

The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Financial Report
December 31, 2019

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RSM US LLP

Independent Auditor's Report

Board of Trustees
The Baltimore Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated statements of financial position of The Baltimore Community Foundation, Inc. and Affiliates (the Foundation) as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 the consolidated 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 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 Foundation'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 Foundation'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.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Baltimore, Maryland
June 10, 2020

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The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 3,495,417	\$ 2,235,201
Contributions receivable, net (Note 6)	1,959,562	3,057,348
Investments (Notes 2, 3 and 14)	204,961,612	167,006,170
Cash surrender value of life insurance (Notes 2 and 5)	28,324	27,039
Grants and other receivables, net	55,971	53,486
Property and equipment, net (Note 7)	19,173	30,019
Prepaid expenses	200,948	102,513
	210,721,007	172,511,776
Total assets		
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 807,035	\$ 650,946
Grants payable, net (Note 9)	1,102,166	1,971,632
Deferred rent	-	90,669
Annuities payable (Notes 2 and 10)	412,183	302,609
Liability under trust agreements (Note 2)	254,947	302,404
Endowment funds held for benefit of other nonprofit organizations (Note 2)	7,716,300	6,732,353
	10,292,631	10,050,613
Total liabilities		
Commitments and contingencies (Notes 10, 11 and 13)		
Net assets (Note 12):		
Without donor restrictions:		
Endowed (Note 4)	116,138,581	96,950,584
Non-endowed	80,201,198	60,979,074
	196,339,779	157,929,658
Total without donor restrictions		
With donor restrictions:		
Endowed (Note 4)	735,145	1,527,430
Non-endowed	3,353,452	3,004,075
	4,088,597	4,531,505
Total with donor restrictions		
	200,428,376	162,461,163
Total net assets		
	210,721,007	172,511,776
Total liabilities and net assets		

See notes to consolidated financial statements.

The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Donor contributions (Note 6)	\$ 32,068,827	\$ 825,619	\$ 32,894,446
Investment income (Notes 3 and 4)	28,298,929	299,683	28,598,612
Other income (Notes 5 and 13)	415,827	47,458	463,285
Net assets released from restrictions (Note 12)	1,615,668	(1,615,668)	-
Total revenue and other support	62,399,251	(442,908)	61,956,343
Grants and expenses:			
Program activity:			
Grants (Note 9)	18,552,407	-	18,552,407
Other charitable expenditures	797,919	-	797,919
Grant administration	1,040,951	-	1,040,951
Total program activity	20,391,277	-	20,391,277
Supporting services:			
Development and donor services	1,036,284	-	1,036,284
Management and general	2,561,569	-	2,561,569
Total supporting services	3,597,853	-	3,597,853
Total expenses	23,989,130	-	23,989,130
Change in net assets	38,410,121	(442,908)	37,967,213
Change in net assets:			
Beginning of year	157,929,658	4,531,505	162,461,163
End of year	\$ 196,339,779	\$ 4,088,597	\$ 200,428,376

See notes to consolidated financial statements.

The Baltimore Community Foundation, Inc. and Affiliates

**Consolidated Statement of Activities
Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Donor contributions (Note 6)	\$ 29,218,534	\$ 599,857	\$ 29,818,391
Investment loss (Notes 3 and 4)	(7,588,067)	(126,226)	(7,714,293)
Other income (Notes 5 and 13)	291,792	6,296	298,088
Net assets released from restrictions (Note 12)	2,411,634	(2,411,634)	-
Total revenue and other support	24,333,893	(1,931,707)	22,402,186
Grants and expenses:			
Program activity:			
Grants (Note 9)	16,972,029	-	16,972,029
Other charitable expenditures	1,338,205	-	1,338,205
Grant administration	639,673	-	639,673
Total program activity	18,949,907	-	18,949,907
Supporting services:			
Development and donor services	1,021,521	-	1,021,521
Management and general	3,321,542	-	3,321,542
Total supporting services	4,343,063	-	4,343,063
Total expenses	23,292,970	-	23,292,970
Change in net assets	1,040,923	(1,931,707)	(890,784)
Change in net assets:			
Beginning of year	156,888,735	6,463,212	163,351,947
End of year	\$ 157,929,658	\$ 4,531,505	\$ 162,461,163

See notes to consolidated financial statements.

The Baltimore Community Foundation, Inc. and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Expenses		Support Expenses			Total
	Grant and Other	Development	Management	Total Support	Total	
	Charitable Expenditures	and Donor Services	and General	Expenses		
Grants and other charitable expenditures	\$ 19,350,326	\$ -	\$ -	\$ -	\$ 19,350,326	
Salary and benefits	719,956	681,193	1,829,856	2,511,049	3,231,005	
Professional services	81,255	75,496	389,912	465,408	546,663	
Facility	43,207	39,790	194,663	234,453	277,660	
Meetings and events	29,986	49,160	47,116	96,276	126,262	
Trust beneficiary payments	-	123,174	-	123,174	123,174	
Promotion	90,355	1,428	10,244	11,672	102,027	
Technology	52,418	41,425	218	41,643	94,061	
Supplies	11,658	16,109	16,409	32,518	44,176	
Insurance	-	-	32,998	32,998	32,998	
Postage	6,938	3,064	6,276	9,340	16,278	
Telephone	5,178	5,445	15,725	21,170	26,348	
Depreciation	-	-	18,152	18,152	18,152	
	<u>\$ 20,391,277</u>	<u>\$ 1,036,284</u>	<u>\$ 2,561,569</u>	<u>\$ 3,597,853</u>	<u>\$ 23,989,130</u>	

See notes to consolidated financial statements.

The Baltimore Community Foundation, Inc. and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2018**

	Program Expenses		Support Expenses		Total
	Grant and Other Charitable Expenditures	Development and Donor Services	Management and General	Total Support Expenses	
Grants and other charitable expenditures	\$ 18,310,234	\$ -	\$ -	\$ -	\$ 18,310,234
Salary and benefits	496,702	574,006	2,466,992	3,040,998	3,537,700
Professional services	33,790	136,860	399,631	536,491	570,281
Facility	72,974	46,349	230,782	277,131	350,105
Meetings and events	-	124,548	-	124,548	124,548
Trust beneficiary payments	632	101,608	7,886	109,494	110,126
Promotion	20,477	7,646	67,761	75,407	95,884
Technology	6,820	19,017	28,275	47,292	54,112
Supplies	2,403	6,250	31,469	37,719	40,122
Insurance	-	-	32,991	32,991	32,991
Postage	272	1,627	27,449	29,076	29,348
Telephone	5,603	3,610	15,030	18,640	24,243
Depreciation	-	-	13,276	13,276	13,276
	<u>\$ 18,949,907</u>	<u>\$ 1,021,521</u>	<u>\$ 3,321,542</u>	<u>\$ 4,343,063</u>	<u>\$ 23,292,970</u>

See notes to consolidated financial statements.

The Baltimore Community Foundation, Inc. and Affiliates

**Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 37,967,213	\$ (890,784)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(24,402,390)	11,302,399
Depreciation	18,152	13,276
Decrease in present value discounts	(53,496)	(23,555)
Loss on fixed assets disposal	-	1,225
Noncash contributions	(13,940,174)	(11,026,439)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Life insurance policies	(1,285)	(4,303)
Contributions receivable	1,163,595	1,916,238
Grants and other receivables	(2,485)	750
Prepaid expenses	(98,435)	(17,248)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	156,089	(114,078)
Grants payable	(869,279)	111,565
Deferred rent	(90,669)	4,142
Net cash (used in) provided by operating activities	(153,164)	1,273,188
Cash flows from investing activities:		
Proceeds from sale/redemption of investments	14,997,757	32,372,199
Purchase of investments	(12,927,325)	(32,825,344)
Loans issued	(1,695,810)	(500,000)
Purchase of property and equipment	(7,306)	(13,219)
Net cash provided by (used in) investing activities	367,316	(966,364)
Cash flows from financing activities:		
Activity of endowment funds held for benefit of nonprofit organizations:		
Contributions received	33,985	8,190
Interest and dividends, net	1,188,017	(392,266)
Grants paid	(238,055)	(239,814)
Principal payments of trust obligations	(47,457)	(6,296)
Repayments of line of credit, net	-	(250,000)
Proceeds from (principal payments of) annuity obligations	109,574	(40,217)
Net cash provided by (used in) financing activities	1,046,064	(920,403)
Net increase (decrease) in cash	1,260,216	(613,579)
Cash:		
Beginning	2,235,201	2,848,780
Ending	\$ 3,495,417	\$ 2,235,201

(Continued)

The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ 1,408
Stock contributions received	\$ 13,940,174	\$ 11,026,439

See notes to consolidated financial statements.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

The primary purpose of The Baltimore Community Foundation, Inc. and Affiliates (the Foundation) is to manage a permanent community endowment and to make charitable grants to qualifying recipients in Baltimore City and County. The Foundation receives its support directly from the public.

The Foundation is composed of the following organizations:

The Baltimore Community Foundation, Inc. (BCF) has been recognized by the Internal Revenue Service (IRS) as a tax-exempt organization as defined by §501(c)(3) and §509(a)(1) of the Internal Revenue Code (IRC) that is publicly supported and, therefore, not a private foundation. BCF was incorporated under the laws of Maryland in 1972.

The Eddie C. and C. Sylvia Brown Family Foundation, Inc., Youse-Corrigan Foundation, Inc. and FAHOL Foundation Inc. are Type 1 supporting organizations of BCF and BCF's board has the ability to appoint more than 50% of the board members. They have been recognized by the IRS as tax-exempt organizations as defined by IRC §501(c)(3) and were incorporated in 1994, 1995 and 1998, respectively.

In November 2018, the Foundation formed BCF Holdings I, LLC (BCF Holdings), as a Maryland single member limited liability company that is wholly owned and controlled by BCF.

Principles of consolidation: The consolidated financial statements include the component funds of BCF, BCF Holdings, and the three supporting organizations described above, which are under common control of the Board of Trustees of BCF. All intercompany transactions and balances have been eliminated in consolidation.

Basis of accounting: The consolidated financial statements of the Foundation are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation: The Foundation reports information regarding its consolidated financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions: All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Foundation the ability to modify donor restrictions that are incapable of fulfillment or are no longer consistent with the charitable needs of the community. As a result of the variance power, all contributions not classified as net assets with donor restrictions, are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions: Net assets with donor restrictions are the net assets that are subject to donor-imposed stipulations. These consist of irrevocable charitable trusts, pooled income funds, cash surrender value of life insurance contracts and contribution receivables. Some donor-imposed restrictions are temporary in nature that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates in preparing financial statements: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, the Foundation considers demand deposits, sweep investment instruments and U.S. treasury obligations with an original maturity of three months or less at the date of purchase to be cash and cash equivalents.

Concentration of credit risk: The Foundation maintains cash with various financial institutions. Deposits are insured by the FDIC up to specified limits.

Investments: Investments consist of equity securities, mutual funds, money market funds, hedge funds, private equity funds, a private company and loan receivables. Investments are presented in the consolidated financial statements at fair value. 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. The Foundation invests in the asset classes stated above to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation plus any spending and administrative expenses thus, at a minimum maintaining the purchasing power.

Purchases and sales of securities are recorded on a trade-date basis. Interest, dividends and realized gains and losses are recorded as revenue when earned on the accrual basis. Changes in the fair value are reflected in current revenue.

Impairment of long-lived assets: The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Contributions, grants and donated assets: Contributions, donated marketable securities and other noncash donations received by the Foundation are presented at their fair values on the date of such gifts.

Unconditional pledges to give support are recognized as receivables and as corresponding contribution revenue in the year the pledges are made. Conditional pledges to give, which depend on the occurrence of a specified future and uncertain event, are not recognized as revenue until the conditions have been met.

The Foundation uses the allowance method to determine the uncollectible amounts of contributions receivable. The allowance is based upon prior years' experience and management's analysis of subsequent collections. The allowance for uncollectible amounts for contributions receivable was \$7,294 and \$19,794 as of December 31, 2019 and 2018, respectively.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Unconditional promises by the Foundation to give (grant commitments) are recognized as payables and corresponding grant expenses in the year the promises or commitments are made. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event, are not recognized as expenses until the conditions have been met.

Trusts: The Foundation is the sole or partial beneficiary of a number of irrevocable trusts and pooled income fund agreements and acts as trustee for many of them. The fair values of the trusts or pooled income assets are reflected as assets of the Foundation when it acts as a trustee. The net present value of the anticipated benefit to be received from these agreements is recorded as contribution revenue in the year the agreement is created. The difference between the total trust assets and the contribution revenue recognized is recorded as a liability during the lifetime of the income beneficiaries. As required, when distributions are made to these beneficiaries, the liability is reduced. For trusts where the Foundation does not act as a trustee, the net present value of the anticipated benefit to be received is recognized as a contribution receivable and corresponding revenue in the year the irrevocable trust is created.

Property and depreciation: Property is recorded at cost. The Foundation capitalizes all items with an individual cost in excess of \$500 and a useful life of at least one year. Depreciation is computed utilizing the straight-line method over useful lives ranging from three to five years for equipment and furniture. Leasehold improvements are depreciated over the shorter of the life of the asset or the remaining term of the office space lease.

Advertising: Advertising costs are charged to operations when incurred. Advertising expense was \$50,246 and \$59,635 for the years ended December 31, 2019 and 2018, respectively.

Component funds: Contributions received by the Foundation are classified and administered according to the donor's instructions at the time the gift is made. The administrative fund represents expendable funds that are available for the administration of the Foundation. The leasehold improvements, furniture and equipment owned by the Foundation are recorded in a fixed asset fund.

Contributions can be made to one of the following component funds of the Foundation:

- Discretionary funds are expended in any charitable field at the discretion of the Board of Trustees.
- Field-of-interest funds are expended for some broadly defined charitable purpose such as education or neighborhood development.
- Donor-advised funds are expended at the discretion of the Board of Trustees, which from time to time considers grant recommendations offered by donors.
- Scholarship funds are expended in support of educational scholarship programs.
- Designated funds are expended for the charitable purposes specified by donors at the time the component fund is created.
- Supporting organization funds are expended at the discretion of the respective supporting organizations' boards of trustees. The Foundation appoints more than 50% of each Type 1 supporting organization's trustees.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Each of the six kinds of funds previously listed may be created as endowed or non-endowed funds. Grants from endowed funds are limited to an amount calculated by the Foundation's spending policy. Grants from non-endowed funds are not limited. For the purpose of these consolidated financial statements, and to avoid confusion with the accounting terms without donor restrictions and with donor restrictions, funds that are referred to in the Foundation's marketing literature as without donor restrictions, are referred to here as discretionary because they are completely at the discretion of the Foundation's Board.

Income taxes: The Foundation is exempt from federal and state income taxes under §501(c)(3) of the IRC. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had a de minimis amount of net unrelated business income for the years ended December 31, 2019 and 2018.

BCF Holdings is a single-member limited liability company, wholly owned by BCF. Accordingly, all activity is reported under the Foundation's name, and BCF Holdings assumes the same tax status as the Foundation.

The Foundation adopted the accounting standard on accounting for uncertainty in income taxes. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this guidance.

Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2016.

Risks and uncertainties: The Foundation invests, directly and indirectly through affiliated entities, in a variety of alternative investment funds managed by third-party managers. The fund managers estimate the fair value of the investments for which observable market prices in active markets do not exist or market data is insufficiently liquid or transparent. The fund managers make estimates based on the best available information to them at the time of valuation, and these estimates may differ significantly from values that would have been used had a ready market for the investments existed and the differences could be material. These estimates may also prove to differ from actual fair value due to the uncertainty of certain factors that affect the value of the alternative investment funds. These factors include, but are not limited to: 1) the cost and availability of credit for the alternative funds; 2) predictability of future cash flows and earnings of portfolio companies; 3) liquidity discounts for positions intended to be held for long periods of time; 4) access to capital markets; and, 5) trading limitations due to size, insider status or general lack of liquidity in the specific investment.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Endowment fund management policy: The Foundation follows the guidance, *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*. This guidance requires that the amount classified as net assets with donor restrictions to be held in perpetuity shall be the amount of the fund: (a) that must be retained permanently in accordance with explicit donor stipulations or (b) that in the absence of such stipulations, determined by the Foundation's governing board, must be retained permanently consistent with the relevant law. It also expands the disclosures required for both donor-restricted and board-designated endowment funds.

Endowment funds held for benefit of nonprofit organizations: In accordance with the guidance, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, if a not-for-profit organization establishes an endowment fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as endowment funds held for benefit of nonprofit organizations.

The Foundation maintains legal ownership of these funds and, as such, continues to report the funds as assets of the Foundation. However, a liability has been established for the fair value of the funds.

Deferred rent: The Foundation's office space leases, which are described in Note 13, have lease payment provisions with fixed annual increases. In accordance with generally accepted accounting principles, the total rent commitment is to be recognized on a straight-line basis over the term of the leases. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as deferred rent. As described in Note 13, the current lease was terminated in February 2020 and as a result, the remaining deferred rent liability was written off as of December 31, 2019.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses are attributable to more than one program or supporting function. These expenses are allocated consistently based on the following:

- Salaries and benefits are allocated based on estimates of time and effort.
- Shared costs for facility, telephone, technology, memberships and office supplies are allocated based on employee headcounts for each functional area.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Liquidity and availability: The Foundation segregates operating cash available for general expenditures from all other cash and investments available for grant making. Separate checking accounts are maintained for operations and grant making. Cash available for grant making is never used or available for general expenditures. The operating fund is primarily supported by administrative and program service fees charged quarterly and contributions from the Civic Leadership Fund. Historical operating revenues in excess of operating expenses are instrumental to maintain short-term liquidity. The Foundation has a policy to maintain an operating reserve of at least thirty percent of its annual operating budget in cash and money market accounts. Additionally, the Foundation maintains a line of credit with a maximum available balance of \$1 million to cover any temporary cash deficiencies due to delays of donor contributions.

As of December 31, 2019 and 2018, cash and cash equivalents of \$41,692,505 and \$32,227,926, respectively, are available to meet annual operating needs of the following fiscal year. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and marketable securities.

Accounting pronouncements adopted: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this ASU did not impact the Foundation's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities to identify and account for contributions made and contributions received. The adoption of the ASU did not materially impact the Foundation's consolidated financial statements.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires that lessees recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for the Foundation for the year beginning January 1, 2022. The adoption of this standard is expected to result in the Foundation recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. Management is evaluating the impact of this standard on the Foundation's consolidated financial statements.

Note 2. Fair Value Measurements

The accounting guidance, *Fair Value Measurements and Disclosures*, is a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the assets or liabilities
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used, maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the valuation methodologies used at December 31, 2019. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Money market accounts: Money market accounts are valued at a stable \$1.00 net asset value which is the value at which the fund is traded and approximates fair value based on the fair value of the underlying investment.

Equity securities and mutual funds: Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or, if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange.

Investment in private equity fund: This investment consists of a limited partnership equity interest in a private equity fund. The Foundation's investment in this fund is stated at fair value by evaluating the fair value of total net assets of the fund. The net assets of a private equity fund are valued based on each underlying investment within the private equity fund incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions and performance multiples, among other factors.

Investments in hedge funds: The Foundation's investments in hedge funds consist of limited partnership equity interests in hedge funds, which are comprised of either offshore private investment companies or United States corporations or partnerships that invest directly or indirectly through joint ventures or United States limited liability companies in complex, hard-to-value instruments, including derivative products and private or illiquid positions. The Foundation's investments in hedge funds are stated at fair value by evaluating the fair values of the net assets of each hedge fund. The net assets of each fund are valued based on each underlying investment, with the hedge fund incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions and performance multiples, among other factors.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

Investment in private company: The Foundation holds shares of stock of a private company. The private company hires an independent valuation group to determine the fair value as of the end of each year.

For the year ended December 31, 2019, a weighted average approach was utilized with the discounted cash flow method, guideline company method, guideline transaction method, and company stock transaction value. The aforementioned methods utilized in 2019 used revenue and EBITDA multiples ranging from 3.5 to 13.00.

For the year ended December 31, 2018, the discounted cash flow method was applied by projecting the company's net cash flow during the interim period and estimating the company value at the terminal year. The interim net cash flows and terminal value were then discounted to present value based on an appropriate required rate of return (or discount rate). Revenue and EBITDA multiples were utilized ranging from 4.00 to 13.00.

Cash surrender value of life insurance: The cash surrender value of life insurance was determined by the underwriting insurance company's valuation models, which take into account the passage of time, mortality tables, interest rates, cash values for paid-up additions and dividend accumulations. The cash surrender value represents the guaranteed value that would be received upon surrender of these policies held at December 31, 2019 and 2018. These assets are included in Level 3 of the fair value hierarchy.

Funds held for benefit of other non-profits: The fair value of endowment fund liabilities is based on revenues and expenses, including investment returns, related to the endowment fund.

Trust agreements: The fair value of trust agreement liabilities is based on the net present value of the anticipated benefit payments from the trusts for which the Foundation is both a beneficiary and trustee. As beneficiary payments are made, the life expectancy of the beneficiary decreases and discount rates fluctuate from year-to-year, the Foundation adjusts the liability accordingly.

Annuity obligations: The fair value of the Foundation's annuity obligations is based on the net present value of the anticipated benefit using the difference between the assets received and the original contribution. As beneficiary payments are made, the liability is adjusted based on an amortization schedule.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

Impact investment program: The impact investing program (the Program) will seek investments that further the Foundation's vision of creating a growing economy where everyone has the opportunity to thrive. Investments must primarily benefit Baltimore City and/or Baltimore County. The Program will invest the impact pool assets to produce a financial return and to provide social and economic benefits to the region's economy and its citizens (the impact return). Impact return will be measured with specific impact metrics identified for partner institutions or individual investments. The Foundation will seek to make investments that advance racial equity and encourages the collection of relevant data. Investments that support the Foundation's discretionary grant making will be prioritized. The Program's net earnings (interest less expenses) will be allocated monthly to the Foundation's long-term market investment pool and any other funds based upon the shares held in the Program. Within the Program, loan receivables represent loans to entities that facilitate the vision of the Program and activities supported by the Foundation. Loans are at net realizable value as determined by management and approved, at least annually by the Impact Investment Sub-Committee. The Foundation has committed to approximately \$3,500,000 of future investments related to the Program, of which approximately \$3,200,000 had been invested at December 31, 2019. Investments in the Program consisted of the following at December 31, 2019 and 2018:

	2019	2018
Loans receivable	\$ 2,202,068	\$ 504,247
Fixed income mutual funds	1,070,822	1,008,806
Total impact investment program	<u>\$ 3,272,890</u>	<u>\$ 1,513,053</u>

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the 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.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

The following tables summarize assets and liabilities measured at fair value by classification within the fair value hierarchy as of December 31, 2019:

	2019			
	Balance as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money markets	\$ 38,197,088	\$ 38,197,088	\$ -	\$ -
Mutual funds:				
Equity fund	64,828,922	64,828,922	-	-
Bond fund	37,838,090	37,838,090	-	-
International fund	49,390,237	49,390,237	-	-
Fixed income	4,116,435	4,116,435	-	-
Common stocks	3,586,139	3,586,139	-	-
Investment in private company	4,119,171	-	-	4,119,171
Cash surrender value of life insurance	28,324	-	-	28,324
Total investments at fair value	202,104,406	\$ 197,956,911	\$ -	\$ 4,147,495
Investments in private equity (a)	657,515			
Investments in hedge funds (a)	25,947			
Loans receivable	2,202,068			
Total assets	<u>\$ 204,989,936</u>			
Liabilities:				
Annuity obligations	\$ 412,183	\$ -	\$ 412,183	\$ -
Trust agreements	\$ 254,947	\$ -	\$ 254,947	\$ -
Endowment funds held for benefits of other nonprofits	\$ 7,716,300	\$ -	\$ 7,716,300	\$ -

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

The following tables summarize assets and liabilities measured at fair value by classification within the fair value hierarchy as of December 31, 2018:

	2018			
	Balance as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money markets	\$ 29,992,725	\$ 29,992,725	\$ -	\$ -
Mutual funds:				
Equity fund	50,318,538	50,318,538	-	-
Bond fund	34,686,006	34,686,006	-	-
International fund	39,966,160	39,966,160	-	-
Fixed income	3,362,643	3,362,643	-	-
Common stocks	1,174,923	1,174,923	-	-
Investment in private company	6,248,344	-	-	6,248,344
Cash surrender value of life insurance	27,039	-	-	27,039
Total investments at fair value	165,776,378	\$ 159,500,995	\$ -	\$ 6,275,383
Investments in private equity (a)	707,987			
Investments in hedge funds (a)	44,597			
Loans receivable	504,247			
Total assets	<u>\$ 167,033,209</u>			
Liabilities:				
Annuity obligations	\$ 302,609	\$ -	\$ 302,609	\$ -
Trust agreements	\$ 302,404	\$ -	\$ 302,404	\$ -
Endowment funds held for benefits of other nonprofits	\$ 6,732,353	\$ -	\$ 6,732,353	\$ -

- (a) In accordance with Subtopic 820-10 as amended by ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Assets Value per Share (or its Equivalent)*, certain investments that were measured at net asset value (NAV) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2019:

	Beginning Balance January 1, 2019		New Gifts or Purchases	Redemptions	Ending Balance December 31, 2019	
		Gains				
Investment in private company	\$ 6,248,344	\$ 553,087	\$ 6,192,054	\$ (8,874,314)	\$ 4,119,171	
Cash surrender value of life insurance	27,039	1,285	-	-	28,324	
Total	<u>\$ 6,275,383</u>	<u>\$ 554,372</u>	<u>\$ 6,192,054</u>	<u>\$ (8,874,314)</u>	<u>\$ 4,147,495</u>	

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements (Continued)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2018:

	Beginning Balance January 1, 2018	Gains	New Gifts or Purchases	Redemptions	Ending Balance December 31, 2018
Investment in private company	\$ 4,833,867	\$ -	\$ 5,382,083	\$ (3,967,606)	\$ 6,248,344
Cash surrender value of life insurance	22,736	4,303	-	-	27,039
Total	<u>\$ 4,856,603</u>	<u>\$ 4,303</u>	<u>\$ 5,382,083</u>	<u>\$ (3,967,606)</u>	<u>\$ 6,275,383</u>

Note 3. Investments

Investments consisted of the following at December 31, 2019 and 2018:

	2019	2018
Equity securities and mutual funds	\$ 159,759,823	\$ 129,508,270
Money market funds	38,197,088	29,992,725
Hedge funds	25,947	44,597
Private equity funds	657,515	707,987
Private company	4,119,171	6,248,344
Loans receivable	2,202,068	504,247
Total investments	<u>\$ 204,961,612</u>	<u>\$ 167,006,170</u>

The table below summarize such investments and certain attributes as of December 31, 2019.

Investment	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	\$ 657,515	\$ 120,000	None	None
Hedge funds	25,947	-	Quarterly	90 days
Loans receivable	2,202,068	327,135	(b)	(b)
Total	<u>\$ 2,885,530</u>	<u>\$ 447,135</u>		

(b) As of December 31, 2019, the Foundation has four loans outstanding for \$2,202,068 that will individually mature in 2021, 2023 and 2025. In addition, the Foundation has one additional loan commitment for \$327,135 as of December 31, 2019.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments (Continued)

The table below summarize such investments and certain attributes as of December 31, 2018.

Investment	Fair Value	2018		
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	\$ 707,987	\$ 120,000	None	None
Hedge funds	44,597	-	Quarterly	90 days
Loans receivable	504,247	500,000	(b)	(b)
Total	<u>\$ 1,256,831</u>	<u>\$ 620,000</u>		

(b) As of December 31, 2018, the Foundation had three loans outstanding for \$504,247 that will individually mature in 2021, 2023 and 2025. In addition, the Foundation has one additional loan commitment for \$500,000 as of December 31, 2019.

Investment income, net of related expenses, was composed of the following for the years ended December 31, 2019 and 2018.

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
	Interest and dividends	\$ 4,262,198	\$ 57,106
Net realized and unrealized gains	24,139,601	262,789	24,402,390
Investment expenses	(102,870)	(20,212)	(123,082)
Total	<u>\$ 28,298,929</u>	<u>\$ 299,683</u>	<u>\$ 28,598,612</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
	Interest and dividends	\$ 3,580,142	\$ 62,053
Net realized and unrealized losses	(11,134,128)	(168,271)	(11,302,399)
Investment expenses	(34,081)	(20,008)	(54,089)
Total	<u>\$ (7,588,067)</u>	<u>\$ (126,226)</u>	<u>\$ (7,714,293)</u>

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Endowments

Endowments consist of designated, discretionary, donor-advised, field of interest and scholarship funds which are designated by the Board of Trustees (the Board) to function as endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As a result of the Foundation's variance power, all contributions not classified as net assets with donor restrictions, are classified as net assets without donor restrictions for financial statement purposes.

Interpretation of relevant law: The Board of the Foundation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of December 31, 2019 and 2018, the Foundation did not hold any endowment funds classified as with donor restrictions to be held in perpetuity due to the variance power vested in the Board of Trustees.

Return objectives and risk parameters: The Foundation has adopted an investment and spending policy for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowment funds as follows:

Asset Class	Target Allocation	Allowable Range
U.S. equity	38.00%	32-44%
Non-U.S. developed	25.00%	21-29%
Emerging markets	7.00%	5-9%
Real return	0.00%	0-5%
Hedge funds	0.00%	0-25%
Bonds/cash	30.00%	25-38%
Opportunistic	0.00%	0-2%

Spending policy: The Foundation's Board has adopted a "Total Return" approach to determine the annual amount available for grant-making from the Foundation's endowment funds. Under this philosophy, the policy for the years ended December 31, 2019 and 2018, of the Foundation is to appropriate either 4% (discretionary and field-of-interest funds) or 5% (for all other endowment funds) of the market value of assets calculated on the average of the trailing 12 quarters.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Endowments (Continued)

Endowment net asset composition as of December 31, 2019 and 2018, is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Discretionary	\$ 34,700,458	\$ 706,871	\$ 35,407,329
Field of interest	29,002,653	1,200	29,003,853
Donor-advised	35,155,963	23,399	35,179,362
Scholarship	1,773,883	-	1,773,883
Designated	15,505,624	3,675	15,509,299
Total funds	<u>\$ 116,138,581</u>	<u>\$ 735,145</u>	<u>\$ 116,873,726</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Discretionary	\$ 29,119,472	\$ 1,465,105	\$ 30,584,577
Field of interest	24,424,047	40,225	24,464,272
Donor-advised	29,453,831	21,250	29,475,081
Scholarship	1,735,789	-	1,735,789
Designated	12,217,445	850	12,218,295
Total funds	<u>\$ 96,950,584</u>	<u>\$ 1,527,430</u>	<u>\$ 98,478,014</u>

Changes in endowment net assets for the years ended December 31, 2019 and 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	\$ 105,188,461	\$ 2,760,572	\$ 107,949,033
Investment gain (loss)	(6,495,313)	4,303	(6,491,010)
Transfers, net	(1,440,187)	(2,437,811)	(3,877,998)
Contributions	1,916,342	1,200,366	3,116,708
Appropriation of endowment assets for expenditures	(2,218,719)	-	(2,218,719)
Endowment net assets, December 31, 2018	<u>96,950,584</u>	<u>1,527,430</u>	<u>98,478,014</u>
Investment gain	20,056,526	1,285	20,057,811
Transfers, net	(1,453,686)	(1,591,804)	(3,045,490)
Contributions	2,869,943	798,234	3,668,177
Appropriation of endowment assets for expenditures	(2,284,786)	-	(2,284,786)
Endowment net assets, December 31, 2019	<u>\$ 116,138,581</u>	<u>\$ 735,145</u>	<u>\$ 116,873,726</u>

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5. Cash Surrender Value of Life Insurance

The Foundation is the designated beneficiary of one insurance policy. The increase in cash surrender value has been recorded as other income with donor restrictions in the consolidated statements of activities for the years ended December 31, 2019 and 2018. Total gain was \$1,285 and \$4,303 for the years ended December 31, 2019 and 2018, respectively.

Note 6. Contributions Receivable

The Foundation has received unconditional promises to give from individuals, foundations and corporations. Unconditional promises to give outstanding at December 31, 2019 and 2018, are generally due as follows:

	2019	2018
Receivable in less than 1 year	\$ 806,526	\$ 1,652,521
Receivable in 1 to 5 years	985,000	1,202,600
Receivable in greater than 5 years	-	100,000
Total unconditional promises to give	1,791,526	2,955,121
Less allowance for uncollectible promises to give receivable	(7,294)	(19,794)
Less present value discount	(35,139)	(88,448)
Net promises to give receivable	1,749,093	2,846,879
Trust proceeds receivable	210,469	210,469
Total contributions receivable	<u>\$ 1,959,562</u>	<u>\$ 3,057,348</u>

Unconditional promises to give due in more than one year are recorded at the present value of future cash flows using the ten-year U.S. Treasury Bill rate on December 31, 2019 and 2018, which was 1.69% and 2.59%, respectively.

Note 7. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Leasehold improvements	\$ 338,554	\$ 338,554
Furniture and equipment	290,504	298,654
	629,058	637,208
Less accumulated depreciation	(609,885)	(607,189)
Total property and equipment	<u>\$ 19,173</u>	<u>\$ 30,019</u>

Depreciation expense for the years ended December 31, 2019 and 2018, was \$18,152 and \$13,276, respectively.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8. Line of Credit

The Foundation has a revolving note agreement with PNC Bank with a maximum limit of \$1,000,000. Interest is charged at 30-day London Interbank Offered Rate (LIBOR) plus .85% (2.60% and 2.94% as of December 31, 2019 and 2018, respectively). The note is secured by assets of the Foundation and is renewable annually. There was no outstanding balance at December 31, 2019 and 2018.

Note 9. Grants Payable

The Foundation has made unconditional promises to various charitable organizations to make grant payments over future years. Unconditional grant commitments outstanding at December 31, 2019, are generally due as follows:

Years ending December 31:	
2020	\$ 410,444
2021	368,000
2022	177,000
2023	166,000
Total grant commitments	<u>1,121,444</u>
Less present value discount	<u>(19,278)</u>
Total	<u>\$ 1,102,166</u>

Payables due in more than one year are recorded at the present value of future cash flows using the three-year U.S. Treasury Bill rate on December 31, which was 1.62% and 2.48% at December 31, 2019 and 2018, respectively.

Note 10. Annuities Payable

The Foundation enters into charitable gift annuity agreements with donors as part of its fund-raising efforts under a special permit, in accordance with the Annotated Code of Maryland, Article 48A, Section 487. As required by law, the Foundation must maintain assets at least equal to the sum of the reserves on its outstanding annuity agreements, which are segregated from the Foundation's other assets. At December 31, 2019 and 2018, the Foundation's annuity assets exceeded its annuity liabilities.

Note 11. Pension Plan

The Foundation has a 401(k) plan covering all eligible employees. The semi-monthly contribution to the Plan is based on a specified percentage of the eligible employees' compensation. The Foundation's contribution percentage is currently 5%, plus an additional percentage as a match against employee voluntary contributions. The maximum additional matching percentage for both 2019 and 2018 was 4.5%. The total pension expense for this Plan for the years ended December 31, 2019 and 2018, was \$202,562 and \$205,272, respectively.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 12. Net Assets

As of December 31, 2019 and 2018, net assets included the following categories:

	2019	2018
Without donor restrictions:		
Endowed:		
Discretionary	\$ 34,700,458	\$ 29,119,472
Field of interest	29,002,653	24,424,047
Donor-advised	35,155,963	29,453,831
Scholarship	1,773,883	1,735,789
Designated	15,505,624	12,217,445
Total endowed	<u>116,138,581</u>	<u>96,950,584</u>
Non-endowed:		
Discretionary	4,202,260	2,655,315
Field of interest	977,040	1,153,958
Donor-advised	69,753,491	52,174,034
Scholarship	371,420	350,191
Designated	1,622,082	1,875,325
Supporting organizations	3,274,905	2,770,251
Total non-endowed	<u>80,201,198</u>	<u>60,979,074</u>
Total without donor restrictions	<u>\$ 196,339,779</u>	<u>\$ 157,929,658</u>
With donor restrictions:		
Endowed:		
Discretionary	\$ 706,871	\$ 1,465,105
Field of interest	1,200	40,225
Donor-advised	23,399	21,250
Designated	3,675	850
Total endowed	<u>735,145</u>	<u>1,527,430</u>
Non-endowed:		
Discretionary	465,521	165,576
Field of interest	588,652	878,600
Donor-advised	132,066	216,739
Scholarship	1,000	3,000
Designated	365,825	202,741
Trusts	1,800,388	1,537,419
Total non-endowed	<u>3,353,452</u>	<u>3,004,075</u>
Total with donor restrictions	<u>4,088,597</u>	<u>4,531,505</u>
Total net assets	<u>\$ 200,428,376</u>	<u>\$ 162,461,163</u>

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 12. Net Assets (Continued)

Net assets released from restrictions for the years ended December 31, 2019 and 2018, were from the following funds:

	2019	2018
Discretionary	\$ 752,105	\$ 1,536,831
Field of interest	370,000	594,850
Designated	399,390	157,051
Trusts	84,173	92,902
Donor-advised	10,000	30,000
Total	<u>\$ 1,615,668</u>	<u>\$ 2,411,634</u>

Note 13. Commitment and Contingencies

On December 6, 2013, the Foundation entered into a lease agreement that provides for future minimum annual rental for office space which was scheduled to expire in March 2024. The lease was terminated in February 2020, at which time they entered a new lease agreement for an office space of approximately 11,000 square feet with a 121 month term, expiring in 2030. The Foundation's rent expense was \$177,671 and \$235,749 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments, including the new lease starting in February 2020, summarized by fiscal years, are as follows:

Years ending December 31:	
2020	\$ 216,065
2021	218,869
2022	223,247
2023	227,712
2024	232,266
Thereafter	1,276,134
Total	<u>\$ 2,394,293</u>

The Foundation subleased a portion of office space. Rental income from these subleases was \$61,470 and \$60,460 for the years ended December 31, 2019 and 2018, respectively, and is included in other income in the consolidated statements of activities.

Note 14. Related Party Transactions

The Foundation encourages donors to make gifts of both privately and publically held securities. The program includes shares of stock donated by certain employees of a privately held company including its Chief Executive Officer (CEO). The CEO of this company was a member of the Foundation's Board of Trustees until March 2016 and currently serves as an Honorary Trustee. The fair value of these investments were \$4,119,171 and \$6,248,344 as of December 31, 2019 and 2018, respectively. Consistent with the Foundation's policy, the CEO will not participate or vote in his role as an Honorary Trustee of the Foundation on any matters relating to the disposition of or voting of these shares.

The Baltimore Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 15. Subsequent Events

The Foundation evaluated subsequent events through June 10, 2020, which is the date the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the Baltimore area in which the foundation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the foundation, to date, the Foundation is experiencing volatility in the value of its investments which may affect administrative fees and could reasonably expect to see a decrease in annual civic leadership contributions to support operations as foundations and donors pivot to support public relief efforts. The Foundation has insufficient information currently to quantify the financial effects of the market volatility or potential reduction in contributions. The Foundation maintains an operating reserve of 30% of the annual operating budget to sustain the Foundation during short-term financial crisis.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including unrecognized losses in market value on investments.

The Foundation applied for and received a loan (the "Loan") of \$479,900 from PNC Bank on April 20, 2020, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. The interest rate is 1.0% per annum, payable monthly commencing on November 15, 2020. The Loan is guaranteed by the Small Business Administration and matures on April 20, 2022. There are no application or other fees associated with this Loan. Proceeds may be used to pay compensation and benefit costs in order to retain workers and to make lease payments and utility payments. Under the terms of the PPP, some or all of the Loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act and the Loan may be prepaid at any time without penalty.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Trustees
The Baltimore Community Foundation, Inc.

We have audited the consolidated financial statements of The Baltimore Community Foundation, Inc. and Affiliates (collectively, the Foundation), as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Baltimore, Maryland
June 10, 2020

The Baltimore Community Foundation, Inc. and Affiliates

Schedule of Assets by Class and Restriction
Years Ended December 31, 2019 and 2018

	2019	2018
Endowed:		
Discretionary	\$ 35,407,328	\$ 30,584,577
Donor advised	35,199,362	29,475,081
Field of interest	29,015,653	24,595,975
Designated	23,225,599	18,950,647
Scholarship	1,785,883	1,765,907
Endowed total	124,633,825	105,372,187
Non-endowed:		
Discretionary	734,888	307,063
Donor advised	71,202,614	53,782,629
Field of interest	1,678,498	2,371,058
Designated	2,000,679	2,165,345
Scholarship	428,014	421,409
Supporting organizations	3,274,905	2,861,526
Non-endowed total	79,319,598	61,909,030
Operating total	3,601,148	2,528,909
Trusts total	2,055,334	1,839,824
Charitable gift annuities total	1,111,102	861,826
Total assets	\$ 210,721,007	\$ 172,511,776