

# Community Foundation of Greater Des Moines

Consolidated Financial Statements  
December 31, 2017

## Contents

Independent auditor's report	1
Financial statements	
Consolidated statements of financial position	2
Consolidated statements of activities	3-4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6-13

## **Independent Auditor's Report**

RSM US LLP

To the Board of Directors  
Community Foundation of Greater Des Moines

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Community Foundation of Greater Des Moines, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Greater Des Moines as of December 31, 2017 and 2016, 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*

Des Moines, Iowa  
September 11, 2018

**Community Foundation of Greater Des Moines**

**Consolidated Statements of Financial Position  
December 31, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	<b>\$ 11,788,967</b>	\$ 8,748,411
Investments:		
Money market funds	34,883,679	41,651,387
Debt securities	64,017,360	55,725,306
Equity securities	232,335,915	181,482,203
Promissory notes	8,802,301	5,614,396
Other investments	111,887,766	85,564,109
<b>Total investments</b>	<b>451,927,021</b>	370,037,401
Pledges receivable, net	900,161	1,417,190
Prepaid and other assets	6,716,460	3,879,978
Property and equipment:		
Land	300,000	300,000
Building	569,150	569,150
Furniture and fixtures	193,061	185,774
	<b>1,062,211</b>	1,054,924
Less accumulated depreciation	365,330	342,865
	<b>696,881</b>	712,059
<b>Total assets</b>	<b>\$ 472,029,490</b>	\$ 384,795,039
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 182,281	\$ 167,206
Grants payable	514,600	844,879
Annuity payable	374,691	390,752
Unearned revenue	-	2,074,272
Agency funds	153,218,595	132,237,804
<b>Total liabilities</b>	<b>154,290,167</b>	135,714,913
Net assets:		
Unrestricted net assets	317,178,329	248,299,603
Temporarily restricted net assets	560,994	780,523
<b>Total net assets</b>	<b>317,739,323</b>	249,080,126
<b>Total liabilities and net assets</b>	<b>\$ 472,029,490</b>	\$ 384,795,039

See notes to consolidated financial statements.

**Community Foundation of Greater Des Moines**

**Consolidated Statement of Activities  
Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 64,858,567	\$ 22,833	\$ 64,881,400
Investment income	5,905,498	-	5,905,498
Net realized gain on investments	7,522,669	-	7,522,669
Net unrealized gain on investments	23,503,055	-	23,503,055
Special event revenue	10,057,471	-	10,057,471
Miscellaneous income	898,732	-	898,732
Net assets released from restriction	242,362	(242,362)	-
<b>Total support and revenue</b>	<b>112,988,354</b>	<b>(219,529)</b>	<b>112,768,825</b>
Expenses:			
Grants and program expenses	30,388,245	-	30,388,245
Special event grants	3,558,988	-	3,558,988
Special event expense	6,502,474	-	6,502,474
Management and general	2,985,081	-	2,985,081
Depreciation	22,465	-	22,465
<b>Total expenses</b>	<b>43,457,253</b>	<b>-</b>	<b>43,457,253</b>
<b>Increase (decrease) in net assets before income taxes</b>	<b>69,531,101</b>	<b>(219,529)</b>	<b>69,311,572</b>
Income tax expense, net	110,624	-	110,624
Loss on deconsolidation of subsidiary	541,751	-	541,751
<b>Increase (decrease) in net assets</b>	<b>68,878,726</b>	<b>(219,529)</b>	<b>68,659,197</b>
Net assets at beginning of year	248,299,603	780,523	249,080,126
Net assets at end of year	<b>\$ 317,178,329</b>	<b>\$ 560,994</b>	<b>\$ 317,739,323</b>

See notes to consolidated financial statements.

**Community Foundation of Greater Des Moines**

**Consolidated Statement of Activities  
Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 51,136,429	\$ 637,000	\$ 51,773,429
Investment income	4,652,551	-	4,652,551
Net realized gain on investments	6,668,661	-	6,668,661
Net unrealized loss on investments	(745,455)	-	(745,455)
Special event revenue	8,337,734	-	8,337,734
Miscellaneous income	171,889	-	171,889
Net assets released from restriction	196,315	(196,315)	-
<b>Total support and revenue</b>	<b>70,418,124</b>	<b>440,685</b>	<b>70,858,809</b>
Expenses:			
Grants and program expenses	25,004,064	-	25,004,064
Special event grants	2,028,841	-	2,028,841
Special event expense	6,224,908	-	6,224,908
Management and general	2,491,204	-	2,491,204
Depreciation	26,679	-	26,679
<b>Total expenses</b>	<b>35,775,696</b>	<b>-</b>	<b>35,775,696</b>
<b>Increase in net assets before income taxes</b>	<b>34,642,428</b>	<b>440,685</b>	<b>35,083,113</b>
Income tax benefit, net	(82,044)	-	(82,044)
<b>Increase in net assets</b>	<b>34,724,472</b>	<b>440,685</b>	<b>35,165,157</b>
Net assets at beginning of year	213,575,131	339,838	213,914,969
Net assets at end of year	<u>\$ 248,299,603</u>	<u>\$ 780,523</u>	<u>\$ 249,080,126</u>

See notes to consolidated financial statements.

**Community Foundation of Greater Des Moines**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 68,659,197	\$ 35,165,157
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated investments	(42,242,032)	(21,509,696)
Donated property	(2,165,000)	(1,650,000)
Net unrealized and realized gain on investments	(31,025,724)	(5,923,206)
Net realized loss on sale and impairment of property held for sale	-	462,750
Loss on deconsolidation of subsidiary	541,751	-
Depreciation	22,465	26,679
Changes in assets and liabilities, net of effects of deconsolidation:		
Pledges receivable	517,029	(827,185)
Prepaid and other assets	(832,721)	2,392,902
Accounts payable, accrued expenses and grants payable	(315,204)	330,294
Annuity payable	(16,061)	(7,911)
Agency funds	20,980,791	13,156,860
Unearned revenue	255,791	(17,832)
<b>Net cash provided by operating activities</b>	<b>14,380,282</b>	<b>21,598,812</b>
Cash flows from investing activities:		
Purchases of investments	(92,934,944)	(53,683,868)
Proceeds from sale and maturity of investments	84,313,080	30,086,670
Purchases of property and equipment	(55,223)	(28,044)
Cash transferred upon deconsolidation of subsidiary	(2,662,639)	-
<b>Net cash used in investing activities</b>	<b>(11,339,726)</b>	<b>(23,625,242)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,040,556</b>	<b>(2,026,430)</b>
Cash and cash equivalents:		
Beginning	8,748,411	10,774,841
Ending	\$ 11,788,967	\$ 8,748,411
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net	\$ 110,624	\$ (64,725)
Balances deconsolidated upon change in control of subsidiary:		
Cash	\$ (2,662,639)	\$ -
Prepaid and other assets	(161,239)	-
Property and equipment	(47,936)	-
Unearned revenue	2,330,063	-
<b>Loss on deconsolidation of subsidiary</b>	<b>\$ (541,751)</b>	<b>\$ -</b>

See notes to consolidated financial statements.

## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Operations:** Community Foundation of Greater Des Moines (the Foundation) was organized to receive gifts and bequests from private and public organizations and to make contributions to projects and organizations benefiting the Greater Des Moines community.

In 2005, the Foundation established a supporting organization, GDMCF Charitable Trust (the Trust), to help enhance fulfilling of the mission of the Foundation. The trustee is elected by, and serves at the pleasure of, the Foundation's board of directors.

In 2005, the Foundation established a wholly owned subsidiary, GDMCF Properties, LLC (Properties) to accommodate gifts of real estate. The entity was funded in 2008. Properties is a disregarded entity for tax purposes.

In 2006, the Foundation established a supporting business entity, GDMCF Golf Charity, LLC (the Classic), to accommodate acting as the hosting charity for the Principal Charity Classic golf event, which occurs annually in May or June. Revenues and expenses of the Classic are identified as special event in the accompanying financial statements. Special event expense included the following during the years ended December 31, 2017 and 2016:

	2017	2016
Principal Charity Classic:		
Program	\$ 4,058,390	\$ 3,834,941
Management and general	1,115,197	1,100,503
Cost of direct benefit to donors	775,960	760,387
Fundraising	552,927	529,077
Total special event expense	<u>\$ 6,502,474</u>	<u>\$ 6,224,908</u>

On August 1, 2017, the Foundation transferred all of its ownership in the Classic to Golf Charitable Foundation of Greater Des Moines, a newly formed nonprofit corporation. The transfer occurred subsequent to the charity event, therefore the golf event activities are included in the statement of activities in 2017. Upon the transfer, the Classic was no longer a supporting business entity and was deconsolidated from the Foundation's financial statements. The Foundation will retain representation on the Board of Directors of the newly formed nonprofit but does not have an economic interest in the nonprofit, therefore consolidation is not required.

In 2014, the Foundation established and funded a wholly owned subsidiary, Keep Iowa Growing, LLC (Keep Iowa Growing) to accommodate gifts of farmland. Keep Iowa Growing is a disregarded entity for tax purposes.

In 2017, the Foundation established and funded a wholly owned subsidiary, GDMCF Investments, L.L.C. (Investments) to accommodate gifts of illiquid investments. Investments is a disregarded entity for tax purposes.

Significant accounting policies:

**Principles of consolidation:** The consolidated financial statements include the accounts of the Foundation, the Trust, Properties, Keep Iowa Growing and Investments. All material intercompany balances and transactions are eliminated in consolidation. At December 31, 2016, the consolidated financial statements included the Classic. The Classic was deconsolidated effective August 1, 2017, with all activity up to the effective date reflected in the statement of activities for the year ended December 31, 2017.



## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

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

**Basis of presentation:** The financial statements of the Foundation have been prepared on the accrual basis and follow the accounting guidance of not-for-profit organizations. Under these standards, the Foundation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unconditional contributions received or pledged are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, the contributions should be classified as unrestricted net assets. The Foundation receives contributions from donors with advice regarding distribution of the assets and the earnings therefrom. The Foundation attempts to meet the desires expressed by the donors at the time of the contribution; however, under the gifting agreements the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Foundation's board of directors, such restrictions or conditions become unnecessary, undesirable, impractical, or inconsistent with the charitable needs of the community.

**Revenue recognition:** Revenues are reported as increases in unrestricted net assets. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on date of contribution based primarily on publicly available information. Contributions received with donor-imposed restrictions (including those for acquisition of long-lived assets) that are met within the same year as received are reported as unrestricted revenues. Special event revenue of the Classic is recognized when the event occurs. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by donor stipulation or by law. Expenses are reported as decreases in unrestricted net assets. The Foundation incurs an insignificant amount of fundraising expenses during the year that are reported as a component of management and general expenses. The fundraising expenses are related to the education of the public and encouragement of local philanthropy.

**Use of estimates:** 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Foundation considers all unrestricted cash and all highly liquid investments with an original maturity date of 90 days or less, other than money market funds, to be cash and cash equivalents.

**Concentration of risk:** The Foundation maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Foundation has not experienced any loss in such accounts.

**Pledges receivable:** Pledges receivable due after one year are discounted at a risk-free rate and are presented as temporarily restricted net assets in the consolidated financial statements. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. All pledges are expected to be collected.

## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

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

Unconditional promises to give as of December 31, 2017 and 2016, are summarized as follows:

	2017	2016
Unconditional promises expected to be collected in:		
Less than one year	\$ 339,167	\$ 636,667
One to five years	583,833	813,500
	<u>923,000</u>	<u>1,450,167</u>
Less unamortized discount (interest rates 0.78% to 1.98%) on pledges receivable	22,839	32,977
Net pledges receivable	<u>\$ 900,161</u>	<u>\$ 1,417,190</u>

**Investments:** Investment income, realized gains and losses and unrealized appreciation or depreciation on investments is reported as increases or decreases in net assets. Investments include the following:

Money market funds, debt securities, and equity securities are investments in publicly traded securities and are recorded at fair value based on quoted market prices at the reporting date.

Promissory notes receivable are carried at the amount of unpaid principal, which approximates fair value. The notes receivable bear interest at rates between 3.08 percent and 7 percent and are due between December 2024 and December 2029. Approximately \$114,000 will be received quarterly with the remaining interest and principal being paid upon the maturity date.

Other investments consist of fund of funds, hedge funds, investments in private equities, and other nonreadily marketable investments. The Foundation establishes their value primarily using the practical expedient, based on information gathered from the investees, including audited financial statements and other reports provided by the investees. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation based on various factors, to be used to determine fair value, under certain conditions.

The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. These investments would have significant redemption and other restrictions that would limit the Funds' ability to redeem out of the fund at report date NAV.

**Property and equipment:** The Foundation capitalizes assets with estimated useful lives greater than one year at the cost to acquire that asset. Depreciation of building, furniture and fixtures is provided over the estimated useful lives of the assets on the straight-line basis (building-39 years, and furniture and fixtures-3-10 years).

**Unearned revenue:** Unearned revenue consists of money received in advance from sponsoring organizations for the Foundation's activities with the Classic event. After completion of the event, the revenue is considered earned by the Foundation.

## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

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

**Agency funds:** The Foundation acts as a fiscal agent for other not-for-profit organizations that wish to establish an investment fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund. These funds are included in the investments in the statement of financial position. The Foundation refers to such funds as agency funds and accounts for the transfer of such assets as a liability. For financial reporting purposes, distributions from agency funds in the amount of \$14,847,586 and \$5,001,985 and contributions to agency funds in the amount of \$14,370,675 and \$11,435,464 are not included in the reported grants and contributions of the Foundation for the year ended December 31, 2017 and 2016, respectively.

**Income taxes:** The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is generally exempt for federal income tax purposes on related income pursuant to Section 501(a) of the Internal Revenue Code. Certain investments of the Foundation are subject to the unrelated business income tax regulations, and occasionally will require the Foundation to pay tax on this unrelated business income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (as it relates to the assets generating unrelated business income). Deferred tax assets and liabilities if any, are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets, if any, consists of net operating loss carryforward that expires in 20 years related to unrelated business income generated from alternative investments.

The Foundation follows the accounting guidance for *Accounting for Uncertainty in Income Taxes*. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation has not been notified of any impending examination and no examinations are currently in process.

**Fair value measurements:** The Foundation estimates fair value using the guidance established by *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market the most advantageous market for the investment or liability. The Foundation accounts for its investments at fair value. In accordance with the guidance, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique which give the highest priority to quoted prices in active markets and the lowest priority to unobservable inputs, into a three-level fair value hierarchy. These levels are:

- Level 1:** Valuation is based upon quoted prices for identical instruments traded in active markets that the Foundation has the ability to access as of the measurement date.
- Level 2:** Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable, or can be corroborated by, observable market data.
- Level 3:** Valuation is based upon significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

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

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those effects could be significant.

**Recent accounting pronouncements:** In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. Early application of the amendments is permitted. Management is currently evaluating the potential impact that the adoption of this update will have on its financial reporting.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 31, 2018. Management evaluated the effect that adopting this new accounting guidance will have on the financial statements, and does not anticipate a significant impact on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Specifically, ASU 2016-01 revises an entity's accounting related to (1) the classification and measurement of investments in equity securities, which requires equity securities held by entities to be measured at fair value with changes in fair value recognized in net income and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 will be effective for the Foundation for fiscal years beginning after December 15, 2018. The Foundation elected to early adopt the amendment during the year ended December 31, 2016, that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the financial statement impact.

**Subsequent events:** Subsequent events have been evaluated through September 11, 2018, the date the financial statements were available for issuance.

## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

#### Note 2. Investments

The following is a summary of the Foundation's investments under the hierarchy set by fair value guidance as of December 31, 2017 and 2016, for assets measured at fair value on a recurring basis:

2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Money market funds	\$ 34,883,679	\$ -	\$ -	\$ 34,883,679
Debt and equity securities:				
U.S. equity	132,093,318	5,004,460	-	137,097,778
International equity	69,174,259	-	-	69,174,259
Fixed income	60,212,763	3,804,597	-	64,017,360
Natural resources	26,063,878	-	-	26,063,878
	<u>\$ 322,427,897</u>	<u>\$ 8,809,057</u>	<u>\$ -</u>	<u>\$ 331,236,954</u>
Other investments:				
Alternative investments, at net asset value				104,823,195
Promissory notes, at unpaid principal				8,802,301
Investment in other entities, at cost				7,064,571
				<u>120,690,067</u>
Total investments				<u>\$ 451,927,021</u>

2016				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Money market funds	\$ 41,651,387	\$ -	\$ -	\$ 41,651,387
Debt and equity securities:				
U.S. equity	111,457,670	3,839,210	-	115,296,880
International equity	47,454,755	-	-	47,454,755
Fixed income	53,277,224	2,448,082	-	55,725,306
Natural resources	18,730,568	-	-	18,730,568
	<u>\$ 272,571,604</u>	<u>\$ 6,287,292</u>	<u>\$ -</u>	<u>\$ 278,858,896</u>
Other investments:				
Alternative investments, at net asset value				85,564,109
Promissory notes, at unpaid principal				5,614,396
				<u>91,178,505</u>
Total investments				<u>\$ 370,037,401</u>

## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

#### Note 2. Investments (Continued)

Alternative investments are redeemable with the fund at net asset value under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The following table provides a summary of information for other investments, by net asset class, which are calculated using a net asset value per share using the practical expedient or its equivalent, as of December 31:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (if available)	Redemption Notice Period
<b>2017</b>				
Real estate funds (A)	\$ 1,218,905	\$ 75,000	See (A) below	See (A) below
International equity (B)	51,272,490	403,057	See (B) below	See (B) below
Fund of funds (C)	33,872,080	8,154,440	See (C) below	See (C) below
Fixed income funds (D)	18,030,239	-	See (D) below	See (D) below
Other (E)	429,481	432,905	See (E) below	See (E) below
	<u>\$ 104,823,195</u>	<u>\$ 9,065,402</u>		
<b>2016</b>				
Real estate funds (A)	\$ 2,081,605	\$ 75,000	See (A) below	See (A) below
International equity (B)	38,188,919	424,606	See (B) below	See (B) below
Fund of funds (C)	29,590,160	5,456,366	See (C) below	See (C) below
Fixed income funds (D)	15,121,477	-	See (D) below	See (D) below
Other (E)	581,948	432,680	See (E) below	See (E) below
	<u>\$ 85,564,109</u>	<u>\$ 6,388,652</u>		

(A) Includes funds invested in debt and equity securities and other investments related to real estate, with a focus on residential, commercial, industrial and retail investments and properties with no particular geographic concentration. Redemptions for the portfolio are generally not allowed and are subject to approval of the fund administrator.

(B) Funds represent primarily globally diversified portfolios in debt and equity securities, including those issued or guaranteed by the United States and foreign governments and related agencies. Included in this portfolio is a fund of approximately \$18,800,000 invested in small cap stocks of foreign entities (2016, \$12,200,000). Investments in foreign entities will incur exposure to risks from economic instability, unfavorable political developments and currency fluctuations. The portfolio allows monthly redemptions.

## Community Foundation of Greater Des Moines

### Notes to Consolidated Financial Statements

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#### **Note 2. Investments (Continued)**

- (C) Includes globally diversified feeder funds and funds of funds totaling approximately \$16,400,000 invested in illiquid investments of closed-end funds (2016, \$14,800,000) with the remainder in debt and equity securities and futures and options. Redemptions in many cases are subject to the provisions of the underlying fund agreement, with some funds within the fund of funds currently suspending redemptions. Of the total net asset class \$11,400,000 allows quarterly redemptions with a 100 day notice (2016, \$9,800,000) and \$15,800,000 allows annual redemptions with a 100-day notice (2016, \$14,000,000). Redemptions are not allowed on \$5,500,000 (2016, \$4,900,000). The remaining funds have suspended redemptions.
- (D) These represent funds invested in primarily fixed income funds. Approximately \$11,000,000 requires general partner approval to withdraw amounts if it would reduce the Foundation's balance under \$1,000,000 (2016, \$9,100,000). There are no redemption restrictions on the remainder of the fixed income funds.
- (E) These represent funds with no particular industry or geographic focus with the remainder in debt and equity securities and futures and options. Redemptions for the portfolio are generally not allowed.

#### **Note 3. Note Payable**

The Foundation does not typically use debt to finance operating activities. There are times, however, as fiscal agent for project funds when project expenses need to be paid prior to pledges receivable being collected. To facilitate timely completion of projects, the Foundation will from time to time enter into a debt agreement related to those specific projects. There was no notes payable at December 31, 2017 or 2016.

The Foundation has an unsecured \$4,000,000 line of credit with a bank that matures on November 5, 2019. There was no outstanding balance on this line of credit at both December 31, 2017 and 2016.

#### **Note 4. Endow Iowa Program**

The Foundation participates in the Endow Iowa Program (the Program), which is administered by the Iowa Economic Development Authority through qualified community foundations. The Program's purpose is to create sustainable, philanthropic opportunities for charitable impact in Iowa communities. The legislation governing the Program requires that contributions received be accumulated in a fund, referred to as a 'permanent endowment', for purposes of calculating annual spending, which may not exceed 5 percent of the prior year ending fair market value of the Program funds. At December 31, 2017 and 2016, unrestricted net assets and agency fund liabilities includes a total of \$166,463,569 and \$131,523,813, respectively, related to the Program.