The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Financial Report
December 31, 2018

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Trustees
The Baltimore Community Foundation, Inc. and Affiliates

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, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018, 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2018 and 2017, 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.

Emphasis of Matter
As discussed in Note 1 to the consolidated financial statements, in the year ended December 31, 2018, the Foundation adopted new accounting guidance issued by the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The adoption of this standard resulted in additional disclosures over liquidity and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

Baltimore, Maryland
June 6, 2019

The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash	**$ 2,235,201**	$ 2,848,780
Contributions receivable, net (Note 6)	**3,057,348**	4,950,695
Investments (Notes 2, 3 and 14)	**167,006,170**	166,328,985
Cash surrender value of life insurance (Notes 2 and 5)	**27,039**	22,736
Grants and other receivables, net	**53,486**	54,236
Property and equipment, net (Note 7)	**30,019**	31,301
Prepaid expenses	**102,513**	85,265
Total assets	**$ 172,511,776**	$ 174,321,998
Liabilities and Net Assets		
Accounts payable and accrued expenses	**$ 650,946**	$ 765,024
Grants payable, net (Note 9)	**1,971,632**	1,860,731
Deferred rent	**90,669**	86,527
Annuities payable (Notes 2 and 10)	**302,609**	342,826
Liability under trust agreements (Note 2)	**302,404**	308,700
Line of credit (Note 8)	**-**	250,000
Endowment funds held for benefit of other nonprofit organizations (Note 2)	**6,732,353**	7,356,243
Total liabilities	**10,050,613**	10,970,051
Commitments and contingencies (Notes 10, 11 and 13)		
Net assets (Note 12):		
Without donor restrictions:		
Endowed (Note 4)	**96,950,584**	105,188,461
Non-endowed	**60,979,074**	51,700,274
Total without donor restrictions	**157,929,658**	156,888,735
With donor restrictions:		
Endowed (Note 4)	**1,527,430**	2,760,572
Non-endowed	**3,004,075**	3,702,640
Total with donor restrictions	**4,531,505**	6,463,212
Total net assets	**162,461,163**	163,351,947
Total liabilities and net assets	**$ 172,511,776**	$ 174,321,998

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 Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Donor contributions (Note 6)	$ 27,129,522	$ 576,458	$ 27,705,980
Investment income (Notes 3 and 4)	18,618,753	202,192	18,820,945
Other income (Notes 5 and 13)	307,409	35,271	342,680
Net assets released from restrictions (Note 12)	4,703,886	(4,703,886)	-
Total revenue and other support	50,759,570	(3,889,965)	46,869,605
Grants and expenses:			
Program activity:			
Grants (Note 9)	19,837,843	-	19,837,843
Other charitable expenditures	3,095,182	-	3,095,182
Grant administration	756,197	-	756,197
Total program activity	23,689,222	-	23,689,222
Supporting services:			
Development and donor services	1,451,173	-	1,451,173
Management and general	3,104,733	-	3,104,733
Total supporting services	4,555,906	-	4,555,906
Total expenses	28,245,128	-	28,245,128
Change in net assets	22,514,442	(3,889,965)	18,624,477
Change in net assets:			
Beginning of year	134,374,293	10,353,177	144,727,470
End of year	$ 156,888,735	$ 6,463,212	$ 163,351,947

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			
	Grant and Other Charitable Expenditures	Development and Donor Services	Management and General	Total Support Expenses	Total
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
Trust beneficiary payments	-	124,548	-	124,548	124,548
Promotion	632	101,608	7,886	109,494	110,126
Meetings and events	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
	$ 18,949,907	$ 1,021,521	$ 3,321,542	$ 4,343,063	$ 23,292,970

See notes to consolidated financial statements.

The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (890,784)**	$ 18,624,477
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments	**11,302,399**	(16,080,399)
Depreciation	**13,276**	14,110
Decrease in present value discounts	**(23,555)**	(189,521)
Loss on fixed assets disposal	**1,225**	-
Noncash contributions	**(11,026,439)**	(11,592,808)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Life insurance policies	**(4,303)**	507,019
Contributions receivable	**1,916,238**	3,790,276
Grants and other receivables	**750**	(6,722)
Prepaid expenses	**(17,248)**	77,351
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(114,078)**	352,485
Grants payable	**111,565**	(2,540,269)
Deferred rent	**4,142**	10,549
Net cash provided by (used in) operating activities	**1,273,188**	(7,033,452)
Cash flows from investing activities:		
Proceeds from sale/redemption of investments	**32,372,199**	51,827,563
Purchase of investments	**(32,825,344)**	(44,580,473)
Loans issued	**(500,000)**	-
Purchase of property and equipment	**(13,219)**	(19,589)
Net cash (used in) provided by investing activities	**(966,364)**	7,227,501
Cash flows from financing activities:		
Activity of endowment funds held for benefit of nonprofit organizations:		
Contributions received	**8,190**	492,690
Interest and dividends, net	**(392,266)**	897,134
Grants paid	**(239,814)**	(257,159)
Principal payments of trust obligations	**(6,296)**	(67,064)
Repayments of line of credit, net	**(250,000)**	(50,000)
(Principal payments of) proceeds from annuity obligations	**(40,217)**	23,443
Net cash (used in) provided by financing activities	**(920,403)**	1,039,044
Net (decrease) increase in cash	**(613,579)**	1,233,093
Cash:		
Beginning	**2,848,780**	1,615,687
Ending	**$ 2,235,201**	$ 2,848,780

(Continued)

The Baltimore Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

		2018		2017
Supplemental disclosures of cash flow information:				
Cash paid for interest	**$**	**1,408**	$	1,359
Stock contributions received	**$**	**11,026,439**	$	11,592,808

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

The primary purpose of 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 FAHOLO 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 the Foundation.

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 restriction, are classified as net assets without donor restriction 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 restriction.

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 $19,794 at both December 31, 2018 and 2017.

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 trust and pooled income fund agreements and acts as trustee for many of them. The fair values of the trust 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 three years. 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 $59,635 and $47,188 for the years ended December 31, 2018 and 2017, 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.

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, 2018 and 2017.

BCF Holdings is a single-member limited liability company, wholly owned by the Foundation. 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 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 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 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, 2015.

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.

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 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.

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 statement 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.

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 delay of donor contributions.

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

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

Accounting pronouncement adopted: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The Foundation has implemented ASU 2016-14 and has adjusted the presentation of its financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As permitted by the ASU, the statement of functional expenses and liquidity and availability disclosure are not presented on a comparative basis. As a result of the pronouncement application, net assets classifications have been reduced from three categories to two categories.

Pending accounting pronouncements: In May 2014, the FASB issued 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 amendments in this ASU are effective for the Foundation for the year beginning January 1, 2019. The impact of adopting ASU 2014-09 on the Foundation's consolidated financial statements for subsequent periods has not yet been determined.

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 other than not-for-profits to identify and account for contributions made. When the Foundation is the resource recipient, the ASU is applicable to contributions received within the annual period in the year beginning January 1, 2019. When the Foundation is the resource provider, the ASU is applicable to contributions made within the annual period in the year beginning January 1, 2020. The Foundation is currently evaluating the impact of this ASU on the consolidated financial statements.

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, 2020. 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.

Subsequent events: Certain 2017 amounts were reclassified to conform to the 2018 presentation. These reclassifications had no effect on previously stated net assets or changes in net assets.

Subsequent events: The Foundation evaluated subsequent events through June 6, 2019, which is the date the consolidated financial statements were available to be issued.

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.

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, 2018. 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.

Note 2. Fair Value Measurements (Continued)

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.

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. 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). The following tables provide the quantitative information about this Level 3 investment at December 31, 2018 and 2017.

2018

Investment	Fair Value	Valuation Technique	Unobservable Input	Range
Private company	$ 6,248,344	Discounted cash flow	Revenue multiple EBITDA multiple	4.00 13.30

2017

Investment	Fair Value	Valuation Technique	Unobservable Input	Range
Private company	$ 4,833,867	Discounted cash flow	Revenue multiple EBITDA multiple	3.80 12.50

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, 2018 and 2017. 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.

Note 2. Fair Value Measurements (Continued)

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.

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 $2,000,000 of future investments related to the Program, of which approximately $1,500,000 had been invested at December 31, 2018 and consists of the following:

	2018
Loans receivable	$ 504,247
Fixed income mutual funds	1,008,806
Total impact investment program	$ 1,513,053

During the year ended December 31, 2018, an additional three loans, totaling $500,000, were invested and subsequently repaid.

Subsequent to year-end, the Foundation signed additional investment commitments related to the Program of approximately $1,500,000.

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.

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	$ 167,033,209			
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	$ -

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, 2017:

	2017			
	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money markets	$ 22,968,357	$ 22,968,357	$ -	$ -
Mutual funds:				
Equity fund	55,204,040	55,204,040	-	-
Bond fund	34,903,979	34,903,979	-	-
International fund	42,054,165	42,054,165	-	-
Fixed income	2,400,039	2,400,039	-	-
Common stocks	1,425,105	1,425,105	-	-
Investment in private company	4,833,867	-	-	4,833,867
Cash surrender value of life insurance	22,736	-	-	22,736
Total investments at fair value	163,812,288	$ 158,955,685	$ -	$ 4,856,603
Investments in private equity (a)	827,137			
Investments in hedge funds (a)	1,712,296			
Total assets	$ 166,351,721			
Liabilities:				
Annuity obligations	$ 342,826	$ -	$ 342,826	$ -
Trust agreements	$ 308,700	$ -	$ 308,700	$ -
Endowment funds held for benefits of other nonprofits	$ 7,356,243	$ -	$ 7,356,243	$ -

(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, 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	$ 4,856,603	$ 4,303	$ 5,382,083	$ (3,967,606)	$ 6,275,383

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, 2017:

	Beginning Balance January 1, 2017	Gains	New Gifts or Purchases	Redemptions	Ending Balance December 31, 2017
Investment in private company	$ 3,775,669	$ -	$ 3,832,900	$ (2,774,702)	$ 4,833,867
Cash surrender value of life insurance	529,755	-	-	(507,019)	22,736
Total	$ 4,305,424	$ -	$ 3,832,900	$ (3,281,721)	$ 4,856,603

Note 3. Investments

Investments consisted of the following at December 31, 2018 and 2017:

	2018	2017
Equity securities and mutual funds	$ 129,508,270	$ 135,987,328
Money market funds	29,992,725	22,968,357
Hedge funds	44,597	1,712,296
Private equity funds	707,987	827,137
Private company	6,248,344	4,833,867
Loans receivable	504,247	-
Total investments	$ 167,006,170	$ 166,328,985

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	$ 1,256,831	$ 620,000		

(b) As of December 31, 2018, the Foundation has 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, 2018.

Note 3. Investments (Continued)

The table below summarize such investments and certain attributes as of December 31, 2017.

	2017			
Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	$ 827,137	$ 120,000	None	None
Hedge funds	1,712,296	-	Quarterly	90 days
Total	$ 2,539,433	$ 120,000		

Investment income, net of related expenses, was composed of the following for the years ended December 31, 2018 and 2017.

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 3,580,142	$ 62,053	$ 3,642,195
Net realized and unrealized loss	(11,134,128)	(168,271)	(11,302,399)
Investment expenses	(34,081)	(20,008)	(54,089)
Total	$ (7,588,067)	$ (126,226)	$ (7,714,293)

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 2,827,186	$ 54,561	$ 2,881,747
Net realized and unrealized gain	15,914,176	166,223	16,080,399
Investment expenses	(122,609)	(18,592)	(141,201)
Total	$ 18,618,753	$ 202,192	$ 18,820,945

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, 2018 and 2017, 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.

Note 4. Endowments (Continued)

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, 2018 and 2017, 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.

Endowment net asset composition as of December 31, 2018 and 2017, is as follows:

	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	$ 96,950,584	$ 1,527,430	$ 98,478,014

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Discretionary	$ 31,270,696	$ 2,530,371	$ 33,801,067
Field of interest	27,021,586	160,500	27,182,086
Donor-advised	31,914,136	67,601	31,981,737
Scholarship	1,951,400	-	1,951,400
Designated	13,030,643	2,100	13,032,743
Total funds	$ 105,188,461	$ 2,760,572	$ 107,949,033

Note 4. Endowments (Continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	$ 87,384,172	$ 5,382,069	$ 92,766,241
Investment gain (loss)	14,063,756	(507,019)	13,556,737
Transfers, net	2,217,333	(1,252,423)	964,910
Contributions (write-offs)	3,510,737	(862,055)	2,648,682
Appropriation of endowment assets for expenditures	(1,987,537)	-	(1,987,537)
Endowment net assets, December 31, 2017	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 (write-offs)	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	$ 96,950,584	$ 1,527,430	$ 98,478,014

Note 5. Cash Surrender Value of Life Insurance

The Foundation was the designated beneficiary of three life insurance policies. The increase in cash surrender value has been recorded as other income with donor restrictions in the consolidated statement of activities for the year ended December 31, 2018. Total gain was $4,303 for the year ended December 31, 2018. Two of the policies, totaling $507,019, were redeemed in 2017 and recorded as net assets released from restriction on the statement of activities for the year ended December 31, 2017.

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, 2018 and 2017, are generally due as follows:

	2018	2017
Receivable in less than 1 year	$ 1,652,521	$ 2,441,192
Receivable in 1 to 5 years	1,202,600	2,047,457
Receivable in greater than 5 years	100,000	300,000
Total unconditional promises to give	2,955,121	4,788,649
Less allowance for uncollectible promises to give receivable	(19,794)	(19,794)
Less present value discount	(88,448)	(111,339)
Net promises to give receivable	2,846,879	4,657,516
Trust proceeds receivable	210,469	293,179
Total contributions receivable	$ 3,057,348	$ 4,950,695

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, 2018 and 2017, which was 2.59% and 2.33%, respectively.

Note 7. Property and Equipment

Property and equipment consisted of the following at December 31, 2018 and 2017:

	2018	2017
Leasehold improvements	$ 338,554	$ 338,554
Furniture and equipment	298,654	312,002
	637,208	650,556
Less accumulated depreciation	(607,189)	(619,255)
Total property and equipment	$ 30,019	$ 31,301

Depreciation expense for the years ended December 31, 2018 and 2017, was $13,276 and $14,110, respectively.

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% (2.94% and 2.22% at December 31, 2018 and 2017, respectively). The note is secured by assets of the Foundation and is renewable annually. The outstanding balance at December 31, 2018 and 2017, was $0 and $250,000, respectively.

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, 2018, are generally due as follows:

Years ending December 31:	
2019	$ 1,915,723
2020	75,000
Total grant commitments	1,990,723
Less present value discount	(19,091)
Total	$ 1,971,632

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 2.48% and 1.98% at December 31, 2018 and 2017, 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, 2018 and 2017, 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 2018 and 2017 was 4.5%. The total pension expense for this Plan for 2018 and 2017 was $205,272 and $185,028, respectively.

Note 12. Net Assets

As of December 31, 2018 and 2017, net assets included the following categories:

	2018	2017
Without donor restrictions:		
Endowed:		
Discretionary	$ 29,119,472	$ 31,270,696
Field of interest	24,424,047	27,021,586
Donor-advised	29,453,831	31,914,136
Scholarship	1,735,789	1,951,400
Designated	12,217,445	13,030,643
Total endowed	96,950,584	105,188,461
Non-endowed:		
Discretionary	2,655,315	2,375,187
Field of interest	1,153,958	2,108,508
Donor-advised	52,174,034	41,939,206
Scholarship	350,191	326,303
Supporting organizations	1,875,325	3,115,474
Designated	2,770,251	1,835,596
Total non-endowed	60,979,074	51,700,274
Total without donor restrictions	157,929,658	156,888,735

Note 12. Net Assets (Continued)

	2018	2017
With donor restrictions:		
Endowed:		
Discretionary	1,465,105	2,530,371
Field of interest	40,225	160,500
Donor-advised	21,250	67,601
Designated	850	2,100
Total endowed	1,527,430	2,760,572
Non-endowed:		
Discretionary	165,576	614,997
Field of interest	878,600	794,851
Donor-advised	216,739	154,331
Scholarship	3,000	-
Designated	202,741	355,500
Trusts	1,537,419	1,782,961
Total non-endowed	3,004,075	3,702,640
Total with donor restrictions	4,531,505	6,463,212
Total net assets	$ 162,461,163	$ 163,351,947

Net assets released from restrictions for the years ended December 31, 2018 and 2017, were from the following funds:

	2018	2017
Discretionary	$ 1,536,831	$ 1,771,705
Field of interest	594,850	1,296,098
Designated	157,051	585,147
Trusts	92,902	135,941
Donor-advised	30,000	914,995
Total	$ 2,411,634	$ 4,703,886

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 is scheduled to expire in March 2024. The Foundation’s rent expense was $235,749 and $237,315 for the years ended December 31, 2018 and 2017, respectively.

Note 13. Commitment and Contingencies (Continued)

Future minimum lease payments, excluding future payments for the new office lease signed in April 2019 (see Note 15) due to the uncertainty of lease commencement, summarized by fiscal years, are as follows:

Years ending December 31:	
2019	$ 226,898
2020	233,661
2021	240,698
2022	247,899
2023	255,373
Thereafter	64,316
Total	$ 1,268,845

The Foundation subleased a portion of office space. Rental income from these subleases was $60,460 and $55,673 for the years ended December 31, 2018 and 2017, 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 $6,248,344 and $4,833,867 as of December 31, 2018 and 2017, 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.

Note 15. Subsequent Event

On April 19, 2019, the Foundation entered into a lease agreement for an office space of approximately 11,000 square feet. The lease begins once renovation of new lease space is completed and will commence for 121 months at that time. The lease is renewable for two terms of five years each. Rent for the space escalates with base rent increasing 2% each lease year.

Independent Auditor's Report on the Supplementary Information

To the Board of Trustees
The Baltimore Community Foundation, Inc. and Affiliates

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, 2018 and 2017, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. 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 6, 2019

The Baltimore Community Foundation, Inc. and Affiliates

Schedule of Assets by Class and Restriction
Years Ended December 31, 2018 and 2017

	2018	2017
Endowed		
Discretionary	**$ 30,584,577**	$ 33,801,068
Donor Advised	**29,475,081**	31,987,737
Field of Interest	**24,595,975**	27,318,201
Designated	**18,950,647**	20,388,986
Scholarship	**1,765,907**	1,969,650
Endowed total	**105,372,187**	115,465,642
Non-endowed		
Discretionary	**307,063**	365,308
Donor Advised	**53,782,629**	43,262,259
Field of Interest	**2,371,058**	3,065,929
Designated	**2,165,345**	2,217,629
Scholarship	**421,409**	448,210
Supporting Organizations	**2,861,526**	3,202,974
Non-endowed total	**61,909,030**	52,562,309
Operating total	**2,528,909**	3,187,400
Trusts total	**1,839,824**	2,091,661
Charitable gift annuities total	**861,826**	1,014,986
Total assets	**$ 172,511,776**	$ 174,321,998