THE COMMUNITY FOUNDATION FOR GREATER ATLANTA, INC., ITS SUBSIDIARIES, AND SUPPORTING ORGANIZATIONS

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2017

FINAL DRAFT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Community Foundation for Greater Atlanta, Inc., its Subsidiaries,
and Supporting Organizations
Atlanta, Georgia

We have audited the accompanying consolidated financial statements of **The Community Foundation for Greater Atlanta, Inc.**, **its Subsidiaries** (the Metropolitan Foundation of Atlanta, Inc., and TCF Charitable Real Estate Solutions LLC), **and Supporting Organizations**, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We did not audit the 2017 or 2016 financial statements of The CF Foundation, Inc., a supporting organization, which statements reflect total assets of $114,744,338 and $116,505,610 as of December 31, 2017 and 2016, respectively, and total revenues of $20,802,066 and $20,930,044 for the years then ended, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The CF Foundation, Inc. as of December 31, 2017 and 2016, and for the years then ended, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

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

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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, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Foundation for Greater Atlanta, Inc., its Subsidiaries, and Supporting Organizations as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Atlanta, Georgia

THE COMMUNITY FOUNDATION FOR GREATER ATLANTA, INC., ITS SUBSIDIARIES, AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
Cash and cash equivalents	$ 18,847,878	$ 38,491,194
Investments, at fair value	1,018,228,975	851,750,985
Receivables, net	10,860,080	12,813,302
Real estate properties used in charitable activities, net of accumulated depreciation 2017 $6,308,959; 2016 $5,912,006	11,831,269	11,077,040
Property and equipment, net of accumulated depreciation 2017 $34,638,544; 2016 $33,079,253	44,778,967	45,518,754
Other assets, net	1,358,791	2,162,731
Total assets	$ 1,105,905,960	$ 961,814,006
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 29,136,850	$ 20,450,333
Accrued expenses and other liabilities	12,111,990	11,239,868
Liabilities under split-interest agreements	8,319,142	4,708,061
Total liabilities	49,567,982	36,398,262
Net assets		
Unrestricted:		
Field-of-interest	26,771,233	22,948,591
Designated	91,961,212	82,842,183
Donor advised	641,026,737	509,381,846
Discretionary	73,358,112	75,648,623
Supporting organizations	204,554,306	198,966,581
Total unrestricted	1,037,671,600	889,787,824
Temporarily restricted	18,666,378	35,627,920
Total net assets	1,056,337,978	925,415,744
Total liabilities and net assets	$ 1,105,905,960	$ 961,814,006

See Notes to Consolidated Financial Statements.

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THE COMMUNITY FOUNDATION FOR GREATER ATLANTA, INC., ITS SUBSIDIARIES, AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	$ 116,049,934	$ 31,743,112	$ 147,793,046
Interest and dividends, net	13,199,972	824,053	14,024,025
Income from rents	1,235,820	-	1,235,820
Other investment income	343,115	-	343,115
Special projects, net	(1,296,912)	-	(1,296,912)
Administrative fees	775,230	-	775,230
Net realized loss on sale of real estate	-	-	-
Change in value of split interest agreements	-	923,978	923,978
Net realized and unrealized gain (loss) on investment securities	101,092,178	3,315,616	104,407,794
Total revenues	231,399,337	36,806,759	268,206,096
Net assets released from restrictions:			
Satisfaction of program and time restrictions	53,768,301	(53,768,301)	-
Total revenues and support	285,167,638	(16,961,542)	268,206,096
EXPENSES			
Grants	116,426,119	-	116,426,119
Programs	9,999,345	-	9,999,345
General and administrative	9,965,349	-	9,965,349
Fundraising	893,049	-	893,049
Total expenses	137,283,862	-	137,283,862
CHANGE IN NET ASSETS	147,883,776	(16,961,542)	130,922,234
NET ASSETS, BEGINNING	889,787,824	35,627,920	925,415,744
NET ASSETS, ENDING	$ 1,037,671,600	$ 18,666,378	$ 1,056,337,978

See Notes to Consolidated Financial Statements.

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2016		
Unrestricted	Temporarily Restricted	Total
$ 109,375,855	$ 22,007,889	$ 131,383,744
13,669,844	181,432	13,851,276
1,171,092	-	1,171,092
396,278	-	396,278
(575,890)	-	(575,890)
635,817	-	635,817
(837,735)	-	(837,735)
-	124,809	124,809
45,917,450	(255,335)	45,662,115
169,752,711	22,058,795	191,811,506
5,798,782	(5,798,782)	-
175,551,493	16,260,013	191,811,506
110,899,151	-	110,899,151
7,791,531	-	7,791,531
10,514,720	-	10,514,720
768,149	-	768,149
129,973,551	-	129,973,551
45,577,942	16,260,013	61,837,955
844,209,882	19,367,907	863,577,789
$ 889,787,824	$ 35,627,920	$ 925,415,744

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THE COMMUNITY FOUNDATION FOR GREATER ATLANTA, INC., ITS SUBSIDIARIES, AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 130,922,234	$ 61,837,955
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized (gains) losses on investments	(104,407,794)	(45,662,115)
Change in value of split interest agreements	(923,978)	(124,809)
Donations of investment/stock to or from the Foundation	(99,766,916)	(39,212,071)
Donation of real estate properties used in charitable activities	(1,151,182)	-
Loss on sale of property and equipment	-	837,735
Depreciation expense	1,956,244	1,909,676
(Increase) decrease in:		
Receivables	1,953,222	(1,118,165)
Other assets	803,940	58,715
Increase (decrease) in:		
Grants payable and other liabilities	9,558,639	7,362,503
Liabilities under split-interest agreements	3,611,081	(434,194)
Net cash (used in) operating activities	(57,444,510)	(14,544,770)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments in real estate	-	615,757
Investable funds in transit	-	3,571,625
Net change in notes receivable	-	1,325,000
Purchase of property and equipment	(819,504)	(1,202,946)
Purchase of investments	(379,868,273)	(163,558,427)
Proceeds from sale of investments	418,488,971	195,653,422
Net cash provided by investing activities	37,801,194	36,404,431
Net increase (decrease) in cash	(19,643,316)	21,859,661
Cash at beginning of year	38,491,194	16,631,533
Cash at end of year	$ 18,847,878	$ 38,491,194
SUPPLEMENTAL CASH FLOW DATA		
Cash received from contributors and bequests	$ 46,043,365	$ 94,189,231
Interest and dividends received	$ 14,583,655	$ 13,356,558
Cash paid to employees, suppliers, and other service providers	$ 19,374,273	$ 18,793,411
Grants paid	$ 107,739,602	$ 103,788,526

See Notes to Consolidated Financial Statements.

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NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Community Foundation for Greater Atlanta, Inc. (the "Foundation") is a tax-exempt publicly supported charitable organization. The assets of the Foundation are devoted to charitable uses of a public nature primarily benefiting the residents of the metropolitan Atlanta area community.

Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the following subsidiaries: Metropolitan Foundation of Atlanta, Inc., TCF Charitable Real Estate Solutions LLC, and the following supporting organizations: The CF Foundation, Inc., The Conlee Family Supporting Foundation, Inc., The F. T. Stent Family Foundation, Inc., The RFP Fund, Inc., The Shumard Foundation, Inc., The Waterfall Foundation, Achieve Atlanta, Inc., Every Student Every Community, Inc., and ROI Fund, Inc. These subsidiaries and supporting organizations are consolidated with the financial statements of the Foundation (collectively, The Community Foundation) in accordance with the Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance, since the Foundation has control of, and economic interest in, these entities. All material inter-organization transactions and balances have been eliminated in preparing the consolidated financial statements.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interpretation of Relevant Law

The Foundation's board of directors has determined that the Foundation is not subject to the net asset classification of funds requirements of ASC 958-205 because: (1) the Foundation's board retains complete variance power pursuant to its governing instruments and fund agreements over the spending purpose and amount (including principal) for substantially all assets owned by the Foundation, and (2) the Foundation's board has never earmarked or otherwise designated any portion of the Foundation's assets as a permanent or temporary endowment that is not subject to expenditure if circumstances warrant.

FINAL DRAFT

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Classification of Net Assets

Under Subtopic ASC 958-205 (Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds) provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA was enacted by the State of Georgia on July 1, 2008.

The Foundation generally does not accept contributions that are not wholly expendable by the institution on a current basis. The Foundation's governing documents and fund agreements give the Foundation's board variance power to modify donor instructions that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of variance power, most contributions are classified as unrestricted net assets for financial statement purposes.

The Foundation's temporarily restricted net assets are comprised primarily of irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, bequests receivable, and life insurance funds. They also include a small number of temporarily restricted field of interest funds. These assets are classified as temporarily restricted due to time restrictions as the assets will not become available for the Foundation's use until the time a stated event occurs. Once the event occurs, these assets are subject to the same variance power as those aforementioned and are reclassified to unrestricted and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

The Foundation's board and the boards of the associated supporting organizations have not taken action to declare any portion of the Foundation's assets as permanent or temporary endowment funds that are not subject to expenditure if circumstances warrant.

Consistent with the National Standards for U.S. Community Foundations, the Foundation classifies its unrestricted net assets (noting that all are subject to the aforementioned variance power) as follows:

Field-of-interest: Funds that are used for a specific charitable purpose.

Designated: Funds in which the beneficiaries are specified by the grantors.

Discretionary: Scholarship, administrative, and other funds available for the Foundation's unrestricted use.

FINAL DRAFT

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Classification of Net Assets (Continued)

Donor advised: Funds that have at least three characteristics: (1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions, (2) the fund is separately identified by reference to contributions of the donor(s), and (3) the fund is owned and controlled by the Foundation or one of the Foundation's sponsoring organizations. A fund possessing these characteristics may be exempt from the donor advised fund classification if it grants to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.

Supporting organizations: Unrestricted net assets of the Foundation's supporting organizations. A supporting organization is a subsidiary of The Community Foundation that has its own charitable status, board of directors, bylaws, investment policies and grant priorities. Through its close connection to The Community Foundation, a supporting organization is conferred public charity status and receives all of the associated tax benefits.

Revenue and Support Recognition

Unrestricted and temporarily restricted gifts, grants, and other income are recorded as revenue and support when received by The Community Foundation. Such revenue and support is recorded at fair value. The Community Foundation's policy is to include revenue and support in unrestricted revenue and support if the restriction is satisfied in the year the revenue and support is recognized. Revenue and support is available for unrestricted use unless specifically restricted by the donor. Investment income is recognized when earned. Contributed services are recorded as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by contribution, or require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers. The Foundation had no significant contributed services recorded in 2017 and 2016.

Unrestricted revenues and support include the net income or loss from certain for profit operations of a supporting organization. In 2017 and 2016, such amounts are included in special projects, net, in the accompanying consolidated statements of activities and changes in net assets. The revenues related to these operations were $11,368,666 and $11,494,653 in 2017 and 2016, respectively. The expenses related to these operations were $12,851,820 and $12,078,227 in 2017 and 2016, respectively.

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NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Cash Equivalents

Cash equivalents are considered to be all highly-liquid investments with a maturity of three months or less when purchased or those that can be easily converted into cash.

Investments at Fair Value

Investments in marketable securities and investments without readily determinable values are recorded at fair value.

The cost of marketable securities represents amounts paid for purchased securities or fair value as of the date of donation for contributed securities. The unrealized gain or loss on marketable securities represents the change in the difference between cost or previous year-end fair value and current value of investments, as determined at the end of each period. For the years ended December 31, 2017 and 2016, net unrealized gain on investments were $88,408,949 and $34,237,271, respectively. Gains and losses on sales of marketable securities are determined using the average cost method. The Foundation maintains its investment accounts on a settlement date basis. For the years ended December 31, 2017 and 2016, net realized gain on investments were $15,998,845 and $11,424,844, respectively.

Investment income is reported net of related expenses, such as investment management fees and custody fees. For the years ended December 31, 2017 and 2016, such expenses for The Community Foundation's consolidated investments were $3,643,318 and $3,668,129, respectively.

Investments without readily determinable fair values, including alternative investments, consist of funds of funds, investments in private equity funds, direct investments in real estate, and direct investments in nonpublic entities. These investments and the underlying assets are reflected at estimated fair value. Since alternative investments may not be immediately marketable given the nature of the underlying strategies and the terms of the governing agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for these investments had been in existence, and the difference could be material.

The Foundation's alternative investments are recorded at fair value after consideration of certain pertinent factors, including, but not limited to, liquidity features of the holdings, the underlying portfolio of holdings, the current market conditions for observable, corroborated, or correlated transactions, comparable or similar investments' fair values, third-party valuation and the audit opinions from the independent auditors of the funds.

FINAL DRAFT

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Investable Funds in Transit

Investable funds in transit include cash receivable from brokers or other investment parties for investments which have been liquidated but not yet settled. It also includes funds transferred to brokers or other parties for investments which have not settled. Investable funds in transit may be subject to some restrictions.

Receivables

Receivables represent bequests and unconditional promises to give, loans receivable, notes receivable, and other receivables. Upon determination of its legal rights, The Community Foundation records bequests as contributions at the fair value of assets expected to be received, upon notification of resolution of probate or other administrative proceedings. Loans receivable represent loans made by a supporting organization to various businesses and individuals and are primarily for the purchase and financing of commercial and residential real estate. Notes receivable represent advances made by a supporting organization to related and non-related entities to support various community projects and initiatives. A significant portion of other receivables represent uncollateralized membership dues for a golf course that a supporting organization owns and operates.

The Community Foundation follows FASB's guidance for accounting by creditors for impairment of a loan. As defined in the FASB issued guidance, a loan is considered impaired when, based on current information, it is probable that The Community Foundation will not receive all amounts due in accordance with the contractual terms of the underlying loan agreement. The fair value of the loan is then compared with the recorded investment in the loan to determine whether or not a specific reserve is necessary.

Real Estate Properties Used in Charitable Activities

These properties consist of land and buildings leased to other not-for-profit organizations, at nominal amounts, for use in their organizations' service activities. These properties are carried at cost, if acquired or fair value at the date of donation to The Foundation and are depreciated using straight-line methods over their estimated lives ranging from 25 to 30 years.

Property and Equipment

Property and equipment is carried at cost if purchased. Donated property and equipment is carried at the estimated fair value on the date of the donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives ranging from 3 to 39 years.

FINAL DRAFT

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Grants Payable and Commitments

Grants are recognized as expenses in the consolidated statements of activities and changes in net assets at the time recipients are entitled to such grants. Generally, this occurs at the earlier of the date The Community Foundation's Board of Directors approves a specific grant or when the grantee is notified. Each supporting organization has a similar process, in that grants are approved by their respective Board of Directors. Grants that are approved but contingent upon future conditions are accrued in the consolidated financial statements once the conditions are substantially met.

Liabilities Under Split-Interest Agreements

Liabilities under split-interest agreements represent the net present value of the estimated amount due to other beneficiaries of charitable remainder trusts and charitable gift annuities when The Foundation acts as trustee.

The discount rates used in the calculation for this liability consider market risk. The Foundation had $12,802,091 and $7,952,443 at December 31, 2017 and 2016, respectively, in assets held under split-interest agreements which are included in investments in securities in the accompanying consolidated statements of financial position.

Income Taxes

The Internal Revenue Service has ruled that The Foundation, TCF Charitable Real Estate Solutions LLC, and The Metropolitan Foundation of Atlanta, Inc., are tax-exempt under Section 501(a) as organizations described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code. The CF Foundation, Inc., The Conlee Family Supporting Foundation, Inc., The F.T. Stent Family Foundation, Inc., The RFP Fund, Inc., The Shumard Foundation, Inc., The Waterfall Foundation, Achieve Atlanta, Inc., Every Student Every Community, Inc., and ROI Fund, Inc. are tax-exempt under Section 501(a) as organizations as described in Sections 501(c)(3), 509(a)(3).

Two subsidiaries of a supporting organization are tax-exempt under Section 501(c)(2). Two for profit subsidiaries of two supporting organizations are C corporations and are liable for any taxable income. One of the for profit subsidiaries generated net operating losses for income tax purposes since its inception in 1994 through 2004 and then again in 2008 through 2010. As of December 31, 2017 and 2016, net operating loss carryforwards available to offset future taxable income totaled $2,680,666 and $2,874,019, respectively. Deferred tax assets related to net operating loss carryforwards totaled $690,003 and $1,089,243 as of December 31, 2017 and 2016, respectively.

FINAL DRAFT

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Income Taxes (Continued)

Management does not believe a valuation allowance is needed based on the amount expected to be realized. During the years ended December 31, 2017 and 2016, net operating loss carryforwards were applied against taxable income, eliminating the current tax liability.

The Community Foundation follows FASB's guidance for accounting for uncertainty in income tax (ASC 740, *Accounting for Uncertainty in Income Taxes*), which creates a single model to address uncertain tax positions and clarifies the accounting for income taxes by prescribing a "more likely than not" minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Under the requirements, tax-exempt organizations may be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation's tax-exempt status would not have a material effect on the Foundation's financial statements. At December 31, 2017 and 2016, no liabilities were recorded for uncertain tax positions.

The Tax Cuts and Jobs Act (the Tax Act) was signed into law on December 22, 2017. The Tax Act changed many aspects of U.S. corporate income taxation and included reduction of the corporate income tax rate from 35% to 21%. Upon completion of the for profit subsidiaries' 2017 U.S. income tax returns in 2018, the Foundation may identify remeasurement adjustments to deferred tax assets. The Foundation will continue to assess its provision for income taxes as future guidance is issued but does not currently anticipate significant revisions will be necessary.

All organizations that collectively make up The Community Foundation file Form 990s in the U.S. federal jurisdiction and various states.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

New Accounting Pronouncements

In 2017, the Foundation adopted Accounting Standards Update 2015-07 which is available to private companies for the disclosure of investments for which fair value is measured using the net asset value per share (or its equivalent) practical expedient. Under the newly adopted standard, the Foundation is no longer required to categorize, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient. The effect of adopting the new standard changes the presentation of the fair value hierarchy located in Note 3.

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NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Concentration of Risk

Financial instruments that potentially expose The Community Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents, receivables (including notes and loans receivable) and investments. The Community Foundation's operating cash is maintained at large multi-state financial institutions. Certain investment cash equivalents are in accounts at large multi-state financial institutions that at times exceed federally insured limits. The Community Foundation has not experienced any losses on its cash and cash equivalents and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Community Foundation's investments do not represent significant concentrations of market risk inasmuch as The Community Foundation's investments portfolios are diversified among issuers.

The Community Foundation has investments without readily determinable values which comprised 35% and 33% of total assets at December 31, 2017 and 2016, respectively. These investments contain underlying funds which may include limited partnerships, limited liability companies, or non-US corporations. These investments may entail liquidity risks to the extent that they are difficult to sell or convert to cash quickly at favorable prices.

The investment risk of these investments without readily determinable values with respect to each underlying investment will be limited to the capital committed to it by The Community Foundation.

Fair Value of Financial Instruments

The Community Foundation follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is 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. In determining fair value, The Community Foundation uses various methods including market, income and cost approaches. Based on these approaches, The Community Foundation often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated, or generally unobservable inputs.

FINAL DRAFT

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash, cash equivalents, money market funds and certificates of deposit - The carrying amount approximates fair value because of the short-term maturity of these instruments.

Mutual funds, corporate stocks and exchange traded funds (ETFs) - are carried at fair value based on quoted market prices at the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented using the market approach.

Fixed income securities including most corporate, convertible and municipal bonds and notes, U.S. Government agencies, U.S. Treasury obligations and asset backed securities - are carried at fair value based on pricing service providers that use broker dealer quotations, reported trades or valuation estimates from their internal pricing models.

Alternative investments and hedge funds - (investments in securities that have no quoted market prices) – are carried at estimated fair values and are generally valued using the net asset value of The Community Foundation's ownership in each fund as reported by the fund managers at the reporting date. Because alternative investments may not be immediately marketable given the nature of the underlying strategies and the terms of the governing agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for these investments had been in existence, and the difference could be material.

Split-interest agreements and beneficial interest in perpetual trusts - The fair value is based upon the underlying investments of the beneficial interest which are presented at fair value.

Receivable, payables, and other liabilities - The carrying amount approximates fair value because of the short-term maturity of these instruments.

The Community Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques The Community Foundation is required to provide the following information according to the fair value hierarchy.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

Level 1 **–** Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for market transactions involving identical or similar assets or liabilities. For private funds, valuations may be estimated from the Foundation's portion of partners' capital.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments. For private funds, valuations may be estimated from the Foundation's portion of partners' capital.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Community Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The Community Foundation adopted the provisions of ASU 2009-12 (*Investments in Certain Entities That Calculate Net Asset Value per Share*) for certain investments in funds that do not have readily determinable fair values. The guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value, using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated under the standards.

FINAL DRAFT

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

The Community Foundation adopted the provisions ASU 2011-04 (*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*) to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS).

NOTE 2. BUSINESS COMBINATION

On January 1, 2016, a related party of a supporting organization contributed a golf course, including all related assets and liabilities and property and equipment associated with the golf course, to the supporting organization. The organizations are commonly controlled through the influence of management and various Board members. The transfer of the golf course is a business combination, and, due to the common control, is recorded at the related party's carrying amount using historical cost. The Foundation retrospectively adjusted the December 31, 2015 consolidated financial statements to include the accounts and activity of the golf course.

FINAL DRAFT

NOTE 3. INVESTMENTS

Investment Policy

The Foundation's Board of Directors has the ultimate responsibility for its investment funds and related investment returns. The Foundation's pooled funds are invested under an asset allocation policy that is expected to provide returns adequate to enable The Foundation to make grants and pay operating expenses. Under its current policy, The Foundation's pooled funds are invested in a manner intended to produce results that exceed certain relevant market indices over a specified time horizon. To satisfy its long-term rate of return objectives, The Foundation exercises due care to diversify pooled investment fund assets through its strategies to achieve the stated objectives for The Foundation in accordance with the asset allocation policy. Actual investment returns in any given year will fluctuate.

Spending Policy

The Foundation's Board of Directors sets an annual spending rate for certain funds included in the investment pool. These funds include the field of interest, designated, and discretionary fund classifications. The spending rate is based on a 20-quarter rolling average of applicable fund balances calculated as of December 31 of the preceding year.

The balance of these funds as of December 31, 2017 and 2016, was approximately $165,571,207 and $155,140,155, respectively. The board-approved spending rates for 2017 and 2016 were 4.75%.

NOTE 3. INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, The Community Foundation's investments at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 111,638,771	$ -	$ -	$ 111,638,771
Certificates of deposits	6,746,282	-	-	6,746,282
U.S. treasury obligations	16,397,111	-	-	16,397,111
Corporate stocks	251,247,798	-	-	251,247,798
Mutual funds:				
Fixed income focused funds	51,171,249	-	-	51,171,249
Equity focused funds	197,997,497	-	-	197,997,497
Fixed income securities	-	19,386,356	-	19,386,356
Life insurance	-	5,990,158	-	5,990,158
Alternative investments:				
Domestic equity funds	-	5,326,965	15,075,060	20,402,025
International equity funds	-	4,849,793	-	4,849,793
Absolute credit funds	-		6,694,762	6,694,762
Hedge funds:				
Multi-strategy funds	-	-	897,539	897,539
Long/short funds	-	-	1,595,624	1,595,624
Private equity and stock	-	-	25,387,499	25,387,499
Private real estate	-	-	31,526,653	31,526,653
Art held for sale	-	-	1,666,830	1,666,830
Investments measured at net asset value	-	-	-	264,633,028
Total investments at fair value	$ 635,198,708	$ 35,553,272	$ 82,843,967	$ 1,018,228,975

FINAL DRAFT

The following table sets forth a summary of changes in the fair value of The Community Foundation's level 3 assets for the year ended December 31, 2017:

	Level 3 Assets Year Ended December 31, 2017
Balance, beginning of year	$ 74,890,959
Purchases	15,262,496
Sales	(17,720,716)
Realized gains and losses	3,547,935
Unrealized gains and losses	6,863,293
Balance, end of year	$ 82,843,967

NOTE 3. INVESTMENTS (Continued)

In accordance with the FASB's fair value measurements and disclosure guidance, the following information is provided for investments in alternative assets valued at net asset value as of December 31, 2017, to enable users of financial statements to understand the nature and risk of The Community Foundation's investments by major category and whether the investments are probable of being sold at amounts different from net asset value per share or ownership interest in partners' capital.

	Fair Value	Unfunded Capital Commitments	Redemption Frequency	Redemption Notice Period
Domestic equity funds	**$ 58,339,933**	**$ -**	Monthly, Quarterly, Annually, Not Eligible	30-105 days, Not Eligible
International equity funds	**65,671,468**	**-**	Monthly, Quarterly	5-60 days
Special situation funds	**39,283,423**	**-**	Bi-annually	90-180 days, Not Eligible
Domestic bond funds	**13,239,200**	**-**	Monthly	3 days
High yield funds	**9,807,615**	**-**	Monthly	45 days
Global bond funds	**11,402,528**	**-**	Monthly	10 days
Multi-strategy funds	**46,600,675**	**793,637**	Monthly, Quarterly, Annually, Not Eligible	30-90 days Not Eligible
Long/short funds	**13,023,651**	**-**	Daily, Monthly, Quarterly, Tri-annually	45-90 days
Credit hedge funds	**7,264,535**	**-**	Quarterly	60-65 days
Total	**$ 264,633,028**	**$ 793,637**		

The domestic equity funds class includes investments in a broadly diversified portfolio of U.S. companies. The funds maintain a broad exposure to the U.S. markets.

The international equity funds class focuses on investments in a broadly diversified portfolio of international companies. The funds maintain a broad exposure to the international markets.

FINAL DRAFT

NOTE 3. INVESTMENTS (Continued)

The commodity based funds class invests 100 percent long in managed futures, which invest in liquid assets, including commodities, core energy, metal equities, agriculture equities, global real estate equities, global climate change, and Treasury Inflation Protected Securities.

The special situations funds class invests primarily in special situations where a meaningful position can be taken in a distressed company, or it invests in specialty sector companies. These funds are subject to lock up periods of up to five years.

The domestic bond funds class invests primarily in fixed income securities that are investment grade. It may include some illiquid or restricted debt securities.

The global bond funds class invests 100 percent long in high quality global fixed income investments.

The high yield funds class invests in 100 percent debt securities that are generally rated below investment grade.

The absolute credit funds class invests in funds that hold public and private fixed income securities. Some funds also have a large exposure to various asset backed securities. Some funds are subject to lock-up periods of up to one year. These funds are expected to be liquidated in approximately three to eight years.

The multi-strategy funds class invests in hedge funds of funds that invest in underlying managers who have the ability to invest both long and short in common stocks around the globe, in strategies focused on corporate credit and mortgage backed securities and those that seek to capitalize on distressed assets/entities and/or other corporate events. Management of hedge funds has the ability to shift investments across these categories based on where they believe the best potential returns exist. The majority of these funds are subject to lock up periods of up to one year.

The long/short funds class invests both long and short in common stocks around the globe. Management of hedge funds has the ability to shift investments geographically and by capitalization based on where they believe the best potential returns exist. These funds are subject to lock up periods of up to two years.

The credit hedge fund class invests in global investment themes including perceived opportunistic credit and mispriced securities. These funds are subject to lock up periods of up to one year.

The private equity funds and stock class invests mainly in several funds of funds that invest in private equity funds in U.S. companies. Distributions from this class will be received as the underlying investments of the funds are liquidated. These funds are not eligible for redemption.

The private real assets funds class invests in primarily U.S. commercial real estate. The fair values of the investments in this class have been estimated using the Foundation’s ownership interest in partners’ capital. Distributions from this class will be received as the underlying investments of the funds are liquidated.

FINAL DRAFT

NOTE 3. INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, The Community Foundation's investments at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 73,273,973	$ -	$ -	$ 73,273,973
Certificates of deposits	6,503,460	-	-	6,503,460
U.S. treasury obligations	4,615,049	-	-	4,615,049
Corporate stocks	216,578,386	-	-	216,578,386
Mutual funds:				
Fixed income focused funds	47,905,751	-	-	47,905,751
Equity focused funds	162,543,370	-	-	162,543,370
Fixed income securities	-	18,438,728	-	18,438,728
Life insurance	-	7,165,757	-	7,165,757
Alternative investments:				
Domestic equity funds	-	4,541,160	14,135,532	18,676,692
International equity funds	-	3,648,219	-	3,648,219
Absolute credit funds	-	-	6,109,036	6,109,036
Hedge funds:				
Multi-strategy funds	-	-	1,533,243	1,533,243
Long/short funds	-	-	2,725,765	2,725,765
Private equity and stock	-	-	24,995,036	24,995,036
Private real estate	-	-	23,725,517	23,725,517
Art held for sale	-	-	1,666,830	1,666,830
Investments measured at net asset value	-	-	-	231,646,173
Total investments at fair value	$ 511,419,989	$ 33,793,864	$ 74,890,959	$ 851,750,985

The following table sets forth a summary of changes in the fair value of The Community Foundation's level 3 assets for the year ended December 31, 2016:

	Level 3 Assets Year Ended December 31, 2016
Balance, beginning of year	$ 65,780,683
Purchases	15,602,655
Sales	(14,545,705)
Realized gains and losses	2,995,853
Unrealized gains and losses	5,057,473
Balance, end of year	$ 74,890,959

FINAL DRAFT

NOTE 3. INVESTMENTS (Continued)

In accordance with the FASB's fair value measurements and disclosure guidance, the following information is provided for investments in alternative assets valued at net asset value as of December 31, 2016, to enable users of financial statements to understand the nature and risk of The Community Foundation's investments by major category and whether the investments are probable of being sold at amounts different from net asset value per share or ownership interest in partners' capital.

	Fair Value	Unfunded Capital Commitments	Redemption Frequency	Redemption Notice Period
Domestic equity funds	$ 47,418,928	$ -	Monthly, Quarterly, Annually, Not Eligible	30-105 days, Not Eligible
International equity funds	52,715,715	-	Monthly, Quarterly	5-60 days
Commodity based funds	9,378,803	-	Monthly	5-10 days
Special situation funds	34,170,102	2,916,380	Bi-annually	90-180 days, Not Eligible
Domestic bond funds	8,794,751	-	Monthly	3 days
High yield funds	9,266,420	-	Monthly	45 days
Global bond funds	10,555,486	-	Monthly	10 days
Multi-strategy funds	29,242,202	972,552	Monthly, Quarterly, Annually, Not Eligible	30-90 days Not Eligible
Long/short funds	20,928,321	-	Daily, Monthly, Quarterly, Tri-annually	45-90 days
Credit hedge funds	9,175,445	-	Quarterly	60-65 days
Total	$ 231,646,173	$ 3,888,932		

FINAL DRAFT

The domestic equity funds class includes investments in a broadly diversified portfolio of U.S. companies. The funds maintain a broad exposure to the U.S. markets.

The international equity funds class focuses on investments in a broadly diversified portfolio of international companies. The funds maintain a broad exposure to the international markets.

NOTE 3. INVESTMENTS (Continued)

The commodity based funds class invests 100 percent long in managed futures, which invest in liquid assets, including commodities, core energy, metal equities, agriculture equities, global real estate equities, global climate change, and Treasury Inflation Protected Securities.

The special situations funds class invests primarily in special situations where a meaningful position can be taken in a distressed company, or it invests in specialty sector companies. These funds are subject to lock up periods of up to five years.

The domestic bond funds class invests primarily in fixed income securities that are investment grade. It may include some illiquid or restricted debt securities.

The global bond funds class invests 100 percent long in high quality global fixed income investments.

The high yield funds class invests in 100 percent debt securities that are generally rated below investment grade.

The absolute credit funds class invests in funds that hold public and private fixed income securities. Some funds also have a large exposure to various asset backed securities. Some funds are subject to lock-up periods of up to one year. These funds are expected to be liquidated in approximately three to eight years.

The multi-strategy funds class invests in hedge funds of funds that invest in underlying managers who have the ability to invest both long and short in common stocks around the globe, in strategies focused on corporate credit and mortgage backed securities and those that seek to capitalize on distressed assets/entities and/or other corporate events. Management of hedge funds has the ability to shift investments across these categories based on where they believe the best potential returns exist. The majority of these funds are subject to lock up periods of up to one year.

The long/short funds class invests both long and short in common stocks around the globe. Management of hedge funds has the ability to shift investments geographically and by capitalization based on where they believe the best potential returns exist. These funds are subject to lock up periods of up to two years.

The credit hedge fund class invests in global investment themes including perceived opportunistic credit and mispriced securities. These funds are subject to lock up periods of up to one year.

The private equity funds and stock class invests mainly in several funds of funds that invest in private equity funds in U.S. companies. Distributions from this class will be received as the underlying investments of the funds are liquidated. These funds are not eligible for redemption.

The private real assets funds class invests in primarily U.S. commercial real estate. The fair values of the investments in this class have been estimated using the Foundation's ownership interest in partners' capital. Distributions from this class will be received as the underlying investments of the funds are liquidated.

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NOTE 4. RECEIVABLES

The receivables outstanding are summarized as follows:

	2017	2016
Bequests and contributions receivable	**$ 1,052,237**	$ 3,313,672
Loans receivable	**4,678,050**	7,575,994
Notes and other receivables	**5,129,793**	1,923,636
Total receivables	**$ 10,860,080**	$ 12,813,302
Amount due in:		
Less than one year	**$ 9,833,503**	$ 7,021,013
One to five years	**302,831**	4,129,951
Greater than five years	**723,746**	1,662,338
Total	**$ 10,860,080**	$ 12,813,302

The Community Foundation has discounted its multi-year bequests, contributions, and notes receivables at rates ranging from 5% to 16%. The Foundation uses the specific identification method to determine its allowance for uncollectible pledges and such allowance is insignificant as of December 31, 2017 and 2016.

In 1996, a supporting organization established a line of credit with an entity to support a development project. The line of credit bears interest at prime plus 1% (4.50% at December 31, 2017). The line of credit is unsecured and will expire at the time at which there are no further funding requirements under an agreement related to third-party debt issued by the related entity to fund the development project. At December 31, 2017 and 2016, the outstanding borrowings under the line of credit were $8,399,794 and $7,665,075, respectively. At December 31, 2017 and 2016, the supporting organization recorded a $8,399,794 and $7,665,075, respectively, allowance against the loan receivable balance. The net note receivable is included in the above table as notes and other receivables.

At December 31, 2017 and 2016, a supporting organization has recorded uncollateralized membership obligations (included in the above table as notes and other receivables) of $1,878,846 and $1,438,548, respectively, related to a golf club that it owns and operates.

Loans receivable are recorded in the consolidated statements of financial position at their unpaid principal amounts. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan.

The accrual of interest is discontinued when, in management's judgment, it is determined that the collectability of interest or principal is doubtful. There were no loans whose interest had been discontinued as of December 31, 2017 and 2016.

The majority of the loans receivable are interest only, and bear interest anywhere between 5% - 20%. The terms of these loans range from maturity in 2017 through 2021. The collateral for these loans consists of secured deeds and personal guarantees from third parties. Approximately $400,000 in loans receivable have no pledged collateral at December 31, 2017 and 2016.

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NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment, including real estate properties used in charitable activities, at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Land	**$ 33,654,099**	$ 33,310,166
Land improvements	**20,567,222**	20,537,186
Buildings	**37,414,761**	36,205,059
Furniture and equipment	**5,921,657**	5,534,642
	97,577,739	95,587,053
Less accumulated depreciation	**(40,947,503)**	(38,991,259)
Property and equipment, net	**$ 56,610,236**	$ 56,595,794

Depreciation expense totaled $1,956,244 and $1,909,676 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2017 and 2016:

	2017	2016
Time restrictions	**$ 12,462,976**	$ 29,708,024
Charitable gift annuities, remainder trusts and pooled income funds with The Community Foundation as trustee	**5,251,885**	5,005,842
Life insurance policies	**951,517**	914,054
Temporarily restricted net assets	**$ 18,666,378**	$ 35,627,920

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during 2017 and 2016 as follows:

	2017	2016
Passage of time	**$ 53,768,301**	$ 5,798,782
Net assets released from restrictions	**$ 53,768,301**	$ 5,798,782

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NOTE 8. EMPLOYEE BENEFIT PLAN

Eligible employees participate in the Foundation's Simplified Employee Pension (SEP). Annual contributions are based on a stipulated percentage up to 10% of eligible employees' salaries. The Foundation contributed 5%, resulting in $123,445 and $154,746 of expense under this plan for the years ended December 31, 2017 and 2016, respectively.

One of the supporting organizations has a contributory, defined contribution 401(k) safe harbor plan covering all employees. The supporting organization makes a safe harbor match in an amount equal to 100% of the first 3% and 50% of the next 2% of compensation deferred. The supporting organization also makes an annual discretionary contribution from time to time. The participants are immediately vested in the safe harbor match contributions. The supporting organization recognized approximately $322,000 and $325,000 for employer contributions to the safe harbor 401(k) plan, which is reflected in the consolidated statement of activities and changes in net assets for the years ended December 31, 2017 and 2016, respectively.

NOTE 9. COMMITMENTS

Operating Leases

The Foundation leases its office space under an operating lease that terminates in September 2030. The Foundation's obligations under the agreement include base rent, operating fees, and management service fees. Monthly payments will range from approximately $24,000 to $34,000 over the term of the operating lease. Base rent is incurred on a straight-line basis over the term of the lease. Also, one of the supporting organizations has entered into various operating leases for machinery and equipment that have various expiration dates through November 2021.

Consolidated rent expense to unrelated parties for the years ended December 31, 2017 and 2016, was $679,305 and $692,741, respectively.

Future minimum lease payments to be made are as follows:

For the years ending December 31,		
2018	$	526,854
2019		524,888
2020		492,690
2021		346,068
2022		338,349
Thereafter		2,864,588
	$	5,093,437

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NOTE 9. COMMITMENTS (Continued)

One of the supporting organizations has entered into various lease agreements to rent property to unrelated parties. The various leases mature in November 2021.

Future minimum lease payments to be received are as follows:

For the years ending December 31,	
2018	$ 140,999
2019	141,479
2020	141,959
2021	113,629
	$ 538,066

A supporting organization's payments for support are recognized as expense at the time recipients are entitled to such support. Generally, this occurs when set performance conditions are satisfied. Support that is approved but contingent upon future performance are accrued in the financial statements once the conditions are substantially met. Approximately $1,436,000 and $1,841,000 of conditional support payables were approved by the supporting organization as of December 31, 2017 and 2016, respectively.

NOTE 10. FORM 990 REPORTING

The audited financial statements of The Community Foundation are reported in accordance with U.S. GAAP. The differences that exist between these accounting principles and the Internal Revenue Service Form 990 (990) reporting requirements create certain reconciling items between the components of net assets and net income reported in the consolidated financial statements and The Community Foundation's 990s. These reconciling items may include unrealized gains and losses included in The Community Foundation's revenues that are excluded from revenues for 990 reporting purposes and investment manager fees that are netted against revenues in The Community Foundation's audited financial statements and are reported separately as expenses in the 990s. Other reconciling items reflect agency or other adjustments. The audited financial statements of The Community Foundation are reported on a consolidated basis which includes its subsidiaries and its supporting organizations. Separate 990s are prepared for each of these entities that collectively make up The Community Foundation.

FINAL DRAFT

NOTE 11. RELATED PARTY TRANSACTIONS

A related entity of a supporting organization has a development project funded by third party debt. In June 2012, the supporting organization pledged 912,833 shares of one public company's stock as collateral for the related entity's third party debt. During 2017, the supporting organization sold 572,153 shares of the public company's stock and reinvested proceeds into 518,729 shares of a mutual fund, which is also held as collateral. As of December 31, 2017, the pledged public company stock and mutual fund shares had a carrying value of approximately $8,323,000 in the consolidated statement of financial position. The investments are expected to remain as security until the third-party debt is paid.

In 2013, a supporting organization made a $10 million conditional pledge to a related entity that is expected to be paid out through 2023. At December 31, 2017 and 2016, $4,044,083 and $5,204,535, respectively, of the original conditional pledge was still outstanding.

NOTE 12. SUBSEQUENT EVENTS

The Community Foundation has evaluated subsequent events through which is the date these consolidated financial statements were available to be issued. All subsequent events, if any, requiring recognition as of December 31, 2017, have been incorporated into these consolidated financial statements.

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