

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations

Combined Financial Statements

Years Ended April 30, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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 discussed in Note 1 to the financial statements, the Foundation adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. Our opinion is not modified with respect to that matter.

Dixon Hughes Goodman LLP

**Memphis, Tennessee
September 17, 2019**

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Financial Position
April 30, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As Adjusted)</u>
ASSETS		
Cash and cash equivalents (includes money market instruments of \$28,524,702 and \$33,050,893 in 2019 and 2018, respectively)	\$ 26,038,876	\$ 26,456,265
Investments	422,612,930	412,788,487
Interest and dividends receivable	484,605	327,385
Accounts receivable	33,651	33,651
Notes receivable, net	18,605,164	12,267,427
Contributions receivable from charitable lead trusts, net	1,799,937	2,791,160
Life insurance proceeds receivable	20,000	20,000
Cash surrender value of life insurance policies, net	12,007,098	12,289,086
Property and equipment, net	899,379	962,878
Other assets	3,629,337	2,118,063
	<u>\$ 486,130,977</u>	<u>\$ 470,054,402</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 111,057	\$ 358,337
Accrued liabilities	148,161	142,456
Grants payable	919,121	1,669,277
Charitable remainder trusts payable	884,959	1,011,323
Agency funds	70,043,172	76,158,262
	<u>72,106,470</u>	<u>79,339,655</u>
Net assets:		
Without donor restrictions		
Board designated	14,632,124	14,814,448
Undesignated	344,311,141	319,510,446
	<u>358,943,265</u>	<u>334,324,894</u>
With donor restrictions	<u>55,081,242</u>	<u>56,389,853</u>
	<u>414,024,507</u>	<u>390,714,747</u>
	<u>\$ 486,130,977</u>	<u>\$ 470,054,402</u>

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Activities
Years Ended April 30, 2019 and 2018

	2019			2018 (As Adjusted)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:						
Revenues:						
Contributions	\$ 157,227,503	\$ 5,265,047	\$ 162,492,550	\$ 189,506,198	\$ 22,496,742	\$ 212,002,940
Investment income	10,918,341	1,349,049	12,267,390	18,460,911	2,383,796	20,844,707
Other	367,360	38,533	405,893	923,394	19,027	942,421
Net assets released from restrictions	7,961,240	(7,961,240)	-	8,327,579	(8,327,579)	-
Total revenues	176,474,444	(1,308,611)	175,165,833	217,218,082	16,571,986	233,790,068
Approved distributions and expenses:						
Grants to selected or designated organizations	148,053,553	-	148,053,553	177,349,554	-	177,349,554
Program expenses	664,314	-	664,314	556,574	-	556,574
Development expenses	424,736	-	424,736	440,862	-	440,862
Management and administrative expenses	2,713,470	-	2,713,470	2,552,152	-	2,552,152
Total approved distributions and expenses	151,856,073	-	151,856,073	180,899,142	-	180,899,142
Increase (decrease) in net assets	24,618,371	(1,308,611)	23,309,760	36,318,940	16,571,986	52,890,926
Net assets, beginning of year	334,324,894	56,389,853	390,714,747	298,005,954	39,817,867	337,823,821
Net assets, end of year	\$ 358,943,265	\$ 55,081,242	\$ 414,024,507	\$ 334,324,894	\$ 56,389,853	\$ 390,714,747

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
Combined Statements of Cash Flows
Years Ended April 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 23,309,760	\$ 52,890,926
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	63,499	68,282
Decrease in allowance for uncollectible accounts	(3,143)	-
Realized gain on sale of investments	(6,935,914)	(9,265,796)
Unrealized loss (gain) on investments	51,772	(7,659,988)
Unrealized loss on other assets	-	1,085,400
Investment securities contributed and held	(2,201,600)	(1,506,919)
Contributed land	(1,507,000)	-
Contributed note receivable	-	(3,300,000)
Decrease in cash surrender value of life insurance, net	281,988	145,951
Change in assets and liabilities:		
Contributions receivable from charitable lead trusts	991,223	981,661
Interest and dividends receivable	(157,220)	(20,727)
Other assets	137,226	314,499
Accounts receivable	-	(2,310)
Accounts payable and accrued liabilities	(223,033)	50,679
Grants payable	(750,156)	(1,380,341)
Charitable remainder trusts payable	(225,197)	(103,137)
Agency funds	(6,007,784)	(15,326,690)
Net cash provided by operating activities	<u>6,824,421</u>	16,971,490
Cash flows from investing activities:		
Proceeds from sale of investments	102,551,267	104,874,000
Purchases of investments	(103,458,483)	(111,930,284)
Payments received on notes receivable	406	3,087
Advances on notes receivable	(6,335,000)	-
Net cash used in investing activities	<u>(7,241,810)</u>	(7,053,197)
Net increase (decrease) in cash and cash equivalents	(417,389)	9,918,293
Cash and cash equivalents, beginning of year	<u>26,456,265</u>	16,537,972
Cash and cash equivalents, end of year	<u>\$ 26,038,876</u>	<u>\$ 26,456,265</u>

See accompanying notes.

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations Notes to Combined 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 Holdings, LLC; CFR Memphis, LLC; Community Foundation Realty, Inc.; The Clarence Day Foundation; The Dunavant Foundation; Germantown United Methodist Church Endowment, Inc.; Gilliland Family Fund, Inc.; Jay Martin Foundation II, 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").

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 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.

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

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 5 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, 2019 and 2018, the Foundation held \$2,629,848 and \$2,685,941, 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, 2019 and 2018, was \$1,744,889 and \$1,674,618, 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 2.5% to 2.7%.

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions include contributions to the Unrestricted Funds, Donor Advised Funds and affiliated foundations. Net assets with donor restrictions include contributions to the GiVE 365 program, the Field of Interest Funds, Designated Funds and split-interest agreements.

Functional Expenses

The financial statements report expenses that are attributed to more than one program or supporting function. Accordingly, expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated on the basis of estimates of time and effort. The following table sets forth expenses incurred by supporting function for the years ended April 30, 2019 and 2018:

	2019			
	<u>Program Expenses</u>	<u>Development Expenses</u>	<u>Management and Administrative Expenses</u>	<u>Total</u>
Grants approved	\$ 148,053,553	\$ -	\$ -	\$ 148,053,553
Salaries and benefits	240,195	283,764	1,626,672	2,150,631
Communications	41,398	27,599	151,794	220,791
Information technology	38,436	25,624	140,932	204,992
Office and other	71,968	47,979	263,881	383,828
Occupancy costs	44,417	29,611	162,862	236,890
Professional fees	-	-	110,224	110,224
Travel and meetings	3,519	6,170	54,697	64,386
Philanthropic services	<u>224,381</u>	<u>3,989</u>	<u>202,408</u>	<u>430,778</u>
Total	<u>\$ 148,717,867</u>	<u>\$ 424,736</u>	<u>\$ 2,713,470</u>	<u>\$ 151,856,073</u>

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

	2018			Total
	Program Expenses	Development Expenses	Management and Administrative Expenses	
Grants approved	\$ 177,349,554	\$ -	\$ -	\$177,349,554
Salaries and benefits	299,329	284,177	1,633,414	2,216,920
Communications	23,037	15,358	76,790	115,185
Information technology	51,301	34,201	171,002	256,504
Office and other	88,113	58,742	293,712	440,567
Occupancy costs	48,084	32,056	160,279	240,419
Professional fees	-	-	83,816	83,816
Travel and meetings	8,138	4,218	60,243	72,599
Philanthropic services	38,572	12,110	72,896	123,578
Total	<u>\$ 177,906,128</u>	<u>\$ 440,862</u>	<u>\$ 2,552,152</u>	<u>\$ 180,899,142</u>

Functional expenses include both the Foundation's operating expenses and expenses directly related to donor funds and supporting organizations. The Foundation's operating expenses totaled \$3,221,637 and \$3,052,900 for the years ended April 30, 2019 and 2018, respectively.

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, 2019 and 2018.

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 pronouncements

During fiscal year 2019, the Foundation adopted ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2018 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosure around liquidity and availability of resources. This disclosure has been presented for 2019 as allowed by ASU No. 2016-14. The retrospective application resulted in temporarily restricted net assets of \$55,847,623 and permanently restricted net assets of \$542,230 being reported as net assets with donor restrictions totaling \$56,389,853 and unrestricted net assets of \$334,324,894 being reported as net assets without donor restrictions as of April 30, 2018.

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

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions, including business entities. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required.

For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements.

For federal and other government grants, the ASU clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today.

For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in this ASU on contributions received to annual periods beginning after December 15, 2018 (the Foundation's fiscal year 2020). For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in this ASU on contributions made to annual periods beginning after December 15, 2019 (the Foundation's fiscal year 2021). Early adoption of the amendments is permitted.

Subsequent events

As of July 31, 2019, the Foundation had assets of approximately \$786,514,000 as compared to \$486,130,977 as of April 30, 2019, resulting primarily from contributions. The Foundation has evaluated the effect subsequent events would have on the combined financial statements through September 17, 2019, which is the date the combined financial statements were available to be issued.

3. Liquidity and Availability of Resources

The Foundation's financial assets available to meet cash needs for grant-making and general expenditures within one year of the combined statements of financial position date are comprised of the following:

	<u>2019</u>
Cash and cash equivalents	\$ 26,038,876
Short-term investments	308,416,927
Contributions receivable	1,101,744
Interest and dividends receivable	<u>484,605</u>
	<u>\$ 336,042,152</u>

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

The assets above exclude all amounts collectible beyond one year, investments not convertible to cash within the next year, funds held as agency endowments, and assets held in charitable trusts.

The Foundation manages its financial assets to be available as grants, general expenditures and other obligations become due by strategically investing a diversified allocation model. The purchase of illiquid investments is limited in order to meet the long-term expected needs of the Foundation. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The Foundation maintains an operating reserve of approximately six-months of its annual operating budget that is held in money market funds.

4. Investments

A summary of investment income for the years ended April 30, 2019 and 2018, follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 6,370,761	\$ 6,022,852
Realized gain	6,935,914	9,265,780
Unrealized gain (loss)	(51,772)	7,660,011
Unrealized loss on other assets	-	(1,085,400)
Investment fees	<u>(987,513)</u>	<u>(1,018,536)</u>
	<u>\$ 12,267,390</u>	<u>\$ 20,844,707</u>

5. 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.

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

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018.

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

	Assets at Fair Value as of April 30, 2019				Total
	Level 1	Level 2	Level 3	NAV	
Cash equivalent pool:					
Money market funds and negotiable CDs	\$ 13,004,739	\$ -	\$ -	\$ -	\$ 13,004,739
U.S. Government and agency obligations	1,106,020	874,776	-	-	1,980,796
Corporate and municipal bonds and bond funds	-	2,680,060	-	-	2,680,060
	<u>14,110,759</u>	<u>3,554,836</u>	-	-	<u>17,665,595</u>
Fixed income pool:					
Money market funds	4,814	-	-	-	4,814
Corporate and municipal bonds and bond funds	<u>11,986,804</u>	-	-	-	<u>11,986,804</u>
	<u>11,991,618</u>	-	-	-	<u>11,991,618</u>
Balanced pool:					
Money market funds	9,159,715	-	-	-	9,159,715
U.S. Government and agency obligations	830,945	10,883,140	-	-	11,714,085
Corporate and municipal bonds and bond funds	20,022,651	13,420,877	-	5,296,811	38,740,339
Equity securities and equity funds	67,418,140	-	-	26,934,027	94,352,167
Absolute return funds	-	-	-	17,978,584	17,978,584
Hedged equity funds	-	-	-	15,631,878	15,631,878
Private equity investments	-	-	2,754,856	-	2,754,856
Private real estate investments	-	-	2,041,275	-	2,041,275
	<u>97,431,451</u>	<u>24,304,017</u>	<u>4,796,131</u>	<u>65,841,300</u>	<u>192,372,899</u>
Equity pool:					
Money market funds	1,946,855	-	-	-	1,946,855
Equity securities and equity funds	16,953,982	-	-	6,379,562	23,333,544
Hedged equity funds	-	-	-	3,741,714	3,741,714
	<u>18,900,837</u>	-	-	<u>10,121,276</u>	<u>29,022,113</u>
Balanced indexed pool:					
Money market funds	857	-	-	-	857
Corporate and municipal bonds and bond funds	2,171,509	-	-	-	2,171,509
Equity securities and equity funds	<u>3,354,272</u>	-	-	-	<u>3,354,272</u>
	<u>5,526,638</u>	-	-	-	<u>5,526,638</u>
Other:					
Money market funds	4,407,722	-	-	-	4,407,722
Corporate and municipal bonds and bond funds	8,679,576	-	-	4,293,661	12,973,237
Equity securities and equity funds	98,633,556	-	-	8,955,377	107,588,933
Absolute return funds	-	-	-	6,881,573	6,881,573
Hedged equity funds	-	-	-	26,332,537	26,332,537
Private equity investments	-	-	2,115,828	-	2,115,858
	<u>117,720,854</u>	-	<u>2,115,828</u>	<u>46,463,148</u>	<u>160,299,830</u>
Total	<u>\$259,682,157</u>	<u>\$ 27,858,853</u>	<u>\$ 6,911,959</u>	<u>\$ 122,425,724</u>	416,878,693
Cash deposits and money market instruments included in cash and cash equivalents					(28,524,702)
Investments carried at cost					<u>34,258,939</u>
Investments					<u>\$422,612,930</u>

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Notes to Combined Financial Statements

	Assets at Fair Value as of April 30, 2018				Total
	Level 1	Level 2	Level 3	NAV	
Cash equivalent pool:					
Money market funds and negotiable CDs	\$ 17,403,574	\$ -	\$ -	\$ -	\$ 17,403,574
U.S. Government and agency obligations	22,946,281	-	-	-	22,946,281
Corporate and municipal bonds and bond funds	-	11,240,538	-	-	11,240,538
	<u>40,349,855</u>	<u>11,240,538</u>	<u>-</u>	<u>-</u>	<u>51,590,393</u>
Fixed income pool:					
Money market funds	3,290	-	-	-	3,290
Corporate and municipal bonds and bond funds	<u>11,557,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,557,563</u>
	11,560,853	-	-	-	11,560,853
Balanced pool:					
Money market funds	10,702,215	-	-	-	10,702,215
U.S. Government and agency obligations	3,413,247	9,099,138	-	-	12,512,385
Corporate and municipal bonds and bond funds	12,136,376	17,816,173	-	5,950,497	35,903,046
Equity securities and equity funds	71,997,532	-	-	29,282,916	101,280,448
Absolute return funds	-	-	-	17,648,021	17,648,021
Hedged equity funds	-	-	-	11,579,781	11,579,781
Private equity investments	-	-	1,420,459	-	1,420,459
Private real estate investments	-	-	<u>2,303,277</u>	<u>-</u>	<u>2,303,277</u>
	<u>98,249,370</u>	<u>26,915,311</u>	<u>3,723,736</u>	<u>64,461,215</u>	<u>193,349,632</u>
Equity pool:					
Money market funds	887,129	-	-	-	887,129
Equity securities and equity funds	18,206,898	-	-	6,931,793	25,138,691
Hedged equity funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,617,990</u>	<u>2,617,990</u>
	19,094,027	-	-	9,549,783	28,643,810
Other:					
Money market funds	4,054,685	-	-	-	4,054,685
U.S. Government and agency obligations	513,069	-	-	-	513,069
Corporate and municipal bonds and bond funds	2,702,447	-	-	3,193,632	5,896,079
Equity securities and equity funds	98,999,834	-	-	6,006,906	105,006,740
Absolute return funds	-	-	-	6,766,537	6,766,537
Hedged equity funds	-	-	-	21,220,070	21,220,070
Private company investments	<u>-</u>	<u>-</u>	<u>3,232,903</u>	<u>-</u>	<u>3,232,903</u>
	<u>106,270,035</u>	<u>-</u>	<u>3,232,903</u>	<u>37,187,145</u>	<u>146,690,083</u>
Total	<u>\$275,524,140</u>	<u>\$ 38,155,849</u>	<u>\$ 6,956,639</u>	<u>\$ 111,198,143</u>	431,834,771
Cash deposits and money market instruments included in cash and cash equivalents					(33,050,893)
Investments carried at cost					<u>14,004,609</u>
Investments					<u>\$412,788,487</u>

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The following table illustrates the activity of level 3 assets from May 1, 2017, to April 30, 2019:

	Real Estate Investments	Private Company Investments	Total
Fair value, May 1, 2017	\$ 2,356,867	\$ 3,407,440	\$ 5,764,307
Realized gains	38,869	-	38,869
Unrealized losses	(92,459)	(294,733)	(387,192)
Contributions	<u>-</u>	<u>1,540,655</u>	<u>1,540,655</u>
Fair value, April 30, 2018	2,303,277	4,653,362	6,956,639
Realized gains (losses)	32,010	(108,192)	(76,182)
Unrealized gains	127,779	515,369	643,148
Contributions	-	447,919	447,919
Distributions	<u>(421,791)</u>	<u>(637,774)</u>	<u>(1,059,565)</u>
Fair value, April 30, 2019	<u>\$ 2,041,275</u>	<u>\$ 4,870,684</u>	<u>\$ 6,911,959</u>

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

	Fair Value April 30, 2019	Fair Value April 30, 2018	Unfunded Commitments at April 30, 2019	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return funds ^(a)	\$ 24,860,157	\$ 24,414,558	\$ -	Annually	60 - 95 days
Bond funds ^(b)	9,590,472	9,144,129	-	Monthly	10 days
Equity funds ^(c)	42,268,966	42,221,615	-	Monthly/Quarterly	6 - 60 days
Hedged equity funds ^(d)	<u>45,706,129</u>	<u>35,417,841</u>	-	/Annually	60 - 100 days
Total	<u>\$ 122,425,724</u>	<u>\$ 111,198,143</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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Notes to Combined Financial Statements

6. Notes Receivable

Notes receivable at April 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Contributed note	\$ 8,963,135	\$ 8,963,135
Economic development notes	117,076	117,482
Other	<u>9,652,950</u>	<u>3,317,950</u>
	<u>18,733,161</u>	<u>12,398,567</u>
Less allowance for uncollectible amounts	<u>(127,997)</u>	<u>(131,140)</u>
	<u>\$ 18,605,164</u>	<u>\$ 12,267,427</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 only payments due on March 1. The note matures on December 5, 2024.

In 2018, the Foundation entered into a promissory note receivable agreement with a local business in an effort to promote artistic, economic and social development in the Memphis area. Interest is assessed at the current mid-term AFR rate (1.85% at April 30, 2019). Available borrowings on the note are \$15,000,000, of which \$8,000,000 and \$2,000,000 were outstanding as of April 30, 2019 and 2018, respectively. The note is unsecured and requires interest only payments until maturity on January 1, 2028.

In 2018, the Foundation entered into a promissory note receivable agreement with a local nonprofit organization to provide funding for a home mortgage loan fund. The note receivable of \$1,300,000 as of April 30, 2019 and 2018 is secured by the loans made through the loan fund up to the amount of funds that have been extended under the note receivable agreement. The note receivable bears interest at the current Wall Street Journal Prime Rate minus 4% (1.50% at April 30, 2019) and matures April 20, 2028.

7. Contributions Receivable from Charitable Trusts

Contributions receivable from charitable lead trusts are scheduled to be received as follows at April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,101,744	\$ 1,101,086
Two to five years	382,900	1,379,499
Over five years	<u>632,105</u>	<u>734,355</u>
	<u>2,116,749</u>	<u>3,214,940</u>
Less present value adjustments using discount rates of 2.51% and 2.95% at April 30, 2019 and 2018, respectively	<u>(316,812)</u>	<u>(423,780)</u>
	<u>\$ 1,799,937</u>	<u>\$ 2,791,160</u>

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

8. Property and Equipment

Property and equipment at April 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 202,000	\$ 202,000
Building and improvements	1,533,458	1,533,458
Furniture and equipment	<u>390,628</u>	<u>390,628</u>
	2,126,086	2,126,086
Less accumulated depreciation	<u>(1,226,707)</u>	<u>(1,163,208)</u>
	<u>\$ 899,379</u>	<u>\$ 962,878</u>

9. Other Assets

Other assets at April 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Land held for resale at fair value	\$ 1,875,000	\$ 370,200
Cultural artifacts, at appraised value at date of gift	1,728,463	1,728,463
Miscellaneous other assets	<u>25,874</u>	<u>19,400</u>
	\$ 3,629,337	\$ 2,118,063

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.

10. Grants Payable

The following summarizes the changes in grants payable during 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Grants payable at beginning of year	\$ 1,669,277	\$ 3,049,618
Unconditional grants recognized, net of adjustments of \$8,449 and \$40,782, respectively, to reflect present value of multi-year grants	148,053,553	177,349,554
Less grant payments	<u>(148,803,709)</u>	<u>(178,729,895)</u>
	<u>\$ 919,121</u>	<u>\$ 1,669,277</u>

Community Foundation of Greater Memphis, Inc. and Affiliated Foundations
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Grants payable are scheduled to be disbursed as follows:

<u>Year Ending April 30,</u>		
2020	\$	682,570
2021		201,000
2022		13,000
2023		11,000
2024		10,000
Thereafter		<u>10,000</u>
Total		927,570
Less adjustments to reflect present value of multi-year grants, discounted using a rate of 2.51% at April 30, 2019		<u>(8,449)</u>
	\$	<u>919,121</u>

11. Agency Funds

Transactions in agency funds are summarized as follows:

	<u>2019</u>	<u>2018</u>
Additions:		
Contributions	\$ 4,447,388	\$ 8,871,938
Investment income	<u>1,094,362</u>	<u>5,272,643</u>
	5,541,750	14,144,581
Deductions:		
Grants to designated organizations	11,299,054	25,003,655
Other expenses	<u>357,786</u>	<u>551,731</u>
	<u>11,656,840</u>	<u>25,555,386</u>
Decrease in agency funds	(6,115,090)	(11,410,805)
Balance in agency funds, beginning of year	<u>76,158,262</u>	<u>87,569,067</u>
	<u>\$ 70,043,172</u>	<u>\$ 76,158,262</u>

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following at April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Field of interest funds	\$ 29,380,236	\$ 30,077,000
Designated funds	21,648,855	21,320,472
Split-interest agreements	3,546,069	4,450,151
GIVE 365	<u>506,082</u>	<u>542,230</u>
	<u>\$ 55,081,242</u>	<u>\$ 56,389,853</u>

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Net assets with donor restrictions includes \$506,082 and \$542,230 at April 30, 2019 and 2018, respectively, 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 which is not subject to appropriation or expenditure. The earnings from the endowment fund are restricted for grants that meet community needs.