

# **InFaith Community Foundation**

**Financial Statements  
December 31, 2018 and 2017**

	<b>Page(s)</b>
<b>Independent Auditor's Report</b> .....	1
<b>Financial Statements</b>	
Statements of Financial Position .....	2
Statements of Activity and Change in Net Assets.....	3-4
Statement of Functional Expenses.....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-20



## **Report of Independent Auditors**

To the Management and Board of Directors of InFaith Community Foundation

We have audited the accompanying financial statements of InFaith Community Foundation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activity and changes in net assets and statements of cash flows for the years then ended.

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

Management is responsible for the preparation and fair presentation of the 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Company's preparation and fair presentation of the 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 Company'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 InFaith Community Foundation as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

07/30/19

**InFaith Community Foundation**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

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	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 37,353,947	\$ 7,828,961
Investments		
Mutual funds	174,985,782	210,105,388
Other investment funds	141,738,746	112,438,051
Common stocks	5,960,873	7,132,454
Fixed income investments	12,344,956	11,503,709
Loans	849,778	884,365
Life insurance and annuity contracts	53,206,958	50,689,419
Real assets	1,177,497	170,400
	<u>390,264,590</u>	<u>392,923,786</u>
Due from brokers and others	695,978	40,291,877
Contributions and other receivables	1,864,481	2,601,059
Beneficial interests in trusts held by others	104,794	152,193
Prepaid general expenses	27,981	16,388
	<u>27,981</u>	<u>16,388</u>
Total assets	<u>\$ 430,311,771</u>	<u>\$ 443,814,264</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 178,699	\$ 227,847
Amounts held for the benefit of others	56,953,134	56,775,834
Gift annuities	26,235,354	26,929,184
Charitable remainder trust agreements	21,538,854	24,710,606
Retained life estates	53,478	43,938
	<u>104,959,519</u>	<u>108,687,409</u>
Total liabilities	<u>104,959,519</u>	<u>108,687,409</u>
Net assets		
Without donor restrictions	300,504,461	307,708,096
With donor restrictions	24,847,791	27,418,759
	<u>325,352,252</u>	<u>335,126,855</u>
Total net assets	<u>325,352,252</u>	<u>335,126,855</u>
Total liabilities and net assets	<u>\$ 430,311,771</u>	<u>\$ 443,814,264</u>

The accompanying notes are an integral part of these financial statements.

**InFaith Community Foundation**  
**Statement of Activity and Changes in Net Assets**  
**Year Ended December 31, 2018**

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	Without donor restrictions	With donor restrictions	Total
<b>Revenue, gains, and other support</b>			
Contributions	\$ 43,791,512	\$ 798,658	\$ 44,590,170
Net investment income	(23,104,800)	(2,103,006)	(25,207,806)
Change in cash surrender value of life insurance contracts	3,441,791		3,441,791
Change in value of split-interest agreements	(1,245,399)	1,476,021	230,622
Miscellaneous income (loss)	1,077,502	(301,869)	775,633
Total revenue, gains, and other support	<u>23,960,606</u>	<u>(130,196)</u>	<u>23,830,410</u>
<b>Expenses</b>			
Programs	24,105,469	-	24,105,469
Administrative	2,525,806	-	2,525,806
Fund-raising	1,011,682	-	1,011,682
Initiatives	158,134	-	158,134
Premiums on life insurance contracts	4,941,854	-	4,941,854
Total expenses	<u>32,742,945</u>	<u>-</u>	<u>32,742,946</u>
Change in net assets	(8,782,339)	(130,196)	(8,912,536)
Net Assets released to successor trustee		(862,067)	(862,067)
Net assets released from restriction	1,578,704	(1,578,704)	-
<b>Net assets</b>			
Beginning of year	<u>307,708,096</u>	<u>27,418,758</u>	<u>335,126,854</u>
End of year	<u>\$300,504,461</u>	<u>\$ 24,847,791</u>	<u>\$325,352,252</u>

The accompanying notes are an integral part of these financial statements.

**InFaith Community Foundation**  
**Statement of Activity and Changes in Net Assets**  
**Year Ended December 31, 2017**

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	Without donor restrictions	With donor restrictions	Total
<b>Revenue, gains, and other support</b>			
Contributions	\$ 36,498,052	\$ 1,212,523	\$ 37,710,575
Net investment income	37,658,040	7,025,818	44,683,858
Change in cash surrender value of life insurance contracts	4,151,418	-	4,151,418
Change in value of split-interest agreements	(1,706,102)	(3,267,549)	(4,973,651)
Miscellaneous income (loss)	852,550	(305,941)	546,609
Total revenue, gains, and other support	<u>77,453,958</u>	<u>4,664,851</u>	<u>82,118,809</u>
<b>Expenses</b>			
Programs	21,448,896	-	21,448,896
Administrative	2,508,386	-	2,508,386
Fund-raising	1,134,167	-	1,134,167
Initiatives	243,784	-	243,784
Premiums on life insurance contracts	4,286,766	-	4,286,766
Total expenses	<u>29,621,999</u>	<u>-</u>	<u>29,621,999</u>
Change in net assets	47,831,959	4,664,851	52,496,810
Net assets released to successor trustee	-	-	-
Net assets released from restriction	1,321,377	(1,321,377)	-
<b>Net assets</b>			
Beginning of year	<u>258,554,760</u>	<u>24,075,285</u>	<u>282,630,045</u>
End of year	<u>\$307,708,096</u>	<u>\$ 27,418,759</u>	<u>\$335,126,855</u>

The accompanying notes are an integral part of these financial statements.

**InFaith Community Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
<i>Operating Expenses</i>				
Grants	\$ 23,801,806	\$ -	\$ -	\$ 23,801,806
Compensation and Benefits	202,565	1,844,318	782,258	2,829,141
Fees and Filings	987	6,656	2,241	9,884
Dues and Memberships	716	4,829	1,626	7,171
Marketing and Communications	16,189	109,128	36,738	162,055
Legal Expense and Liability				
Insurance	6,059	40,843	13,750	60,652
Supplies and Office Expense	1,477	9,955	3,351	14,783
Travel	10,509	70,837	23,847	105,193
Outside Services	21,062	141,978	47,797	210,837
Information Technology	30,173	203,391	68,472	302,036
Occupancy	8,640	58,239	19,606	86,485
Special Projects	15,798	106,487	35,849	158,134
Other	5,286	35,632	11,996	52,914
Total Operating Expenses	<u>\$ 24,121,267</u>	<u>\$ 2,632,293</u>	<u>\$ 1,047,531</u>	<u>\$ 27,801,091</u>

The accompanying notes are an integral part of these financial statements.

**InFaith Community Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
<b>Operating activities</b>		
Change in net assets, net of net assets released to successor trustee	\$ (8,912,536)	\$ 52,496,810
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net assets released to successor trustee		-
Net unrealized (appreciation) depreciation of investments	35,446,222	(22,175,817)
Net realized (gains) losses on investments	(602,035)	(16,076,712)
Contribution of investments	(14,136,851)	(14,510,287)
Other forms of contributions	(1,006,697)	(1,248,707)
Contributions for charitable remainder trust agreements	(383,256)	(4,762,573)
Change in cash surrender value of life insurance contracts and annuities	(1,198,931)	(1,871,407)
Changes in assets and liabilities		
Due from brokers and others	39,599,989	-
Contributions and other receivables	761,992	(1,020,340)
Beneficial interest in trust held by others	47,399	46,561
Prepaid general expenses	(11,592)	10,281
Accounts payable	(49,148)	164,618
Amounts held for the benefit of others		-
Gift annuities	(693,830)	1,095,388
Charitable remainder trust agreements	(3,171,752)	4,127,425
Retained life estate	9,540	(37,581)
Net cash (used in) provided by operating activities	<u>45,698,514</u>	<u>(3,762,341)</u>
<b>Investing activities</b>		
Purchase of investments	(117,123,898)	(115,332,428)
Proceeds from sale of investments	100,567,114	118,937,685
Net cash (used in) provided by investing activities	<u>(16,556,784)</u>	<u>3,605,257</u>
<b>Financing activities</b>		
Proceeds from contributions restricted for charitable remainder trust agreements	383,256	3,145,421
Net cash provided by financing activities	<u>383,256</u>	<u>3,145,421</u>
Net (decrease) increase in cash and cash equivalents	29,524,986	2,988,337
<b>Cash and cash equivalents</b>		
Beginning of year	<u>7,828,961</u>	<u>4,840,624</u>
End of year	<u>\$ 37,353,947</u>	<u>\$ 7,828,961</u>

The accompanying notes are an integral part of these financial statements.



# **InFaith Community Foundation**

## **Notes to Financial Statements**

### **December 31, 2018 and 2017**

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#### **1. Organization**

InFaith Community Foundation (the Foundation) is a Minnesota non-profit corporation operated for charitable purposes. The Foundation is dedicated to supporting the charitable, religious, and educational purposes and activities of the Foundation's congregations, institutions, and communities and benefiting society in general. The Foundation was incorporated on December 22, 1994, was organized on April 1, 1995, and began operations on September 11, 1995.

#### **2. Summary of Significant Accounting Policies**

##### **Use of Estimates**

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

##### **Subsequent Events**

The Foundation evaluated events or transactions that may have occurred after December 31, 2018, that would merit recognition or disclosure in the financial statements. The Foundation is not aware of any events subsequent to December 31, 2018, that would materially affect its financial condition. This evaluation was completed through July 25, 2019, the date the financial statements were available to be issued.

##### **Adoption of New Accounting Standards**

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The significant changes related to presentation and disclosure now require the Foundation to consolidate the classes of net assets in to two classes (net assets with donor restrictions and net assets without donor restrictions), show underwater endowment balances within the net assets with donor restrictions class, provide expenses by nature and function, and enhance disclosures relating to liquidity and availability of resources. The Foundation adopted ASU 2016-14 in 2018 on a retrospective basis. As allowed by the ASU, the information presented in the Combined Statement of Functional Expenses is only presented for 2018.

##### **Functional Allocation of Expenses**

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefitted. All costs are allocated on the basis of estimates of time and effort.

##### **Cash and Cash Equivalents**

The Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

##### **Investments**

Investments in mutual and other investment funds and common stocks are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activity and changes in net assets as a component of net investment income. Net realized capital gains and losses are determined on the first in, first out cost basis method. Other investment funds are comprised of limited partnership investments, limited liability companies, and open-ended investment companies. Refer to Note 7 for more information.

# **InFaith Community Foundation**

## **Notes to Financial Statements**

### **December 31, 2018 and 2017**

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Fixed income investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activity and changes in net assets as a component of net investment income. Net realized capital gains and losses are determined using the specific identification method.

Loan investments are reflected at their outstanding principle balance due to the Foundation. Interest payments are reflected in the statements of activity and changes in net assets as a component of net investment income.

Contributed life insurance and annuity contracts are carried at fair value which is estimated using the stated cash surrender value of the contracts and are reported as unrestricted contributions. Cash surrender value is the amount available to the contract owner for withdrawal prior to the death of the insured and is valued after taking expense charges and investment credits into account.

Investments in real assets are classified as held-for-sale and recorded at the lower of cost or fair value less estimated costs to sell. Management is actively marketing the investment in real assets at reasonable sale prices based on the advice of active third-party sales professionals.

#### **Due from Brokers and Others**

Due from brokers and others represents receivable balances owed from brokers for investments that have been sold, or have matured, but have not yet settled.

#### **Contributions and Other Receivables**

Promises to make contributions to the Foundation that are communicated to the Foundation prior to December 31, but which are received after December 31, are recorded as contributions receivable at the cash value of the contribution. The Foundation generally does not receive multi-year promises to give. Management considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

#### **Beneficial Interests in Trusts Held by Others**

Beneficial interests in trusts held by others represent resources neither in the possession nor under the control of the Foundation, but held and administered by outside fiscal agents, with the Foundation deriving income from such funds and are reported at fair value. Fair values for beneficial interests in trusts held by others are based on the net present value of the future stream of payments receivable from a charitable lead annuity trust. Due to the short-term nature of the payments, the discount rate used is equal to the rate applicable on the date of the trust agreement.

#### **Amounts Held for the Benefit of Others**

The Foundation accepts cash and other financial assets from certain donors and agrees to use those assets on behalf of or transfer those assets to specified beneficiaries. The Foundation maintains legal ownership and variance power of these funds and continues to report the funds as assets of the Foundation. However, in accordance with accounting standards, a liability is recorded for the amounts held for the benefit of others at the value of the related assets.

#### **Gift Annuities and Charitable Remainder Trust Agreements**

Liabilities for gift annuities and charitable remainder trust agreements represent the actuarial present value of amounts from contributed assets due to the donor. Liabilities are valued based on mortality and interest assumptions according to tables established by the Internal Revenue Service (IRS) and are calculated in a manner consistent with the assumptions underlying the American Council on Gift Annuities rates in effect at the time of issuance. The liabilities are revalued using updated IRS assumptions as of December 31 each year. The impact of the revaluation is reflected

# **InFaith Community Foundation**

## **Notes to Financial Statements**

### **December 31, 2018 and 2017**

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as a component of the change in value of split interest agreements on the statements of activity and changes in net assets.

#### **Contributions Received**

Contributions received are recognized as support revenue in the period they are communicated/received at their fair value. Gifts of cash and other assets are reported as net assets with donor restrictions 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 transferred to net assets without donor restrictions and are reported in the statements of activity and changes in net assets as net assets released from restriction.

#### **Investment Income**

Net investment income is comprised of dividend and interest income, realized and unrealized gains and losses on investments, and investment expenses. Dividend and interest income are recorded when earned. Realized gains and losses are recorded at the time of sale for the amount of the difference between the sale price and the cost basis of the investment. Unrealized gains and losses are recorded for the change in the fair value of the securities which are still held as of year-end. Investment expenses are recorded as incurred.

#### **Expense Recognition**

Grants made by the Foundation are recorded as program expense at the time the recipient is notified. Other expenses are recognized when incurred. Certain expenses, such as compensation, other employee benefits, and space rental, are allocated among program, administrative, and fundraising expenses, as they are not directly attributable to those functions.

#### **Premiums on Life Insurance Contracts**

Premiums on life insurance contracts relate to life insurance policies which have been absolutely assigned (donated) to the Foundation. The Foundation is the beneficiary of those policies and at the time of absolute assignment, the Foundation becomes the owner of those policies. The insureds (donors) continue to make the policy premium payments. Income is recorded when the policy premiums are contributed, and a corresponding expense is recorded to premiums on life insurance contracts.

#### **Income Taxes**

The Foundation has been recognized by the IRS as exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code of 1986.

There are no reserves held for uncertain tax positions at December 31, 2018 and 2017. Tax years 2014 through 2018 are open under the statute of limitations and remain subject to examination by the IRS.

#### **Contingencies**

The Foundation evaluates matters as they are reported and records a liability when the outcome is both probable and estimable. The Foundation is not a party to, or subject of, any pending legal, arbitration, or regulatory proceedings that would have a material adverse effect on its financial statements. No liability was recorded at either December 31, 2018 or 2017.

# InFaith Community Foundation

## Notes to Financial Statements

### December 31, 2018 and 2017

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#### Liquidity and Availability

Financial assets available for grants and general expenditure within one year of the statement of financial position date are comprised of the following at December 31<sup>st</sup>:

	2018	2017
Cash and cash equivalents	\$ 37,353,947	\$ 7,828,961
Investments, short-term and liquid	193,291,612	228,741,551
Pledges, notes and other receivables	2,472,007	42,789,742
Total	<u>\$ 233,117,566</u>	<u>\$ 279,360,254</u>

The assets above include donor funds subject to donor restrictions and recommendations as of December 31, 2018 and 2017. Donor funds are generally either permanent (endowed) or nonpermanent. Nonpermanent funds may be granted out at any time, subject to terms of the fund agreement and approval by the board of directors.

The Foundation generally uses the assets held for donor advised funds for grantmaking based on donor recommendations although those funds are not donor-restricted.

The Foundation's core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of market value. The Foundation has established operating reserves to support operations during periods of market volatility, when administrative fees may fall short of budgeted expectations. Operating reserves of \$2,262,293 and \$2,669,061 at December 31, 2018 and 2017, respectively, are included in the amounts above and are invested in the Foundation's multi-asset pool.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to become available as its awarded grants, general expenditures, liabilities and other obligations become due. The Foundation invests cash in excess of daily requirements in money markets, sweep accounts, certificates of deposit, and short-term investments.

### 3. Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

*Net Assets without Donor Restrictions* are available for general use and not subject to donor restrictions.

*Net Assets with Donor Restrictions* are held in trust by the Foundation. During the life of the trust, the Foundation, as trustee, makes payments to the income beneficiary/beneficiaries. Trust termination occurs upon death of the income beneficiary/beneficiaries or in accordance with the trust agreement. Upon trust termination, the restriction is lifted on the Foundation's use of principal and income remaining in accordance with the trust agreement. In each taxable year of the trusts until trust termination, the Foundation will make payments to the income beneficiary/beneficiaries in

# InFaith Community Foundation

## Notes to Financial Statements

### December 31, 2018 and 2017

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an amount determined in accordance with the trust agreement, generally a percentage of the net fair market value of the assets of each trust valued as of the first day of each taxable year or the original date of the gift for unitrusts or annuity trusts, respectively. Net assets with donor restrictions shown in the statements of financial position and above are net of a related liability to income beneficiary/beneficiaries of \$21,592,332 and \$24,754,544 at December 31, 2018 and 2017, respectively.

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Charitable remainder trust agreements	\$ 24,731,724	\$ 27,293,552
Real estate remainder interest in trust	<u>116,067</u>	<u>125,207</u>
	<u>\$ 24,847,791</u>	<u>\$ 27,418,759</u>

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**4. Investments**

Investments in mutual and other investment funds, common stocks, and fixed income investments at December 31, 2018 and 2017, are comprised of the following:

	<u>December 31, 2018</u>		
	Fair Value	Cost	Unrealized Appreciation (Depreciation)
<b><u>Mutual funds</u></b>			
Large cap equities	\$ 95,955,556	\$ 92,512,699	\$ 3,442,857
Mid cap equities	14,772,679	14,721,505	51,174
Small cap equities	5,982,342	6,504,460	(522,118)
Marketable alternatives	4,874,842	6,666,871	(1,792,029)
Fixed income equities	<u>53,400,363</u>	<u>53,956,287</u>	<u>(555,924)</u>
<b>Total mutual funds</b>	<b>174,985,782</b>	<b>174,361,822</b>	<b>623,960</b>
<b><u>Other investment funds</u></b>	<b>141,738,746</b>	<b>133,334,799</b>	<b>8,403,947</b>
<b><u>Common stocks</u></b>			
Large cap stocks	4,255,917	4,387,488	(131,571)
Mid cap stocks	1,265,081	1,319,078	(53,997)
Small cap stocks	<u>439,875</u>	<u>513,719</u>	<u>(73,844)</u>
<b>Total common stocks</b>	<b>5,960,873</b>	<b>6,220,285</b>	<b>(259,412)</b>
<b><u>Fixed income investments</u></b>			
U.S. treasury notes	6,786,966	6,843,310	(56,344)
Corporate bonds	3,334,472	3,438,093	(103,621)
Municipal bonds	1,870,022	1,904,135	(34,112)
Foreign bonds	<u>353,496</u>	<u>362,050</u>	<u>(8,554)</u>
<b>Total fixed income investments</b>	<b>12,344,956</b>	<b>12,547,588</b>	<b>(202,632)</b>
<b>Total Investments</b>	<b><u>\$ 335,030,357</u></b>	<b><u>\$ 326,464,494</u></b>	<b><u>\$ (8,565,863)</u></b>

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

	<u>December 31, 2017</u>		
	Fair Value	Cost	Unrealized Appreciation (Depreciation)
<b><u>Mutual funds</u></b>			
Large cap equities	\$ 99,578,459	\$ 76,768,091	\$ 22,810,368
Mid cap equities	16,123,765	12,801,878	3,321,887
Small cap equities	5,740,466	5,004,411	736,055
Marketable alternatives	17,623,836	17,001,028	622,808
Fixed income equities	<u>71,038,862</u>	<u>71,295,795</u>	<u>(256,933)</u>
<b>Total mutual funds</b>	<b>210,105,388</b>	<b>182,871,203</b>	<b>27,234,185</b>
<b><u>Other investment funds</u></b>	<b>112,438,051</b>	<b>90,301,475</b>	<b>22,136,576</b>
<b><u>Common stocks</u></b>			
Large cap stocks	4,537,178	4,282,529	254,649
Mid cap stocks	1,739,953	1,603,551	136,402
Small cap stocks	<u>855,323</u>	<u>797,113</u>	<u>58,210</u>
<b>Total common stocks</b>	<b>7,132,454</b>	<b>6,683,193</b>	<b>449,261</b>
<b><u>Fixed income investments</u></b>			
U.S. treasury notes	5,369,818	5,422,755	(52,937)
Corporate bonds	3,293,934	3,319,330	(25,396)
Municipal bonds	2,460,209	2,475,542	(15,333)
Foreign bonds	<u>379,748</u>	<u>382,004</u>	<u>(2,256)</u>
<b>Total fixed income investments</b>	<b>11,503,709</b>	<b>11,599,631</b>	<b>(95,922)</b>
<b>Total Investments</b>	<b><u>\$ 341,179,602</u></b>	<b><u>\$ 291,455,502</u></b>	<b><u>\$ 49,724,100</u></b>

Investments in mutual and other investment funds, common stocks, and fixed income investments are shown below according to the types of agreements established between the Foundation and donors at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Donor preference fund agreements	\$ 194,229,078	\$ 186,422,375
Institution-advised fund agreements	56,580,008	56,433,788
Charitable remainder trust agreements	43,824,393	50,426,103
Gift annuity agreements	<u>40,396,878</u>	<u>47,897,336</u>
	<b><u>\$ 335,030,357</u></b>	<b><u>\$ 341,179,602</u></b>

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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Investment income (loss) is comprised of the following for the years ended December 31:

	<b>2018</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Dividends and interest income	\$ 9,428,893	\$ 207,486	\$ 9,636,379
Net realized gain on investments	1,409,449	192,336	1,601,785
Net unrealized gain (loss) on investments	(33,091,187)	(2,355,034)	(35,446,221)
Investment expenses	(851,956)	(147,794)	(999,750)
	<u>\$ (23,104,801)</u>	<u>\$ (2,103,006)</u>	<u>\$ (25,207,807)</u>

	<b>2017</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Dividends and interest income	\$ 6,146,405	\$ 284,924	\$ 6,431,329
Net realized gain on investments	8,502,356	7,899,338	16,401,694
Net unrealized gain (loss) on investments	23,314,909	(1,139,092)	22,175,817
Investment expenses	(305,630)	(19,352)	(324,982)
	<u>\$ 37,658,040</u>	<u>\$ 7,025,818</u>	<u>\$ 44,683,858</u>

**5. Management and Administrative Contracts and Others**

The Foundation reimbursed Thrivent Financial for Lutherans for certain management and administrative services provided to the Foundation, including rent, IT services, postage and other related expenses of \$223,693 and \$185,949 for the years ended December 31, 2018 and 2017, respectively. Financial representatives of Thrivent Financial for Lutherans are involved in the generation of contributions to the Foundation. Additionally, the Foundation invests in Thrivent Mutual Funds advised by and held by Thrivent Asset Management, LLC. and Thrivent Investment Management, Inc., wholly owned subsidiaries of Thrivent Financial for Lutherans. These investments equate to 48% of total investments.

**6. Fair Value of Financial Instruments**

In estimating the fair values of financial instruments carried at fair value, the amount of observable and unobservable inputs used to determine fair value is taken into consideration. Each of the financial instruments has been classified into one of three categories based on that evaluation.



**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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Level 1 – Fair value based on quoted prices for identical assets in active markets that are accessible.

Level 2 – Fair value based on quoted prices for similar instruments in active markets that are accessible or quoted prices for identical or similar instruments in markets that are not active.

Level 3 – Fair value based on significant value driver inputs that are not observable.

**Cash and Cash Equivalents**

The carrying amounts for these instruments approximate fair value due to the short-term nature of these instruments.

**Mutual Funds, Common Stocks, and Fixed Income Investments**

The fair values are primarily based on quoted market prices in active markets where available or are estimated using values obtained from independent pricing services that utilize market standard methodologies based on market observable inputs.

The carrying value and estimated fair value of the Foundation's financial instruments carried at fair value as of December 31 were as follows:

	<b>2018 Estimated Fair Value</b>			<b>Total</b>
	<b>Quoted Market Prices for Identical Assets (Level 1)</b>	<b>Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
<b>Financial instruments carried at fair value</b>				
<b>Assets</b>				
Mutual funds				
Large cap equities	\$ 95,955,556	\$ -	\$ -	\$ 95,955,556
Mid cap equities	14,772,679	-	-	14,772,679
Small cap equities	5,982,342	-	-	5,982,342
Marketable alternatives	4,874,842	-	-	4,874,842
Fixed income mutual funds	53,400,364	-	-	53,400,364
Common stocks				
Large cap stocks	4,255,917	-	-	4,255,917
Mid cap stocks	1,265,081	-	-	1,265,081
Small cap stocks	439,875	-	-	439,875
Fixed income investments				
U.S. treasury notes	6,786,966			6,786,966
Corporate bonds	-	3,334,472		3,334,472
Municipal bonds	-	1,870,022		1,870,022
Foreign bonds	-	353,496		353,496
	<u>187,733,622</u>	<u>5,557,990</u>	<u>-</u>	<u>193,291,612</u>

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

	2017 Estimated Fair Value			Total
	Quoted Market Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Financial instruments carried at fair value</b>				
Assets				
Mutual funds				
Large cap equities	\$ 99,578,459	\$ -	\$ -	\$ 99,578,459
Mid cap equities	16,123,765	-	-	16,123,765
Small cap equities	5,740,466	-	-	5,740,466
Marketable alternatives	17,623,836	-	-	17,623,836
Fixed income mutual funds	71,038,862	-	-	71,038,862
Common stocks				
Large cap stocks	4,537,178	-	-	4,537,178
Mid cap stocks	1,739,953	-	-	1,739,953
Small cap stocks	855,323	-	-	855,323
Fixed income investments				
U.S. treasury notes	5,369,818	-	-	5,369,818
Corporate bonds	-	3,293,934	-	3,293,934
Municipal bonds	-	2,460,209	-	2,460,209
Foreign bonds	-	379,748	-	379,748
	<u>222,607,660</u>	<u>6,133,891</u>	<u>-</u>	<u>228,741,551</u>

There were no significant transfers into or out of Level 1 or Level 2 in 2018 or 2017. Transfers between fair value hierarchy levels are recognized at the date of the event or change in circumstance that caused the transfer.

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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**7. Other Investment Funds**

The following tables include information related to investments in certain other invested assets whose fair value is measured on a recurring basis using the NAV per share as an expedient to measure fair value. The investments in the tables are excluded from the fair value hierarchy in accordance with adoption of the accounting standard discussed in Note 2.

	<b>December 31, 2018</b>		
	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice</b>
<b>Global equities</b>			
Generation IM Global <sup>(1)</sup>	\$ 10,893,519	Quarterly	90 days
Impax Global Resource Optimization Fund <sup>(2)</sup>	9,510,070	Monthly	15 days
KBI Water Strategy <sup>(3)</sup>	1,075,101	Monthly	10 days
Mondrian International ESG <sup>(4)</sup>	12,163,564	Monthly	15 days
Sanderson International Fund <sup>(5)</sup>	17,356,359	Monthly	10 days
Ownership Capital Global Equity <sup>(6)</sup>	15,004,285	Monthly	5 days
<b>Emerging market equities</b>			
Generation IM Asia <sup>(7)</sup>	11,738,035	Quarterly	90 days
Mahout Global Emerging Markets Leaders Fund <sup>(8)</sup>	10,284,905	Monthly	10 days
WGI Emerging Markets Smaller Co <sup>(9)</sup>	5,552,873	Monthly	60 days
<b>Marketable alternatives</b>			
Wellington Trust Company <sup>(10)</sup>	7,840,746	Monthly	30 days
GMO Systems <sup>(11)</sup>	7,834,921	Monthly	3 days
Windham Risk Premia <sup>(12)</sup>	6,942,698	Monthly	15 days
CIM Enterprise Loan Fund <sup>(13)</sup>	1,803,570	Monthly	30 days
Davidson Kempner <sup>(14)</sup>	13,526,871	Quarterly	60 days
Varde Investment Partners <sup>(15)</sup>	10,111,229	Annually	90 days
Better Ventures Fund <sup>(16)</sup>	100,000	N/A	N/A
Nyes Ledge <sup>(17)</sup>	-	N/A	N/A
<b>Total</b>	<b>\$ 141,738,746</b>		

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

	December 31, 2017		
	Fair Value	Redemption Frequency	Redemption Notice
<b>Global equities</b>			
Generation IM Global <sup>(1)</sup>	\$ 11,183,091	Quarterly	90 days
Impax Global Resource Optimization Fund <sup>(2)</sup>	11,865,244	Monthly	15 days
KBI Water Strategy <sup>(3)</sup>	1,790,207	Monthly	10 days
Mondrian International ESG <sup>(4)</sup>	13,731,876	Monthly	15 days
Sanderson International Fund <sup>(5)</sup>	21,298,834	Monthly	10 days
Ownership Capital Global Equity <sup>(6)</sup>	14,200,782	Monthly	5 days
<b>Emerging market equities</b>			
Generation IM Asia <sup>(7)</sup>	\$ 11,701,762	Quarterly	90 days
Mahout Global Emerging Markets Leaders Fund <sup>(8)</sup>	12,252,843	Monthly	10 days
WGI Emerging Markets Smaller Co <sup>(9)</sup>	6,352,051	Monthly	60 days
<b>Marketable alternatives</b>			
Wellington Trust Company <sup>(10)</sup>	<u>\$ 8,061,361</u>	Monthly	30 days
<b>Total</b>	<b>112,438,051</b>		

- (1) The Foundation has a noncontrolling equity interest in the Generation IM Global, which offers diversified exposure to mission related equities around the globe with a focus on high quality, sustainable companies. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (2) The Foundation has a noncontrolling equity interest in Impax Global Resource Optimization Fund, which offers exposure to pure-play environmental equities. It plays a satellite role in the Foundation's global equity portfolio offering exposure to niche themes. The combination creates a well-diversified global equity portfolio with a focus on high quality, sustainable companies. The InFaith Community Foundation's Global equity portfolio plays an integral role in the Foundation's long-term strategic asset allocation. Global equities should provide long term returns that are higher than those of fixed income with accordingly increased volatility; over the long term, an allocation to diversified equities should help the Foundation grow assets and meet its spending needs.
- (3) The Foundation has a noncontrolling equity interest in KBI Water Strategy, which offers differentiated global thematic equity exposure to actively managed water investments. It plays a satellite role in the Foundation's global equity portfolio offering niche exposure to niche themes. The combination creates a well-diversified global equity portfolio with a focus on high quality, sustainable companies. The InFaith Community Foundation's Global equity portfolio plays an integral role in the Foundation's long-term strategic asset allocation. Global equities should provide long term returns that are higher than those of fixed income with accordingly increased volatility; over the long term, an allocation to diversified equities should help the Foundation grow assets and meet its spending needs.
- (4) The Foundation has a noncontrolling equity interest in Mondrian International Equity ESG, which provides a value-tilt to complement the Foundation's core, growth oriented global equity managers. The InFaith Community Foundation's Global ex-U.S. equity portfolio plays an integral role in the Foundation's long-term strategic asset allocation. Global ex-U.S. equities should provide long term returns that are higher than those of fixed income with accordingly increased volatility; over the long term, an allocation to diversified equities should help the Foundation grow assets and meet its spending needs.
- (5) The Foundation has a noncontrolling equity interest in the Sanderson International value Fund, which was formed for the purpose of achieving long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in any country other than Canada and the United States. Sanderson provides relatively concentrated, diversified exposure to value stocks in the developed

# InFaith Community Foundation

## Notes to Financial Statements

### December 31, 2018 and 2017

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markets of Europe, Asia, and the Far East. It is combined with the Foundation's other Global ex-U.S. equity managers to produce a diversified Global ex-U.S. equity portfolio. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.

- (6) The foundation has a noncontrolling equity interest in Ownership Capital Global Equity, which offers diversified exposure to equities around the globe. It serves as a core position in the global equity portfolio alongside Generation. Ownership's mid- to large-cap and Europe/North America focus is complementary to Generation who is more focused on mega-cap stocks and will have exposure to Asia. The combination creates a well-diversified global equity portfolio with a focus on high quality, sustainable companies. The InFaith Community Foundation's global equity portfolio plays an integral role in the Foundation's long-term strategic asset allocation. Global equities should provide long term returns that are higher than those of fixed income with accordingly increased volatility; over the long term, an allocation to diversified equities should help the Foundation grow assets and meet its spending needs.
- (7) The Foundation has a noncontrolling equity interest in Generation Asia, which offers dedicated exposure to Asian equities. Generation has successfully integrated sustainability criteria into its fundamental company research. The team's approach stands out because the Environmental, Social, and Governance (ESG) research is not an overlay, but part of their long-term assessment of companies. The strategy focuses on identifying high-quality companies that meet Generation's sustainability criteria and suit a long-term investment horizon. Generation's preference for companies with dominant market positions, barriers to entry, and pricing power narrows down the universe significantly.
- (8) The Foundation has a noncontrolling equity interest in Mahout Global Emerging Markets Leaders Fund, which provides concentrated and low-volatility growth-at-a-reasonable-price exposure to Emerging Markets equities. It is combined with the Foundation's other Global ex-U.S. equity managers to produce a diversified Global ex-U.S. equity portfolio. The team manages a concentrated portfolio of about 50 stocks that is built without regard to a particular benchmark. Their focus on investing in high quality companies with sustainable growth trajectories reduces absolute risk and leads to a lower beta profile. Sustainable investment has always been an integral part of First State's investment philosophy and bottom-up stock-picking process. The team actively uses ESG initiatives as a qualitative tool to assess the risks and/or opportunities a company might face and how management is addressing them.
- (9) The Foundation has a noncontrolling equity interest in the WGI Emerging Markets Smaller Co Fund, which provides concentrated and differentiated exposure to emerging markets equities with a focus on smaller capitalization companies. It is combined with the Foundation's other global ex-U.S. equity managers to produce a diversified global ex-U.S. equity portfolio. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (10) The Foundation has a noncontrolling equity interest in the Wellington Diversified Inflation Hedges (DIH) Fund, which provides diversified exposure to several sub-asset classes within real assets (long-only natural resources equities, commodities, and TIPS). It is combined with the Foundation's other liquid real asset managers to produce a diversified liquid real asset portfolio. The Foundation's liquid real asset portfolio plays an integral role in the Foundation's long-term strategic asset allocation.
- (11) The Foundation has a noncontrolling equity interest in the Grantham, Mayo, Van Otterloo & Co. Hedge Fund (GMO), which provides exposure to a range of global equities, bonds, currencies, and commodities. The fund uses a systematic process, combining value and sentiment-based strategies, and employs both long and short positions within the fund. The fair value has been determined using the net asset value of

# InFaith Community Foundation

## Notes to Financial Statements

### December 31, 2018 and 2017

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the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.

- (12) The Foundation has a noncontrolling equity interest in the Windham Capital Management LLC, the Windham Risk Premia Strategy hedge fund that employs a global investment strategy that allocates to various factors, within and across asset classes that have been shown to generate attractive risk-adjusted returns over time. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (13) The Foundation has a noncontrolling equity interest in the Community Investment Management Loan Fund (CIM), which provides a diversified fixed income product that provides both financial return and positive economic and social impact. The investable universe is comprised of U.S. small businesses that have passed through a loan underwriting process and aims to construct a balanced investment portfolio of high-yield, short duration fixed income assets diversified by loan, sector, and geography. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (14) The Foundation has a noncontrolling equity interest in the Davidson Kempner Multi-Strategy hedge fund, which employs an event-driven multi-strategy approach that is not geographically restricted. Strategies may include distressed investments, mergers, long/short equities, and convertible and volatility. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (15) The Foundation has a noncontrolling equity interest in the Varde Hedge Fund, which takes a global market approach in the search for distressed assets. The hedge fund philosophy looks for undervalued investments or market inefficiencies and financial assets priced at a discount to their intrinsic value. The fund emphasizes medium-term time horizons and manages risk through diversified investment programs and trading strategies. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (16) The Foundation has a noncontrolling equity interest in the Better Ventures Fund, a private investment firm that takes a hands-on approach to seed investing. Focusing on leveraging technology and mission-driven founders, Better Ventures provides funding to support early-stage companies. Generally investing in 5-7 companies per year, the core investment thesis is that mission-driven companies outperform the market. The fair values have been determined using public market information if possible. For unobservable values the General Partner will use financial data and projections from the investee company, and as needed will use alternative valuation methods that are deemed appropriate.
- (17) In 2016 the Foundation had a noncontrolling equity interest in the Nyes Ledge Capital Horizon Fund (the Fund), which is an exempted fund under the laws of the Cayman Islands. The Fund's investment objective is to provide attractive absolute and relative returns that exhibit moderate volatility and a low correlation to overall stock and bond markets. The Fund provides relatively conservative, diversified exposure to hedge fund strategies. Its fund-of-funds structure allows the Foundation to gain diversification across hedge fund strategies and managers and as such is the Foundation's sole hedge fund investment. The fair value has been determined using the net asset value of the holdings of the Fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.