

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations

Combined Financial Statements

Years Ended April 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
September 14, 2017**

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Financial Position
April 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents (includes money market instruments of \$21,345,652 and \$95,530,665 in 2017 and 2016, respectively)	\$ 16,537,972	\$ 90,493,524
Investments	383,311,607	332,754,266
Accounts receivable	31,342	24,265
Notes receivable, net	8,970,514	8,973,491
Contributions receivable from charitable lead trusts, net	3,772,821	4,912,499
Interest and dividends receivable	306,658	257,106
Life insurance proceeds receivable	20,000	20,000
Cash surrender value of life insurance policies, net	12,435,037	14,030,995
Property and equipment, net	1,031,160	1,079,022
Other assets	3,517,962	3,100,746
Total assets	\$ 429,935,073	\$ 455,645,914
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 327,476	\$ 284,123
Accrued liabilities	122,638	129,007
Grants payable	3,049,618	4,127,653
Charitable remainder trusts payable	1,042,453	1,130,106
Agency funds	87,569,067	79,178,707
Total liabilities	92,111,252	84,849,596
Net assets:		
Unrestricted:		
Donor advised	283,625,247	319,726,574
Board designated	14,380,707	13,701,764
Total unrestricted net assets	298,005,954	333,428,338
Temporarily restricted	39,320,660	36,907,025
Permanently restricted	497,207	460,955
Total net assets	337,823,821	370,796,318
Total liabilities and net assets	\$ 429,935,073	\$ 455,645,914

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Activities
April 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:								
Revenues:								
Contributions	\$ 102,047,100	\$ 1,211,337	\$ 36,252	\$ 103,294,689	\$ 193,487,617	\$ 1,135,764	\$ 60,860	\$ 194,684,241
Investment income-interest and dividends	4,653,632	845,998	-	5,499,630	3,939,061	553,372	-	4,492,433
Other	653,430	25,764	-	679,194	593,206	15,310	-	608,516
Net assets released from restrictions	3,438,431	(3,438,431)	-	-	4,710,151	(4,710,151)	-	-
Total revenues	110,792,593	(1,355,332)	36,252	109,473,513	202,730,035	(3,005,705)	60,860	199,785,190
Approved distributions and expenses:								
Grants to selected or designated organizations	161,866,383	-	-	161,866,383	143,450,543	-	-	143,450,543
Program expenses	91,541	-	-	91,541	135,235	-	-	135,235
Fund expenses	1,247,527	-	-	1,247,527	1,150,971	-	-	1,150,971
Operating expenses	2,662,185	-	-	2,662,185	2,534,133	-	-	2,534,133
Total approved distributions and expenses	165,867,636	-	-	165,867,636	147,270,882	-	-	147,270,882
Revenues over (under) approved distributions and expenses before net gain on investments and net loss on other assets	(55,075,043)	(1,355,332)	36,252	(56,394,123)	55,459,153	(3,005,705)	60,860	52,514,308
Net gain (loss) on investments:								
Realized	5,274,441	842,013	-	6,116,454	4,698,240	741,315	-	5,439,555
Unrealized	13,984,718	2,926,954	-	16,911,672	(27,333,191)	(2,615,739)	-	(29,948,930)
	19,259,159	3,768,967	-	23,028,126	(22,634,951)	(1,874,424)	-	(24,509,375)
Net gain on other assets:								
Unrealized	393,500	-	-	393,500	-	-	-	-
Increase (decrease) in net assets	(35,422,384)	2,413,635	36,252	(32,972,497)	32,824,202	(4,880,129)	60,860	28,004,933
Net assets, beginning of year	333,428,338	36,907,025	460,955	370,796,318	300,604,136	41,787,154	400,095	342,791,385
Net assets, end of year	\$ 298,005,954	\$ 39,320,660	\$ 497,207	\$ 337,823,821	\$ 333,428,338	\$ 36,907,025	\$ 460,955	\$ 370,796,318

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Cash Flows
Years Ended April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (32,972,497)	\$ 28,004,933
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	77,527	74,416
Realized gain on sale of investments	(6,116,454)	(5,439,555)
Unrealized (gain) loss on investments	(16,911,672)	29,948,930
Unrealized gain on other assets	(393,500)	-
Investment securities contributed and held	(6,334,852)	(529,692)
Contributed note receivable	-	(8,963,135)
Increase (decrease) in cash surrender value of life insurance, net	1,595,958	(129,417)
Change in assets and liabilities:		
Contributions receivable from charitable lead trusts	1,139,678	1,177,763
Interest and dividends receivable	(49,552)	555,874
Other assets	(23,716)	119,804
Accounts receivable	(7,076)	127,226
Accounts payable and accrued liabilities	36,984	(18,382)
Grants payable	(1,078,035)	745,064
Charitable remainder trusts payable	(270,795)	(67,137)
Agency funds	2,147,766	11,679,905
Net cash provided by (used in) operating activities	<u>(59,160,236)</u>	57,286,597
Cash flows from investing activities:		
Proceeds from sale of investments	79,052,642	106,058,409
Purchases of investments	(93,821,270)	(94,425,305)
Payments received on notes receivable	2,977	193
Capital expenditures	(29,665)	(145,071)
Net cash provided by (used in) investing activities	<u>(14,795,316)</u>	11,488,226
Net increase (decrease) in cash and cash equivalents	<u>(73,955,552)</u>	68,774,823
Cash and cash equivalents, beginning of year	<u>90,493,524</u>	21,718,701
Cash and cash equivalents, end of year	<u>\$ 16,537,972</u>	<u>\$ 90,493,524</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.

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

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 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, 2017 and 2016, the Foundation held \$2,687,167 and \$2,697,044, 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, 2017 and 2016, was \$1,644,714 and \$1,566,938, 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.

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

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 positions as of April 30, 2017 and 2016.

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.

Recent accounting pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The most significant changes within the ASU impact the following areas:

1. Net Asset Classes - Net asset classification has been reduced from three classes of net assets (unrestricted, temporarily restricted and permanently restricted) to net assets with donor restrictions and net assets without donor restrictions.
2. Investment Return - Investment return will be reported net of external and direct internal investment expenses and those netted expenses are no longer required to be disclosed.
3. Expenses - Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements.

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

4. Liquidity and Availability of Resources - The ASU requires disclosures that communicate qualitative information of how a not-for-profit entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date, as well as quantitative information that communicates the availability of a not-for-profit entity's financial assets at the statement of financial position date to meet cash needs for general expenditures with one year of the statement of financial position date.
5. Presentation of Operating Cash Flows - Not-for-profit entities can continue to present the statement of cash flows using either the direct method or indirect method. The ASU removes the requirement to present or disclose the indirect method when using the direct method of reporting cash flows.

The above changes only impact the presentation and disclosures within the financial statements. However, within the ASU, there is one change in the accounting requirements for not-for-profit entities. The placed-in-service approach will now be required for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU eliminates the current option that, in the absence of explicit donor stipulations, had allowed a not-for-profit entity to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed, i.e. to match the depreciation expense on the asset) rather than when placed in service.

The Foundation intends to adopt the new ASU guidance using the retrospective method for the fiscal year ended April 30, 2019.

Subsequent events

The Foundation has evaluated the effect subsequent events would have on the combined financial statements through September 14, 2017, which is the date the combined financial statements were available to be issued.

3. Investments

A summary of investment income (loss) for the years ended April 30, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 5,499,630	\$ 4,492,433
Realized gain	6,116,454	5,439,555
Unrealized gain (loss)	16,911,672	(29,948,930)
Investment fees, included in expenses	<u>(836,033)</u>	<u>(1,103,025)</u>
	<u>\$ 27,691,723</u>	<u>\$ (21,119,967)</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.

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

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, 2017 and 2016, 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.

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, 2017 and 2016, 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, 2017 and 2016.

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

	Assets at Fair Value as of April 30, 2017				Total
	Level 1	Level 2	Level 3	NAV	
Cash equivalent pool:					
Money market funds and negotiable CDs	\$ 9,423,705	\$ -	\$ -	\$ -	\$ 9,423,705
U.S. Government and agency obligations	26,659,073	-	-	-	26,659,073
Corporate and municipal bonds and bond funds	-	11,804,297	-	-	11,804,297
	<u>36,082,778</u>	<u>11,804,297</u>	<u>-</u>	<u>-</u>	<u>47,887,075</u>
Fixed income pool:					
Money market funds	1,755	-	-	-	1,755
Corporate and municipal bonds and bond funds	11,477,634	-	-	-	11,477,634
	<u>11,479,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,479,389</u>
Balanced pool:					
Money market funds	7,241,762	-	-	-	7,241,762
U.S. Government and agency obligations	2,729,149	6,963,298	-	-	9,692,447
Corporate and municipal bonds and bond funds	12,196,833	15,016,272	-	5,972,901	33,186,006
Equity securities and equity funds	79,042,141	-	-	25,253,670	104,295,811
Absolute return funds	-	-	-	16,810,938	16,810,938
Hedged equity funds	-	-	-	10,665,302	10,665,302
Private equity investments	-	-	1,410,282	-	1,410,282
Private real estate investments	-	-	2,356,867	-	2,356,867
	<u>101,209,885</u>	<u>21,979,570</u>	<u>3,767,149</u>	<u>58,702,811</u>	<u>185,659,415</u>
Equity pool:					
Money market funds	806,174	-	-	-	806,174
Equity securities and equity funds	16,551,619	-	-	5,974,674	22,526,293
Hedged equity funds	-	-	-	2,411,242	2,411,242
	<u>17,357,793</u>	<u>-</u>	<u>-</u>	<u>8,385,916</u>	<u>25,743,709</u>
Other:					
Money market funds	3,872,256	-	-	-	3,872,256
U.S. Government and agency obligations	1,223,871	-	-	-	1,223,871
Corporate and municipal bonds and bond funds	2,881,978	311,640	-	2,870,922	6,064,540
Equity securities and equity funds	92,266,951	-	-	5,393,250	97,660,201
Absolute return funds	-	-	-	7,975,796	7,975,796
Hedged equity funds	-	-	-	1,089,240	1,089,240
Private company investments	-	-	1,997,158	-	1,997,158
	<u>100,245,056</u>	<u>311,640</u>	<u>1,997,158</u>	<u>17,329,208</u>	<u>119,883,062</u>
Total	<u>\$266,374,901</u>	<u>\$ 34,095,507</u>	<u>\$ 5,764,307</u>	<u>\$ 84,417,935</u>	390,652,650
Cash deposits and money market instruments included in cash and cash equivalents					(21,345,652)
Investments carried at cost					<u>14,004,609</u>
Investments					<u>\$383,311,607</u>

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

	Assets at Fair Value as of April 30, 2016				Total
	Level 1	Level 2	Level 3	NAV	
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	<u>11,282,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,282,008</u>
	<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	<u>-</u>	<u>-</u>	<u>1,869,282</u>	<u>-</u>	<u>1,869,282</u>
	<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	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,168,892</u>	<u>2,168,892</u>
	<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	<u>-</u>	<u>-</u>	<u>1,150,313</u>	<u>-</u>	<u>1,150,313</u>
	<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

The following table illustrates the activity of level 3 assets from May 1, 2015, to April 30, 2017:

	Real Estate Investments	Private Company Investments	Total
Fair value, May 1, 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	1,869,282	1,150,313	3,019,595
Unrealized gains	200,755	424,480	625,235
Purchases	<u>286,830</u>	<u>1,832,647</u>	<u>2,119,477</u>
Fair value, April 30, 2017	<u>\$ 2,356,867</u>	<u>\$ 3,407,440</u>	<u>\$ 5,764,307</u>

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

	Fair Value April 30, 2017	Fair Value April 30, 2016	Unfunded Commitments at April 30, 2017	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return funds ^(a)	\$ 24,786,733	\$ 22,242,348	\$ -	Annually	60 - 95 days
Bond funds ^(b)	8,843,823	11,182,897	-	Monthly	10 days
Equity funds ^(c)	36,621,594	32,317,112	-	Monthly/Quarterly	6 - 60 days
Hedged equity funds ^(d)	<u>14,165,785</u>	<u>14,636,214</u>	<u>-</u>	/Annually	60 - 100 days
Total	<u>\$ 84,417,935</u>	<u>\$ 80,378,571</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.

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

5. Notes Receivable

Notes receivable at April 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Contributed note	\$ 8,963,135	\$ 8,963,135
Economic development notes	120,569	123,546
Other	<u>17,950</u>	<u>17,950</u>
	<u>9,101,654</u>	9,104,631
Less allowance for uncollectible amounts	<u>(131,140)</u>	<u>(131,140)</u>
	<u>\$ 8,970,514</u>	<u>\$ 8,973,491</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 5, 2024.

6. Contributions Receivable from Charitable Trusts

Contributions receivable from charitable lead trusts are scheduled to be received as follows at April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 1,099,304	\$ 1,251,865
Two to five years	2,364,420	3,348,636
Over five years	<u>814,157</u>	<u>888,525</u>
	4,277,881	5,489,026
Less present value adjustments using discount rates of 2.29% and 1.83% at April 30, 2017 and 2016, respectively	<u>(505,060)</u>	<u>(576,527)</u>
	<u>\$ 3,772,821</u>	<u>\$ 4,912,499</u>

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

7. Property and Equipment

Property and equipment at April 30, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 202,000	\$ 202,000
Building and improvements	1,533,458	1,521,921
Furniture and equipment	<u>390,628</u>	<u>372,500</u>
	2,126,086	2,096,421
Less accumulated depreciation	<u>(1,094,926)</u>	<u>(1,017,399)</u>
	<u>\$ 1,031,160</u>	<u>\$ 1,079,022</u>

8. Other Assets

Other assets at April 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Land held for resale at fair value	\$ 1,735,600	\$ 1,342,100
Cultural artifacts, at appraised value at date of gift	1,727,600	1,727,600
Miscellaneous other assets	<u>54,762</u>	<u>31,046</u>
	\$ 3,517,962	\$ 3,100,746

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 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Grants payable at beginning of year	\$ 4,127,653	\$ 3,382,589
Unconditional grants recognized, net of adjustments of \$65,917 and \$84,719, respectively, to reflect present value of multi-year grants	161,866,383	143,500,532
Less grant payments	<u>(162,944,418)</u>	<u>(142,755,468)</u>
	<u>\$ 3,049,618</u>	<u>\$ 4,127,653</u>

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

Grants payable are scheduled to be disbursed as follows:

**Year Ending
April 30:**

2018	\$ 1,941,085
2019	763,950
2020	260,500
2021	110,000
2022	10,000
Thereafter	<u>30,000</u>
Total	3,115,535
Less adjustments to reflect present value of multi-year grants discounted using a rate of 2.29% at April 30, 2017	<u>(65,917)</u>
	<u>\$ 3,049,618</u>

10. Agency Funds

Transactions in agency funds are summarized as follows:

	<u>2017</u>	<u>2016</u>
Additions:		
Contributions	\$ 6,410,649	\$ 14,538,705
Investment income – interest and dividends	1,412,504	1,215,302
Net gain (loss) on investments	<u>6,242,594</u>	<u>(4,676,709)</u>
	<u>14,065,747</u>	11,077,298
Deductions:		
Grants to designated organizations	5,059,886	3,438,498
Other expenses	<u>615,501</u>	<u>635,604</u>
	<u>5,675,387</u>	<u>4,074,102</u>
Increase in agency funds	<u>8,390,360</u>	7,003,196
Balance in agency funds, beginning of year	<u>79,178,707</u>	<u>72,175,511</u>
	<u>\$ 87,569,067</u>	<u>\$ 79,178,707</u>

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Field of interest funds	\$ 12,647,129	\$ 10,741,514
Designated funds	21,136,093	19,705,114
Split-interest agreements	<u>5,537,438</u>	<u>6,460,397</u>
	<u>\$ 39,320,660</u>	<u>\$ 36,907,025</u>

12. Permanently Restricted Net Assets

Permanently restricted net assets of \$497,207 and \$460,955 at April 30, 2017 and 2016, 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.