

COMMUNITY FOUNDATION FOR GREATER BUFFALO, INC.

**Financial Statements
as of December 31, 2017 and 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

June 7, 2018

To the Board of Directors of
Community Foundation for Greater Buffalo, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation for Greater Buffalo, Inc., (a New York not-for-profit corporation), which comprise the balance sheets as of December 31, 2017, the statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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INDEPENDENT AUDITOR'S REPORT

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Greater Buffalo, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Community Foundation for Greater Buffalo, Inc. as of December 31, 2016, were audited by other auditors whose report dated May 8, 2017, expressed an unmodified opinion on those statements.

COMMUNITY FOUNDATION FOR GREATER BUFFALO, INC.

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 18,247,742	\$ 11,454,116
Investments	419,071,319	362,683,425
Receivables	2,027,265	1,749,788
Beneficial interest in perpetual trust	27,862,248	24,270,195
Property and equipment, net	368,161	406,865
Other assets	<u>153,789</u>	<u>26,842</u>
Total assets	<u>\$ 467,730,524</u>	<u>\$ 400,591,231</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 591,933	\$ 365,495
Grants payable	1,691,107	1,587,265
Amounts held in custody for others	66,596,162	56,432,756
Deferred revenue	<u>1,807,804</u>	<u>178,888</u>
Total liabilities	<u>70,687,006</u>	<u>58,564,404</u>
 NET ASSETS:		
Unrestricted:		
Changing needs and field of interest	95,374,795	85,501,934
Designated	79,677,888	70,779,182
Scholarships	63,325,351	57,780,413
Donor advised	<u>129,459,332</u>	<u>102,545,645</u>
Total unrestricted	367,837,366	316,607,174
Temporarily restricted	<u>29,206,152</u>	<u>25,419,653</u>
Total net assets	<u>397,043,518</u>	<u>342,026,827</u>
Total liabilities and net assets	<u>\$ 467,730,524</u>	<u>\$ 400,591,231</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION FOR GREATER BUFFALO, INC.

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets:		
Revenues and gains:		
Contributions	\$ 27,828,070	\$ 55,703,417
Bequests	1,773,614	1,484,400
Investment earnings, net of investment expenses	57,106,337	21,686,689
Leadership initiatives	767,003	417,964
Other	693,925	647,107
Net assets released from restrictions	<u>53,221</u>	<u>52,599</u>
	88,222,170	79,992,176
Less amounts related to assets held in custody:		
Contributions	(2,990,810)	(4,771,475)
Investment earnings, net	<u>(9,184,645)</u>	<u>(3,854,494)</u>
Total revenues and gains	<u>76,046,715</u>	<u>71,366,207</u>
Grants and expenses:		
Program activity -		
Grants approved	21,560,192	18,187,525
Less amounts related to assets held in custody	<u>(1,696,035)</u>	<u>(1,877,721)</u>
	19,864,157	16,309,804
Grant making and fund stewardship services	<u>1,082,516</u>	<u>992,628</u>
	20,946,673	17,302,432
External leadership grants	713,842	444,431
Foundation community leadership initiatives	<u>1,195,533</u>	<u>1,430,716</u>
Total program activity	<u>22,856,048</u>	<u>19,177,579</u>
Supporting services -		
Development	458,376	294,324
Management and general	<u>1,502,099</u>	<u>1,335,639</u>
Total supporting services	<u>1,960,475</u>	<u>1,629,963</u>
Total grants and expenses	<u>24,816,523</u>	<u>20,807,542</u>
Change in unrestricted net assets	<u>51,230,192</u>	<u>50,558,665</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	17,000	10,100
Change in value of other receivables	230,667	92,140
Change in value of beneficial interest in perpetual trust	3,592,053	1,164,117
Net assets released from restrictions	<u>(53,221)</u>	<u>(52,599)</u>
Change in temporarily restricted net assets	<u>3,786,499</u>	<u>1,213,758</u>
CHANGE IN NET ASSETS	55,016,691	51,772,423
NET ASSETS - beginning of year	<u>342,026,827</u>	<u>290,254,404</u>
NET ASSETS - end of year	<u>\$ 397,043,518</u>	<u>\$ 342,026,827</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION FOR GREATER BUFFALO, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 55,016,691	\$ 51,772,423
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Net realized and unrealized gains on investments	(53,773,191)	(19,328,275)
Change in beneficial interest in perpetual trust	(3,592,053)	(1,164,117)
Depreciation	85,269	92,341
Changes in other operating assets and liabilities:		
Receivables	(277,477)	1,624,160
Other assets	(126,947)	(19,173)
Accounts payable and accrued expenses	226,438	(58,602)
Grants payable	103,842	(128,343)
Amounts held in custody for others	10,163,406	6,470,468
Deferred revenue	<u>1,628,916</u>	<u>144,702</u>
Net cash flow from operating activities	<u>9,454,894</u>	<u>39,405,584</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(46,565)	(7,620)
Purchases of investments	(26,480,898)	(61,189,812)
Proceeds from sales of investments	<u>23,866,195</u>	<u>20,920,211</u>
Net cash flow from investing activities	<u>(2,661,268)</u>	<u>(40,277,221)</u>
CHANGE IN CASH	6,793,626	(871,637)
CASH - beginning of year	<u>11,454,116</u>	<u>12,325,753</u>
CASH - end of year	<u>\$ 18,247,742</u>	<u>\$ 11,454,116</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION FOR GREATER BUFFALO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. THE ORGANIZATION

Founded in 1919, Community Foundation for Greater Buffalo, Inc. (the Foundation) is a not-for-profit organization dedicated to connecting people, ideas and resources to improve lives in Western New York State. The Foundation provides philanthropic support to client/donors, and administers charitable gifts. The Foundation is also devoted to providing leadership to help address community issues. The administration of the Foundation and the approval of its grants are the responsibility of its Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Under generally accepted accounting principles, not-for-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets; permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. The Foundation does not currently have any permanently restricted net assets.

Contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power allows the Board of Directors to modify donor instructions that are incapable of fulfillment. As a result of the variance power, contributions are classified as unrestricted net assets for financial statement purposes, other than those which are subject to donor imposed time restrictions. Although the Foundation has variance power, the Board of Directors consistently follows the practice of respecting the donor's intent regarding grant making preferences, as stated in their wills or fund agreements.

Unrestricted net assets include the following:

Changing needs and field of interest funds allow the Foundation's Board of Directors to use its discretion to award grants that respond to either critical community needs or needs within a particular area of charitable interest.

Designated funds allow donors to support specific organizations they identify in their fund agreement.

Scholarship funds provide financial assistance to support students' educational needs.

Donor advised funds allow the donor advisors to make recommendations to the Board of Directors regarding grants to charities.

Temporarily restricted net assets are restricted based on the passage of time and consist of the items identified in Note 10. When the restrictions expire, temporarily restricted net assets are generally reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash in financial institutions may exceed insured limits at various times during the year and subject the Foundation to concentrations of credit risk.

Investments

Investments are stated at fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants as of the measurement date. Level 1 investments are those whose fair value is based on quoted prices in active markets for identical assets that the Foundation has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.

The Foundation also uses net asset value (NAV) per share (or its equivalent) as a practical expedient to determine the fair value of investments that (i) do not have a readily determinable fair value predicated upon quoted prices in active markets, and (ii) have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company.

Investment managers follow investment guidelines described in the Foundation's "Statement of Investment Objectives and Policies," which also specifies a policy for the strategic allocation of Foundation investments. The investment managers are permitted to invest in bonds and notes issued by the United States government or its agencies, mortgage-backed securities, corporate bonds issued in the United States, international bonds, asset backed securities, equity investments of domestic and international corporations, hedge funds, real estate, private equity, commodities, and derivatives. While the investment managers have discretionary investment authority, portfolios are reviewed by the Foundation, in detail, on a regular basis to determine compliance with the Foundation's investment policies.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported.

Receivables

Receivables are recorded in the year made at the original amount less an estimate made for uncollectible pledges and an unamortized discount for the time value of money. Management evaluates if the receivables are collectible on a periodic basis based upon the Foundation's review of current receivables, historical collection experience, and management's evaluation and adjust for uncollectible amounts through an allowance for doubtful pledges. Receivables are written off when deemed uncollectible and there was no allowance for doubtful accounts required at December 31, 2017 and 2016. Recoveries of amounts previously written off are recorded as revenue at the time such amounts are collected.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. The Foundation capitalizes all additions in excess of \$2,000 with a useful life greater than one year. Depreciation is provided using the straight-line method over the estimated useful lives of the assets that range from five to ten years.

Grants Payable

Grants are recorded as an expense when approved and after satisfaction by the recipients of any conditions associated with the payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue arises from grants and conditional gifts received for specific purposes for which related expenditures have not been made.

Contributions

Contributions are reported at fair value at the date the contribution is made. The Foundation receives contributions from clients/donors with advice regarding the distribution of the related assets and earnings. The Foundation attempts to meet the donor's intent expressed at the time of contribution.

Such instruments as charitable remainder trusts, gift annuities and life insurance policies that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on estimated future cash flow amounts are computed using an appropriate interest rate applicable to the year in which the promise is received. Amortization of the discount is included in the change in value of other receivables in the accompanying statements of activities.

Endowment Funds Management Policy

The Foundation holds charitable gifts in funds that may be created by the client/donor as endowed or non-endowed. An endowment fund generally stipulates that the gift be invested in perpetuity while the investment earnings may be distributed to support the client/donor's charitable purposes. A non-endowed fund may also be invested with a long-term horizon, but not restricting distributions of fund principal.

The Foundation does not hold any endowment funds that are considered permanently restricted due to the governing documents' provision for variance power, as noted above under "Financial Reporting".

Interpretation of Relevant Law

The Foundation manages the endowment funds in accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA), New York's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation's Board of Directors has interpreted the applicable provisions of NYPMIFA to mean that the classification of appreciation on endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income.

Return Objectives and Risk Parameters

In accordance with the concept of the prudent investor, the Foundation's Board of Directors has adopted investment policies that apply a flexible, balanced and diversified long-term asset allocation approach to yield an appropriate return while controlling the risk that is inherent in any investment program. The primary investment objective of the Foundation is to attain an average total return (net of investment management fees) of at least 5.25% adjusted for inflation by the Consumer Price Index over the long term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds Management Policy (Continued)

Spending Policy

Subject to the intent of donors expressed in gift instruments, the Foundation will appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established.

When making a determination to appropriate or accumulate endowment funds, the Foundation considers the following, if relevant: the duration and preservation of the endowment fund; the purpose of the Foundation's endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Foundation; and the investment policy of the Foundation. For specific endowment funds, the Foundation will also consider, where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation and the specific endowment fund.

The Foundation's Board of Directors annually adopts a spending policy. For the year ended December 31, 2017, in order to achieve its overall financial objective, the policy allowed annual spending of 5.25% of the trailing twenty-quarter average market value of the portfolio calculated as of September 30th. Investment income above this spending policy is returned to the endowment fund for inflation protection and long-term preservation of purchasing power.

Grants and Expenses

The costs of providing the Foundation's various program activities and other services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program activities and supporting services. The following describe the functional categories of expenses:

Program Activity

Grants Approved

The Foundation approves and awards grants to honor donor intent that address: the changing needs of the community over time; certain fields of interest identified by the donor; specific charitable organizations as defined and recommended by the donor; and scholarships to students.

Grant Making and Fund Stewardship Services

Activities incurred to oversee and direct the granting process including, but not limited to, the following: working with clients/donors to support granting from funds currently in existence at the Foundation where there is an active client/donor advisor, evaluating applicants, processing all grants and scholarships awarded, evaluating the impact of grants made and assessing the ongoing needs of the community all while honoring donor intent and offering educational opportunities for clients/donors to learn more about the needs of the community.

External Leadership Grants

Grants received from external funders that are directed towards facilitating and supporting community change, addressing needs and delivering significant leveraged impact. External funders of leadership grants include local and national foundations and governmental entities (local, state and federal).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Activity (Continued)

Foundation Community Leadership Initiatives

Program activities in leading collaborative initiatives for the benefit of the community, including soliciting and administering “External Leadership Grants” as defined above. The Foundation works to convene partners and develop collaborative solutions to address critical regional issues such as improving educational achievement for students in low-income households, increasing racial and ethnic equity, enhancing and leveraging significant natural resources and strengthening the region as a center for architecture, arts, and culture.

Supporting Services

Development

Development and cultivation activities undertaken with current and prospective clients/donors to understand their philanthropic needs and provide them with current giving strategies and planned giving opportunities that will maximize their charitable assets.

Management and General

Expenses incurred that are not identifiable with any of the above categories but are indispensable to conducting the above activities and to the Foundation’s overall existence.

Income Taxes

The Foundation is a 501(c)(3) corporation exempt from income taxes under Section 501(a) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This standard will have significant changes on the way not-for-profit organizations present their financial information, including net asset classifications, endowment fund accounting, expense reporting, and disclosures about liquidity and availability of financial assets. The standard is not expected to have an impact on total net assets or changes in net assets. This standard will be effective for annual financial statements issued for years beginning after December 15, 2017.

In February 2016, the FASB issued ASU 2016-02, Leases. This standard requires that lessees recognize virtually all leases on the balance sheet, by recording a right-of-use asset and a lease liability. At December 31, 2017, the Foundation disclosed approximately \$1,134,000 of operating leases payable in Note 12 and will evaluate those contracts as well as other existing arrangements to determine the effect of the new standard. This standard will be effective for years beginning after December 15, 2019.

3. INVESTMENTS

Investments as of December 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
U.S. equities	\$ 134,328,486	\$ 119,026,051
International equities	124,392,480	99,306,474
Bonds and fixed income funds	58,906,138	50,840,129
Multi-strategy funds	17,875,813	13,895,372
Long/short equity funds	22,310,227	18,078,779
Private equity funds	14,627,836	9,881,541
Public and private real asset funds	23,096,360	19,088,823
Cash and money market funds	<u>23,533,979</u>	<u>32,566,256</u>
	<u>\$ 419,071,319</u>	<u>\$ 362,683,425</u>

Investment earnings for the years ended December 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 5,076,752	\$ 3,865,776
Net realized and unrealized gains	53,894,642	19,007,131
Investment expenses	<u>(1,865,057)</u>	<u>(1,186,218)</u>
Total investment earnings, net of investment expenses	<u>\$ 57,106,337</u>	<u>\$ 21,686,689</u>

4. RECEIVABLES

Receivables consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Charitable remainder trusts	\$ 867,424	\$ 749,010
Gift annuities	270,502	216,240
Bequests	231,000	425,000
Program related investments	424,665	157,000
Life insurance assets	184,300	160,268
Grants	27,696	18,330
Pledges	<u>21,678</u>	<u>23,940</u>
	<u>\$ 2,027,265</u>	<u>\$ 1,749,788</u>

Amounts are expected to be received over the periods shown below.

Less than one year	\$ 545,614
One through five years	247,725
Greater than five years	<u>1,233,926</u>
	<u>\$ 2,027,265</u>

5. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Foundation is a beneficiary of a perpetual trust created in 1928. The trust makes annual distributions pursuant to a 1978 Massachusetts Superior Judicial Court judgment. The Foundation and two other entities are the recipients of these annual distributions. Additionally, the Foundation alone will receive 50% of the value of the trust corpus in 2029. The remaining corpus will continue to accumulate for another 50 years, at which time 50% of the trust corpus will be distributed to the Foundation alone. This process will continue every 50 years in perpetuity.

During the year ended December 31, 2017 and 2016, the Foundation received distributions from the trust totaling \$555,362 and \$570,084, respectively.

6. SHORT-TERM BORROWINGS

The Foundation has a \$15,000,000 unsecured bank demand line of credit with interest payable at LIBOR plus 1.5%. The line of credit is intended to be used only on a temporary basis to address, among other things, the liquidity needs of larger funds while fulfilling the fiduciary responsibility of preserving the integrity of the investment pool and its strategic asset allocation. The line is subject to the usual terms and conditions applied by the bank and is annually reviewed and renewed. There were no amounts outstanding on the line at December 31, 2017 and 2016.

7. GRANTS PAYABLE

Grants payable in more than one year are recognized at present value at the time the grants are made. The discounts on estimated future cash flow amounts are computed using an appropriate interest rate applicable to the year in which the grant is made. Grants payable at December 31, 2017, are payable in the following periods:

2018	\$	1,156,416
2019		240,100
2020		177,100
2021		135,000
2022		<u>12,500</u>
		1,721,116
Less - discount on long-term grants		<u>(30,009)</u>
	\$	<u>1,691,107</u>

8. AMOUNTS HELD IN CUSTODY FOR OTHERS

Investment assets include cash and investments held in custody for other nonprofit organizations that choose to invest long-term assets at the Foundation. These assets are offset by a corresponding liability. Accordingly, the activity of the organization funds has been excluded from the Statements of Activities and therefore is not a component of net assets.

Total organization funds activity consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Investment earnings, net	\$ 9,184,645	\$ 3,854,494
Contributions	2,990,810	4,771,475
Grants	(1,696,035)	(1,877,721)
Administrative fees and expenses	<u>(316,014)</u>	<u>(277,780)</u>
Net change in organization funds	10,163,406	6,470,468
Organization funds - beginning of year	<u>56,432,756</u>	<u>49,962,288</u>
Organization funds - end of year	<u>\$ 66,596,162</u>	<u>\$ 56,432,756</u>

9. ENDOWMENT ASSETS

The net assets of the Foundation include endowment assets which totaled \$269,914,956 and \$239,490,458 at December 31, 2017 and 2016, respectively, which represent approximately 68% and 70% of the Foundation's total net assets. Endowment assets do not include endowment amounts held in custody for others as these are not a component of net assets.

All non-time restricted endowment assets are classified as unrestricted in the accompanying balance sheets. Endowment assets experienced the following changes for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Endowment net assets - beginning of year	\$ 239,490,458	\$ 219,670,500
Investment return:		
Investment income	2,141,137	1,614,783
Net gain	<u>35,143,203</u>	<u>12,992,037</u>
Total investment return	37,284,340	14,606,820
Contributions	5,923,961	15,578,511
Appropriation of endowment assets for expenditure	<u>(12,783,803)</u>	<u>(10,365,373)</u>
Endowment net assets – end of year	<u>\$ 269,914,956</u>	<u>\$ 239,490,458</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Beneficial interest in perpetual trust	\$ 27,862,248	\$ 24,270,195
Charitable remainder trusts	867,424	749,010
Gift annuities	270,502	216,240
Life insurance assets	184,300	160,268
Pledges	<u>21,678</u>	<u>23,940</u>
	<u>\$ 29,206,152</u>	<u>\$ 25,419,653</u>

11. RETIREMENT PLAN

The Foundation maintains a 401(k) retirement plan for essentially all full-time employees. Contributions are made based on 8% of salaries for employees meeting certain service requirements.

Contributions for the years ended December 31, 2017 and 2016 totaled \$161,800 and \$129,069, respectively.

12. COMMITMENTS

Leases

The Foundation rents office space under a long-term lease. Future annual minimum lease payments due under the lease are as follows:

2018	\$ 226,800
2019	226,800
2020	226,800
2021	226,800
2022	<u>226,800</u>
	<u>\$ 1,134,000</u>

Rent expense amounted to \$265,085 and \$260,591 for the years ended December 31, 2017 and 2016.

13. FAIR VALUE MEASUREMENTS

Fair Value Measurements of Investments

As described in Note 2, the Foundation's investments are stated at fair value. The fair value of marketable securities is determined by quoted prices in active markets (Level 1) as well as by the use of net asset value (NAV) per share (or its equivalent) as a practical expedient to determine the fair value of investments.

A majority of the Foundation's investments are in entities that are limited liability companies and limited partnerships where the Foundation's investment represents a percentage ownership of each entity. In the case of these entities, the Foundation estimates fair value using NAV as reported by the fund manager and/or independent third parties as a practical expedient, unless it is probable that the investment will be sold for an amount different from NAV. As of December 31, 2017 and 2016, the Foundation has no plans or intentions to sell investments at amounts different from NAV. Because of the inherent uncertainties in valuation assumptions, the estimated fair value for investments may differ significantly from values that would have been used had a ready market existed. Such valuations are generally determined by using variables such as quoted market prices for portfolio holdings within these entities, operating results, earnings of the underlying holdings, projected cash flows, recent sales prices and other pertinent information.

The fair value of investment assets are as follows as of December 31, 2017:

	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
U.S. equities	\$ 45,856,651	\$ 88,471,835	\$ 134,328,486
International equities	5,355,532	119,036,948	124,392,480
Bonds and fixed income funds	21,417,626	37,488,512	58,906,138
Multi-strategy funds	-	17,875,813	17,875,813
Long/short equity funds	-	22,310,227	22,310,227
Private equity funds	-	14,627,836	14,627,836
Public and private real assets	-	23,096,360	23,096,360
Cash and money market funds	<u>23,533,979</u>	<u>-</u>	<u>23,533,979</u>
Total investments	<u>\$ 96,163,788</u>	<u>\$ 322,907,531</u>	<u>\$ 419,071,319</u>

The fair value of investment assets are as follows as of December 31, 2016:

	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
U.S. equities	\$ 58,967,642	\$ 60,058,409	\$ 119,026,051
International equities	6,238,405	93,068,069	99,306,474
Bonds and fixed income funds	19,356,881	31,483,248	50,840,129
Multi-strategy funds	-	13,895,372	13,895,372
Long/short equity funds	-	18,078,779	18,078,779
Private equity funds	-	9,881,541	9,881,541
Public and private real assets	-	19,088,823	19,088,823
Cash and money market funds	<u>32,566,256</u>	<u>-</u>	<u>32,566,256</u>
Total investments	<u>\$ 117,129,184</u>	<u>\$ 245,554,241</u>	<u>\$ 362,683,425</u>

13. FAIR VALUE MEASUREMENTS (Continued)

The Foundation had the following investments that are valued using net asset value at December 31, 2017 and 2016 presented along with the related redemption notice periods and unfunded portions of capital and investment commitments:

December 31, 2017:

Redemption Notice Period	Description	NAV	Unfunded Commitments
Redeemable with up to 180 days notice:			
	U.S. equities	\$ 67,267,113	\$ 15,000,000
	International equities	103,474,588	-
	Bond and fixed income funds	37,488,512	-
	Multi-strategy funds	17,709,662	-
	Long/short equity funds	12,139,940	-
	Public and private real assets	<u>9,688,725</u>	<u>-</u>
		<u>247,768,540</u>	<u>15,000,000</u>
Redeemable with up to 180 days notice after lock-up periods of 1-5 years:			
	U.S. equities	21,204,722	-
	International equities	15,562,360	-
	Multi-strategy funds	166,151	-
	Long/short equity funds	<u>10,170,287</u>	<u>-</u>
		<u>47,103,520</u>	<u>-</u>
Illiquid with return of capital beginning 3 to 4 years from purchase date:			
	Private equity funds	14,627,836	13,457,025
	Public and private real assets	<u>13,407,635</u>	<u>12,587,093</u>
		<u>28,035,471</u>	<u>26,044,118</u>
Total		<u>\$ 322,907,531</u>	<u>\$ 41,044,118</u>

December 31, 2016:

Redemption Notice Period	Description	NAV	Unfunded Commitments
Redeemable with up to 180 days notice:			
	U.S. equities	\$ 42,877,927	\$ -
	International equities	79,593,459	-
	Bond and fixed income funds	31,483,248	-
	Multi-strategy funds	13,725,607	-
	Long/short equity funds	12,082,629	-
	Public and private real assets	<u>9,023,228</u>	<u>-</u>
		<u>188,786,098</u>	<u>-</u>
Redeemable with up to 180 days notice after lock-up periods of 1-5 years:			
	U.S. equities	17,180,482	-
	International equities	13,474,610	-
	Multi-strategy funds	169,765	-
	Long/short equity funds	<u>5,996,150</u>	<u>-</u>
		<u>36,821,007</u>	<u>-</u>
Illiquid with return of capital beginning 3 to 4 years from purchase date:			
	Private equity funds	9,881,541	12,921,501
	Public and private real assets	<u>10,065,595</u>	<u>16,161,787</u>
		<u>19,947,136</u>	<u>29,083,288</u>
Total		<u>\$ 245,554,241</u>	<u>\$ 29,083,288</u>

13. FAIR VALUE MEASUREMENTS (Continued)

The Foundation evaluates the liquidity of all investments on a quarterly basis to ensure that it has access to sufficient resources necessary for its current and future operational activities. Overall, at December 31, 2017, the Foundation has access to approximately fifty-seven percent (57%) of the fair value of the investments on a monthly basis, and more than seventy-nine percent (79%) of the fair value of the investments on a quarterly basis.

The Foundation invests in limited liability companies and limited partnerships for the purpose of long term growth. These investments have various liquidity requirements and redemption policies as summarized in the table above. Following is a detail of investment strategies of the respective investment classes:

U.S. and International Equities

U.S. and international equities are held by various different managers and investment vehicles. The primary objective of these equity investments is outperforming various market benchmark indicators depending upon the objectives of the fund manager.

Bonds and Fixed Income Funds

Bonds and Fixed income funds are held by various different managers and investment vehicles. The primary objective of these fixed income investments is outperforming various market benchmark indicators depending upon the objectives of the fund manager.

Multi-Strategy and Long/ Short Equity Hedge Funds

The Foundation invests in a variety of hedge funds that pursue multiple strategies to diversify risks and reduce total portfolio volatility. These funds holdings include various publicly traded credit and equity positions across U.S. and international markets.

Private Equity Funds

The Foundation invests in multiple private equity funds (approximately 10 funds), which includes various U.S. and international companies that are not publicly traded. When the underlying assets are sold the proceeds, less any incentives due to the fund sponsor, will be distributed to the investor.

Public and Private Real Assets

The Foundation invests in one public and multiple private real estate trusts, partnerships or capital funds (approximately 11 funds) which invest in U.S and international real asset holdings. When the underlying assets are sold the proceeds, less any incentives due to the fund sponsor, will be distributed to the investor.

Fair Value Measurements of Other Financial Items

The carrying amounts of receivables approximates fair value based on the discounted values of estimates to be received or the underlying value of the trustee assets. The carrying amounts of grants payable approximates fair value based on the discounted values of amounts to be paid.

The Foundation recognizes its rights in the beneficial interest in perpetual trust on the balance sheet as a single amount at fair value. The Trust's assets consist primarily of marketable equities and fixed income securities valued based on quoted prices in active markets. The Foundation's asset is considered a Level 2 asset in the fair value hierarchy.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 7, 2018 which is, the date the financial statements were available to be issued.