Financial Statements

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 or the lower of cost or fair value if fair value is not readily determinable. Investments carried at the lower of cost or fair value are evaluated for impairment annually or whenever events or circumstances indicate that the investments carrying value exceeds its fair value. See Note 4 for discussion of fair value measurements.

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.

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, 2016 and 2015, the Foundation held \$2,697,044 and \$3,108,396, 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, 2016 and 2015, was \$1,566,938 and \$1,724,555, respectively.

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%.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations

Notes to Financial Statements

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 positions as of April 30, 2016 and 2015.

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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. These reclassifications had no impact on the Foundation's unrestricted, temporarily restricted or permanently restricted net assets.

Subsequent events

The Foundation has evaluated the effect subsequent events would have on the combined financial statements through December 13, 2016, which is the date the combined financial statements were available to be issued.

New accounting standard

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The ASU removes certain disclosures and the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value ("NAV") per share practical expedient provided by ASC 820, *Fair Value Measurement*. The ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The ASU should be applied retrospectively to all periods presented. Management has elected to adopt this guidance for the year ended April 30, 2016. The primary effect of the retrospective application was to conform the 2015 footnote disclosures to the 2016 disclosures in accordance with ASU 2015-07. There was no effect on total net assets for the retrospective application of the new accounting guidance for the year ended April 30, 2015.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Notes to Financial Statements

3. Investments

A summary of investment income (loss) for the years ended April 30, 2016 and 2015, follows:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 4,492,433	\$ 4,363,300
Realized gain	5,439,555	15,395,288
Unrealized loss	(29,948,930)	(1,658,628)
Investment fees, included in expenses	<u>(1,103,025)</u>	<u>(909,242)</u>
	<u>\$ (21,119,967)</u>	<u>\$ 17,190,718</u>

4. Fair Value of Financial Assets and Liabilities

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.

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

Prices for investment securities, such as domestic common stocks, mutual funds, and certain 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, municipal bonds, certain U.S. government and agency obligations 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 private real estate investments and other private company 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, 2016 and 2015, was estimated based primarily on information provided by the fund managers or management of the private company.

The fair values of hedged equity, absolute return (hedge fund), certain private equity and certain bond fund investments are estimated based primarily on the NAV or its equivalent provided by the fund managers.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Notes to Financial Statements

The values of private real estate investments, other private company investments, hedged equity, absolute return funds (hedge fund), certain private equity and certain bond fund investments (collectively, "alternative investments") are 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, 2016 and 2015, 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, 2016 and 2015.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Notes to Financial Statements

	Assets at Fair Value as of April 30, 2016			NAV	Total
	Level 1	Level 2	Level 3		
Cash equivalent pool:					
Money market funds and negotiable CDs	\$ 82,075,366	\$ -	\$ -	\$ -	\$ 82,075,366
U.S. Government and agency obligations	20,462,917	-	-	-	20,462,917
Corporate and municipal bonds and bond funds	-	9,773,103	-	-	9,773,103
	<u>102,538,283</u>	<u>9,773,103</u>	<u>-</u>	<u>-</u>	<u>112,311,386</u>
Fixed income pool:					
Money market funds	5,170	-	-	-	5,170
Corporate and municipal bonds and bond funds	11,282,008	-	-	-	11,282,008
	<u>11,287,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,287,178</u>
Balanced pool:					
Money market funds	9,438,292	-	-	-	9,438,292
U.S. Government and agency obligations	2,884,848	2,545,365	-	-	5,430,213
Corporate and municipal bonds and bond funds	11,102,498	13,000,917	-	8,633,284	32,736,699
Equity securities and equity funds	64,207,499	-	-	22,670,165	86,877,664
Absolute return funds	-	-	-	15,572,417	15,572,417
Hedged equity funds	-	-	-	9,593,348	9,593,348
Private real estate investments	-	-	1,869,282	-	1,869,282
	<u>87,633,137</u>	<u>15,546,282</u>	<u>1,869,282</u>	<u>56,469,214</u>	<u>161,517,915</u>
Equity pool:					
Money market funds	777,434	-	-	-	777,434
Equity securities and equity funds	14,881,654	-	-	4,800,682	19,682,336
Hedged equity funds	-	-	-	2,168,892	2,168,892
	<u>15,659,088</u>	<u>-</u>	<u>-</u>	<u>6,969,574</u>	<u>22,628,662</u>
Other:					
Money market funds	3,234,404	-	-	-	3,234,404
U.S. Government and agency obligations	2,593,240	-	-	-	2,593,240
Corporate and municipal bonds and bond funds	3,087,610	233,657	-	2,549,613	5,870,880
Equity securities and equity funds	79,296,174	-	-	4,846,265	84,142,439
Absolute return funds	-	-	-	6,669,931	6,669,931
Hedged equity funds	-	-	-	2,873,974	2,873,974
Private company investments	-	-	1,150,313	-	1,150,313
	<u>88,211,428</u>	<u>233,657</u>	<u>1,150,313</u>	<u>16,939,783</u>	<u>106,535,181</u>
Total	<u>\$305,329,114</u>	<u>\$ 25,553,042</u>	<u>\$ 3,019,595</u>	<u>\$ 80,378,571</u>	414,280,322
Cash deposits and money market instruments included in cash and cash equivalents					(95,530,665)
Investments carried at cost					<u>14,004,609</u>
Investments					<u>\$332,754,266</u>

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Notes to Financial Statements

	<u>Cash</u>	<u>Assets at Fair Value as of April 30, 2015</u>			<u>NAV</u>	<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Cash equivalent pool:						
Money market funds and negotiable CDs	\$ -	\$ 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
	-	<u>37,988,331</u>	<u>40,383,358</u>	-	-	<u>78,371,689</u>
Fixed income pool:						
Money market funds	-	8,495	-	-	-	8,495
Corporate and municipal bonds and bond funds	-	<u>11,072,902</u>	-	-	-	<u>11,072,902</u>
	-	<u>11,081,397</u>	-	-	-	<u>11,081,397</u>
Balanced pool:						
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	14,164,910	-	8,272,090	33,260,299
Equity securities and equity funds	-	71,075,214	-	-	23,112,349	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	-	-	-	<u>871,324</u>	-	<u>871,324</u>
	<u>67,306</u>	<u>90,637,750</u>	<u>16,293,002</u>	<u>871,324</u>	<u>58,884,196</u>	<u>166,753,578</u>
Equity pool:						
Money market funds	-	664,327	-	-	-	664,327
Equity securities and equity funds	-	15,675,849	-	-	4,948,763	20,624,612
Hedged equity funds	-	-	-	-	<u>2,535,957</u>	<u>2,535,957</u>
	-	<u>16,340,176</u>	-	-	<u>7,484,720</u>	<u>23,824,896</u>
Other:						
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	1,153,428	-	3,845,036	10,085,682
Equity securities and equity funds	-	92,403,768	-	-	3,339,161	95,742,929
Absolute return funds	-	-	-	-	7,620,690	7,620,690
Hedged equity funds	-	-	-	-	3,979,677	3,979,677
Private company investments	-	-	-	<u>1,513,218</u>	-	<u>1,513,218</u>
	<u>133,611</u>	<u>102,139,428</u>	<u>1,153,428</u>	<u>1,513,218</u>	<u>18,784,564</u>	<u>123,724,249</u>
Total	\$ <u>200,917</u>	\$ <u>258,187,082</u>	\$ <u>57,829,788</u>	\$ <u>2,384,542</u>	\$ <u>85,153,480</u>	403,755,809
Cash deposits and money market instruments included in cash and cash equivalents						(45,515,058)
Investments carried at cost						<u>13,989,609</u>
Investments						<u>\$373,230,360</u>

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The following table illustrates the activity of level 3 assets from May 1, 2014, to April 30, 2016:

	Real Estate Investments	Private Company Investments	Total
Fair value, May 1, 2014	\$ -	\$ -	\$ -
Unrealized gains (losses)	(58,676)	97,376	38,700
Purchases	930,000	3,826,038	4,756,038
Sales	<u>-</u>	<u>(2,410,196)</u>	<u>(2,410,196)</u>
Fair value, April 30, 2015	871,324	1,513,218	2,384,542
Realized gains	67,306	-	67,306
Unrealized gains (losses)	50,152	(362,905)	(312,753)
Purchases	<u>880,500</u>	<u>-</u>	<u>880,500</u>
Fair value, April 30, 2016	<u>\$ 1,869,282</u>	<u>\$ 1,150,313</u>	<u>\$ 3,019,595</u>

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

	Fair Value April 30, 2016	Fair Value April 30, 2015	Unfunded Commitments at April 30, 2016	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return funds(a)	\$ 22,242,348	\$ 23,881,447	\$ -	Annually	60 - 95 days
Bond funds(b)	11,182,897	12,117,126	-	Monthly	10 days
Equity funds(c)	32,317,112	31,400,273	-	Monthly/Quarterly	6 - 60 days
Hedged equity funds(d)	<u>14,636,214</u>	<u>17,754,634</u>	<u>-</u>	/Annually	60 - 100 days
Total	<u>\$ 80,378,571</u>	<u>\$ 85,153,480</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.
- 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) 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.

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5. Notes Receivable

Notes receivable at April 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Contributed note	\$ 8,963,135	\$ -
Economic development notes	123,546	123,739
Other	<u>17,950</u>	<u>17,950</u>
	9,104,631	141,689
Less allowance for uncollectible amounts	<u>(131,140)</u>	<u>(131,140)</u>
	<u>\$ 8,973,491</u>	<u>\$ 10,549</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.

In 2016, a donor contributed a note receivable that bears interest at 1.68% with annual interest payments due on March 1. The note matures on December 4, 2024.

6. Contributions Receivable from Charitable Trusts

Contributions receivable from charitable lead trusts are scheduled to be received as follows at April 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Within one year	\$ 1,251,865	\$ 1,359,047
Two to five years	3,348,636	4,453,705
Over five years	<u>888,525</u>	<u>1,072,757</u>
	5,489,026	6,885,509
Less present value adjustments using discount rates of 1.83% and 2.05% at April 30, 2016 and 2015, respectively	<u>(576,527)</u>	<u>(795,247)</u>
	<u>\$ 4,912,499</u>	<u>\$ 6,090,262</u>

7. Property and Equipment

Property and equipment at April 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 202,000	\$ 202,000
Building and improvements	1,521,921	1,412,599
Furniture and equipment	<u>372,500</u>	<u>336,751</u>
	2,096,421	1,951,350
Less accumulated depreciation	<u>(1,017,399)</u>	<u>(942,983)</u>
	<u>\$ 1,079,022</u>	<u>\$ 1,008,367</u>

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8. Other Assets

Other assets at April 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Land held for resale at fair value	\$ 1,342,100	\$ 1,342,100
Cultural artifacts, at appraised value at date of gift	1,727,600	1,727,600
Miscellaneous other assets	<u>31,046</u>	<u>21,119</u>
	<u>\$ 3,100,746</u>	<u>\$ 3,090,819</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 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Grants payable at beginning of year	\$ 3,382,589	\$ 4,039,927
Unconditional grants recognized, net of adjustments of \$84,719 and \$86,896, respectively, to reflect present value of multi-year grants	<u>143,500,532</u>	115,417,103
Less grant payments	<u>(142,755,468)</u>	<u>(116,074,441)</u>
	<u>\$ 4,127,653</u>	<u>\$ 3,382,589</u>

Grants payable are scheduled to be disbursed as follows:

<u>Year ending</u> <u>April 30:</u>	
2017	\$ 2,439,222
2018	920,200
2019	627,950
2020	145,000
2021	40,000
Thereafter	<u>40,000</u>
Total	4,212,372
Less adjustments to reflect present value of multi-year grants discounted using a rate of 1.83% at April 30, 2016	<u>(84,719)</u>
	<u>\$ 4,127,653</u>

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10. Agency Funds

Transactions in agency funds are summarized as follows:

	<u>2016</u>	<u>2015</u>
Additions:		
Contributions	\$ 14,538,705	\$ 4,157,210
Investment income – interest and dividends	1,215,302	1,253,497
Net gain (loss) on investments	<u>(4,676,709)</u>	<u>2,421,642</u>
	<u>11,077,298</u>	7,832,349
Deductions:		
Grants to designated organizations	3,438,498	1,437,592
Other expenses	<u>635,604</u>	<u>578,888</u>
	<u>4,074,102</u>	<u>2,016,480</u>
Increase in agency funds	7,003,196	5,815,869
Balance in agency funds, beginning of year	<u>72,175,511</u>	<u>66,359,642</u>
	<u>\$ 79,178,707</u>	<u>\$ 72,175,511</u>

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at April 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Field of interest funds	\$ 10,741,514	\$ 12,355,252
Designated funds	19,705,114	21,627,193
Split-interest agreements	<u>6,460,397</u>	<u>7,804,709</u>
	<u>\$ 36,907,025</u>	<u>\$ 41,787,154</u>

12. Permanently Restricted Net Assets

Permanently restricted net assets of \$460,955 and \$400,095 at April 30, 2016 and 2015, respectively, 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.