Community Foundation for Southeast Michigan and Supporting Organizations

Combined Financial Statements as of and for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

COMMUNITY FOUNDATION FOR SOUTHEAST MICHIGAN AND SUPPORTING ORGANIZATIONS

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Community Foundation for Southeast Michigan and
Supporting Organizations
Detroit, Michigan

We have audited the accompanying combined financial statements of the Community Foundation for Southeast Michigan and supporting organizations (the "Foundation"), which are under common control and common management, which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017 and 2016, 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.

Deloitte + Touche LLP

May 16, 2018

COMMUNITY FOUNDATION FOR SOUTHEAST MICHIGAN AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CASH	$ 19,944,153	$ 1,937,937
INVESTMENTS	840,616,063	746,940,938
CONTRIBUTIONS RECEIVABLE	18,166,819	24,950,881
DEFERRED GIFTS RECEIVABLE	4,599,386	4,521,056
COMMERCIAL ANNUITIES	21,474,275	22,209,093
ACCRUED INVESTMENT INCOME	322,606	1,288,855
OTHER ASSETS	6,850,023	2,239,302
FIXED ASSETS—Net of accumulated depreciation of $655,102 and $801,018 in 2017 and 2016, respectively	89,013	129,124
TOTAL	$ 912,062,338	$ 804,217,186
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Grant commitments	$ 15,795,525	$ 12,854,281
Accounts payable	656,446	513,714
Charitable gift annuities	33,590,572	34,799,685
	50,042,543	48,167,680
Funds held as agency endowments	21,474,143	18,945,039
Total liabilities	71,516,686	67,112,719
NET ASSETS:		
Unrestricted	807,699,447	697,552,530
Temporarily restricted	32,846,205	39,551,937
Total net assets	840,545,652	737,104,467
TOTAL	$ 912,062,338	$ 804,217,186

See notes to combined financial statements.

COMMUNITY FOUNDATION FOR SOUTHEAST MICHIGAN AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
REVENUES, GAINS AND OTHER SUPPORT:						
Contributions	$ 86,255,840	$ 79,502,358	$ 6,753,482	$ 95,414,399	$ 85,073,399	$ 10,341,000
Less amounts received from agencies	(518,879)	(518,879)		(78,436)	(78,436)	
Net assets released from restrictions	-	14,226,168	(14,226,168)	-	8,078,234	(8,078,234)
Change in value of deferred gifts receivable	766,954		766,954	(238,264)		(238,264)
Interest and dividends	26,607,153	26,607,153		20,827,293	20,827,293	
Less interest on amounts held for agencies	(785,986)	(785,986)		(634,846)	(634,846)	
Net unrealized and realized gain on investments	80,058,669	80,058,669		28,005,811	28,005,811	
Less (gain) on investments held for agencies	(2,231,001)	(2,231,001)		(852,295)	(852,295)	
Remeasurement of charitable gift annuities	(441,163)	(441,163)		(634,891)	(634,891)	
Administrative revenue from amounts held for agencies	96,084	96,084		95,770	95,770	
Miscellaneous income	506,932	506,932		209,100	209,100	
Total revenues, gains and other support	190,314,603	197,020,335	(6,705,732)	142,113,641	140,089,139	2,024,502
GRANTS AND EXPENSES:						
Grants	77,719,082	77,719,082		73,562,933	73,562,933	
Less amounts granted to agencies	(787,157)	(787,157)		(805,506)	(805,506)	
Prior-year grants canceled	(142,500)	(142,500)		(60,000)	(60,000)	
Prior-year grants returned	(30,480)	(30,480)		(18,467)	(18,467)	
General and administrative	6,491,867	6,491,867		5,558,491	5,558,491	
Investment management fees	3,746,128	3,746,128		3,470,803	3,470,803	
Less management fees on amounts held for agencies	(123,522)	(123,522)		(101,947)	(101,947)	
Total grants and expenses	86,873,418	86,873,418	-	81,606,307	81,606,307	-
Increase (decrease) in net assets	103,441,185	110,146,917	(6,705,732)	60,507,334	58,482,832	2,024,502
NET ASSETS—Beginning of year	737,104,467	697,552,530	39,551,937	676,597,133	639,069,698	37,527,435
NET ASSETS—End of year	$ 840,545,652	$ 807,699,447	$ 32,846,205	$ 737,104,467	$ 697,552,530	$ 39,551,937

See notes to combined financial statements.

COMMUNITY FOUNDATION FOR SOUTHEAST MICHIGAN AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 103,441,185	$ 60,507,334
Depreciation	50,169	40,560
Net unrealized and realized gain on investments	(77,826,802)	(27,153,516)
Remeasurement of charitable gift annuities	441,163	634,891
Noncash contributions	(13,293,581)	(7,792,994)
Changes in assets and liabilities:		
Contributions and deferred gifts receivable	6,705,732	(2,024,502)
Commercial annuities	1,246,545	1,246,544
Accrued investment income	966,249	(1,135,958)
Other assets	(4,610,721)	(1,727,565)
Grant commitments	2,941,244	(1,938,166)
Accounts payable	142,732	(157,563)
Charitable gift annuities	(2,162,002)	(2,149,695)
Funds held as agency endowments	2,529,104	562,356
Net cash provided by operating activities	20,571,017	18,911,726
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(297,698,580)	(328,580,851)
Proceeds from sale of investments	295,143,838	310,584,408
Purchases of fixed assets	(10,059)	(70,465)
Net cash used in investing activities	(2,564,801)	(18,066,908)
NET INCREASE IN CASH	18,006,216	844,818
CASH—Beginning of year	1,937,937	1,093,119
CASH—End of year	$ 19,944,153	$ 1,937,937

See notes to combined financial statements.

1. ORGANIZATION

The Community Foundation for Southeast Michigan was founded in 1984 as a permanent community resource, receiving gifts from thousands of individuals and organizations, many of which are placed into endowment funds that will meet community needs in perpetuity. Other gifts are made to funds that may have a shorter duration; however, in all cases, these funds help connect those who care with causes that matter.

As described in Section 509 (a)(3) of the Internal Revenue Code, Type I supporting organizations are operated, supervised, or controlled by the supported organization. At December 31, 2017 the Community Foundation for Southeast Michigan had five active Type I supporting organizations. The Gilmour-Jirgens Fund was established in 1995, and the Robert H. Tannahill Foundation was established in 2001. In 2012, the DMC Foundation became a supporting organization to the Community Foundation for Southeast Michigan. The Foundation for Detroit's Future (FDF) was established in 2014 as a supporting organization of the Community Foundation. The role of FDF is to help improve the quality of life in southeast Michigan, primarily as the charitable entity that manages the DIA Settlement (commonly known as the "Grand Bargain") approved as part of the Plan of Adjustment that concluded the bankruptcy proceedings of the City of Detroit. The Southeast Michigan Opportunity Trust, established to facilitate gifts to support charitable activities that benefit southeast Michigan, received an initial gift in 2017.

The accompanying combined financial statements have been prepared on a combined basis to include the Community Foundation for Southeast Michigan and its affiliated supporting organizations (the "Foundation"). All material interorganization transactions and balances are eliminated in the combined financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Foundation's combined financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred in accordance with accounting principles generally accepted in the United States of America (US GAAP). For combined financial statement purposes, the Foundation distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

Net Asset Classifications—In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 958-205, *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Michigan adopted UPMIFA effective September 10, 2009. The Foundation's board of trustees (the "Board of Trustees"), with the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. While not an UPMIFA-defined endowment, the Foundation intends many of its funds to be permanent and manages them accordingly. Further reference to "endowment" or "endowed assets" in these notes relate to those intentions of the Foundation.

The Foundation is governed subject to its articles of incorporation and bylaws and further by its adopted investment policy, as well as individual gift instruments and agreements. The bylaws of the Foundation include a variance provision and powers of modification, giving the Board of Trustees the power to vary the use of funds if a restriction expressed by a donor would result in use contrary to the intent presumed. As further stated in its articles of incorporation, the Foundation has the ability to distribute all or any part of its net income, principal, or property in accordance with determination made by the Board of Trustees for the purposes set forth in its restated articles of incorporation. Although the Foundation's mission is to build endowed assets based on the provisions noted, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for combined financial statement purposes.

Temporarily restricted net assets consist of deferred gifts receivable, including irrevocable charitable remainder trusts, lead trusts, unconditional pledges, and other time-restricted contributions. When a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restriction.

A reconciliation of net assets is included in the combined statements of activities.

Endowment Investment and Spending Policies—The Foundation has adopted investment and spending policies for endowment assets with the intent to preserve the purchasing power of those assets and provide a predictable stream of funding to programs supported by its endowment. The Foundation's spending and investment policies work together to achieve this objective. Diversification by asset class, investment style, and investment manager is employed to avoid undue risk concentration and to enhance total return. The long-term return objective is expressed as a range from 6% to 8%, net of investment fees. Actual returns in any year may vary from this amount. To satisfy its long-term rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The spending policy calculates the amount of money annually available for distribution from the Foundation's various endowed funds for grantmaking and administration. The spending policy is reviewed and determined annually by the Board of Trustees. The 2017 spending policy is up to 5.0% of the average market value over the previous 12 quarters. Accordingly, over the long term, the Foundation intends the current spending policy to allow its endowment assets to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through new gifts and investment return.

The Foundation further classifies its unrestricted net assets as of December 31, 2017 and 2016, as follows:

	2017	2016
Unrestricted	$ 104,203,213	$ 94,254,083
Field of interest	107,416,747	95,584,292
Designated	197,463,931	176,066,880
Scholarship	6,499,163	5,690,720
Advised endowment	89,263,807	66,926,481
Charitable gift annuities	18,648,904	14,678,919
Donor advised	133,878,112	104,726,560
Special project	17,806,133	22,046,260
Operating and reserves	14,336,733	14,305,313
Gift funds	3,950,000	
Funds held as agency endowments	(21,474,143)	(18,945,039)
Total unrestricted net assets, excluding supporting organizations	671,992,600	575,334,469
Net assets of supporting organizations	135,706,847	122,218,061
Total unrestricted net assets	$ 807,699,447	$ 697,552,530

Cash—Cash principally consists of cash contributions received at year-end and not yet invested, as well as checking accounts.

Commercial Annuities—Commercial annuities are purchased to provide a guaranteed source of funds and to reduce investment risk of certain charitable gift annuities. The commercial annuities are valued at the present value of the estimated future payments to be received.

Other Assets—Other assets include gifts of life insurance and accounts receivable. In 2017, other assets also include a gift of an option agreement to purchase real property recorded at fair value of $3,850,000 and a gift of S corporation stock recorded at fair value of $500,000. The Foundation board has adopted gift acceptance policies and guidelines applicable to these and other specific types of gifts.

Fixed Assets—Fixed assets are recorded at cost. Depreciation of computer hardware and software is computed using the straight-line method over an estimated useful life of three years. Depreciation of all other fixed assets is computed using the straight-line method over an estimated useful life of five years.

Charitable Gift Annuities—Charitable gift annuities are contracts between the Foundation and a donor in which the Foundation agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. A liability is recorded for the amount due to an income beneficiary of a charitable gift annuity based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. Each year, the liability is remeasured and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue and support. The discount rate ranges from 1% to 8% depending on the discount rate in effect at the time of the gift. The Foundation purchased commercial annuities to fund certain of these arrangements.

Grant Commitments—Grant commitments are recognized as liabilities at the time unconditional grants are authorized and expensed by the Foundation, regardless of the year in which they are paid.

Investments—The Foundation's investments are classified as available for sale as defined by accounting standards. Marketable securities, including mutual fund, equity, and debt securities, are reported at fair value based upon quoted market prices, or, when quotes are not available, are valued based on comparable financial instruments.

FASB ASC 820, *Fair Value Measurements and Disclosures*, allows the Foundation, as a practical expedient, to measure the value of certain investments using the net asset value (NAV) per share of the investment. The NAV of the Foundation's collective funds (or common trust funds), private placement funds, and other fund-of-funds investments are calculated by the fund administrators, and market values as of December 31, 2017 and 2016, are based on valuations provided by the managers of the funds. Management reviews and assesses reasonableness of the fair values, including an evaluation of whether the investment returns are in line with expectations. Audited financial statements and other financial information were received from the fund managers and fair values were confirmed as part of management's evaluation of fair values. Because of the inherent uncertainty of valuations, values may differ materially from values had a ready market existed.

Investments structured as limited partnerships, include fixed income, equity, asset allocation, hedge funds, and private market investments and are accounted for using the equity method (which approximates market value). Limited partnerships are valued based on information provided by the general partner and audited financials when available.

Realized gains or losses on investments represent the difference between the original cost of investments and the sales proceeds. Unrealized gains or losses represent the difference between the beginning-of-year value or purchase date during the year and the end-of-year value. Cost is determined on the average-cost basis.

Investment Risks—Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying combined statements of financial position and combined statements of activities.

Funds Held as Agency Endowments—The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, reports the funds as assets of the Foundation. A liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations that are the ultimate recipients and established the funds. All asset transfers of this type and the activity associated with those assets are recognized as agency transactions in the combined financial statements. In order to present the full scope of the Foundation's operations, the Foundation includes the activity (i.e., contributions, investment income, net investment gains (losses), grants, management, and other fees) related to such transactions in its combined statements of activities and then separately presents the respective agency activity as a reduction thereof. In the combined statements of financial position, the assets held on behalf of the agency are included in investments, and the related liability to the agency is classified as funds held as agency endowments. These assets are managed in accordance with the same investment and spending policies as the Foundation's other endowment funds.

Use of Estimates—The preparation of combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and the accompanying notes to combined financial statements. Actual results could differ from those estimates.

Retirement Plan—The Foundation has a defined contribution retirement plan covering substantially all of its employees. The Foundation contributes a specified percentage of the annual compensation of participants. Retirement plan expense for 2017 and 2016 was $310,305 and $253,150, respectively.

Grants—Unconditional grants are recorded as expenses in the year they are authorized.

New Accounting Pronouncements—The December 31, 2017 combined financial statements reflect adoption of FASB Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 defines management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The Foundation adopted this ASU and concluded there was not substantial doubt of its continued operations.

In March 2015, the FASB amended the FASB ASC and created a new Topic 606, *Revenue from Contracts with Customers,* to clarify the principles in recognizing revenue and to develop a common revenue standard for US GAAP and the International Financial Reporting Standards. The standard is scheduled to take effect for reporting periods beginning after December 15, 2018, for nonpublic companies. The Foundation is evaluating the impact this topic will have on the combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to establish the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The standard is scheduled to take effect for reporting periods beginning January 1, 2020, for nonpublic companies. The Foundation is evaluating the impact this topic will have on the combined financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP) liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. The Foundation is evaluating the impact this topic will have on the combined financial statements.

In August 2016, the FASB also issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, to reduce the diversity in current practice in how certain cash receipts and cash payments are presented and classified. For entities that are not public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation is evaluating the impact this topic will have on the combined financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, to reduce the diversity in current practice in the classification and presentation of changes in restricted cash in the statement of cash flows. For entities that are not public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation is evaluating the impact this topic will have on the combined financial statements.

In January 2017, the FASB issued ASU No. 2017-02, *Not-for-Profit Entities Consolidation (Subtopic 958-810),* clarifying when a not-for-profit entity that is a general partner or limited partner should consolidate a for-profit limited partnership or similar entity. The amendments in this update are effective for not-for-profit entities for fiscal years beginning after December 16, 2016. The Foundation evaluated the impact of this topic on the combined financial statements and concluded there was no impact.

3. INVESTMENTS

Cost and market value of investments held as of December 31, 2017 and 2016, were as follows:

	2017		2016	
	Cost	**Market**	**Cost**	**Market**
Mutual funds:				
Money market	$ 86,338,211	$ 86,338,211	$ 97,093,455	$ 97,093,455
Fixed income	143,061,178	143,337,765	148,219,805	146,544,366
Equity	123,247,121	147,081,410	117,559,793	118,315,404
Asset allocation	28,352,316	27,819,082	42,798,305	38,985,050
Total mutual funds	380,998,826	404,576,468	405,671,358	400,938,275
Equity securities	18,868,241	22,458,956	20,766,630	22,327,821
Collective funds:				
Equity	124,657,632	139,428,047	87,525,846	121,380,886
Asset allocation			12,058,338	19,994,471
Total collective funds	124,657,632	139,428,047	99,584,184	141,375,357
US government debt securities	9,225,861	9,240,076	10,385,275	10,291,723
Corporate debt securities	3,551,407	3,537,582	743,318	706,476
Total marketable securities	537,301,967	579,241,129	537,150,765	575,639,652
Hybrid fund of funds	1,116,469	2,033,084	2,124,064	3,442,266
Limited partnerships:				
Fixed income	36,708,899	37,941,359	38,376,409	38,898,046
Equity	70,712,747	86,006,657	64,654,454	69,016,303
Asset allocation			2,076,040	4,020,883
Private markets	99,963,456	111,303,893	36,791,257	40,627,072
Hedge funds	22,753,368	24,089,941	14,899,251	15,296,716
Total limited partnerships	230,138,470	259,341,850	156,797,411	167,859,020
Total	$ 768,556,906	$ 840,616,063	$ 696,072,240	$ 746,940,938

Investment activity in 2017 included change in unrealized gain of $19,273,840 and realized gain of $60,784,829.

Investment activity in 2016 included change in unrealized gain of $25,120,214 and realized gain of $2,885,597.

A portion of the limited partnerships (with carrying values of $86,006,657 and $69,016,303 at December 31, 2017 and 2016, respectively) consist primarily of underlying investments that are marketable and have a readily determinable fair market value.

4. CONTRIBUTIONS RECEIVABLE AND DEFERRED GIFTS RECEIVABLE

Contributions represent current-year contributions as well as unconditional pledges. Contributions are recorded at fair market value on the date of donation. Unconditional pledges and deferred gifts are recorded at the present value of expected net proceeds.

Contributions receivable are recorded at the estimated value on the date of the gift and an allowance for uncollectible amounts is reviewed annually and adjusted, as necessary. Contributions due in more than one year are discounted at rates between 1.93% and 4.8% using the discount rate in effect at the time of gift.

Contributions receivable represent unconditional pledges, which are expected to be received as of December 31, 2017 and 2016, as follows:

	2017	**2016**
Within one year	$ 8,786,726	$ 15,984,384
One to five years	9,056,415	10,214,919
More than five years	1,675,260	475,000
Total	19,518,401	26,674,303
Less present value factor at varying rates	(801,582)	(1,073,422)
Less allowance for uncollectible accounts	(550,000)	(650,000)
Total contributions receivable	$ 18,166,819	$ 24,950,881

Conditional pledges totaled $0 at December 31, 2017 and 2016.

Deferred gifts receivable consist primarily of charitable remainder trusts and charitable lead trusts, commonly known as split-interest agreements, as well as estates and trusts in settlement. Contribution revenue is recorded when the Foundation has the unconditional and irrevocable right to receive benefits under the agreements. Deferred gifts are recorded at the present value of the revenue to be received using discount rates between 1.65% and 7.60% based on the year the trust was established. An allowance for uncollectible amounts is reviewed annually and adjusted, as necessary.

Deferred gifts receivable expected to be received as of December 31, 2017 and 2016, are as follows:

	2017	2016
Within one year	$ 1,537,182	$ 658,442
One to five years	1,777,451	2,895,083
More than five years	2,730,646	2,636,997
Total	6,045,279	6,190,522
Less present value factor at varying rates	(1,325,893)	(1,549,466)
Less allowance for uncollectible accounts	(120,000)	(120,000)
Total deferred gifts receivable	$ 4,599,386	$ 4,521,056

Contributions receivable and deferred gifts receivable are classified as temporarily restricted assets until received and are adjusted to fair market value at each combined statement of financial position date. Once received, the gift is reclassified to unrestricted net assets.

The Foundation's contributions and deferred gifts receivable released from restrictions during the years ended December 31, 2017 and 2016, amounted to $14,226,168 and $8,078,234, respectively.

5. COMMITMENTS AND CONTINGENCIES

Future minimum rental payments required under building operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2017, are as follows:

Years Ending December 31	
2018	$ 348,312
2019	369,615
2020	381,875
2021	405,677
2022	425,438
Thereafter	1,861,886
Total	$ 3,792,803

Total rental expense under operating leases aggregated $336,623 and $339,193 in 2017 and 2016, respectively.

6. TAX STATUS

The Foundation and its supporting organizations have been recognized by the Internal Revenue Service as organizations described in Internal Revenue Code (IRC) 501(c)(3) and 509(a) as public charities and are exempt from federal income taxes under IRC 501(a) and, accordingly, no provision has been made for such taxes. The Foundation has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain tax positions.

7. GRANTS

The Foundation's grants, excluding supporting organizations and including those to agencies, totaling $53,956,855 and $49,827,565 were approved and recognized in the 2017 and 2016 combined statements of activities, respectively. Actual Community Foundation for Southeast Michigan grants paid, including those to agencies, in 2017 and 2016 were $52,892,820 and $52,261,627, respectively. Supporting organization grants totaling $23,762,227 and $23,735,368 were approved and recognized in the 2017 and 2016 combined statements of activities, respectively. Actual supporting organization grants paid in 2017 and 2016 were $22,339,865 and $23,729,470, respectively. Grants between supporting organizations and the Foundation in 2017 and 2016 were $550,000 and $550,000, respectively.

Grant commitments represent unconditional payments, which are scheduled to be paid as of December 31, 2017 and 2016, as follows:

	2017	**2016**
Less than one year	$ 15,164,672	$ 12,174,281
One to five years	630,853	680,000
Total grant commitments	$ 15,795,525	$ 12,854,281

8. FAIR VALUE MEASUREMENTS

The Foundation utilizes the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, in the preparation of its combined financial statements and related disclosures. This guidance establishes a framework for measuring fair value and provides a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to

Level 1—inputs are quoted prices for identical assets in active markets at the measurement date.

Level 2—inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, such as quoted prices for similar assets.

Level 3—inputs are unobservable inputs that cannot be corroborated by observable market data.

Assets measured at fair value on a recurring basis, as listed in the tables below, use the following valuation methodologies:

Mutual funds are valued at the closing price reported on the active market on which the individual securities are traded and are classified as Level 1 within the fair value hierarchy.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded and are classified as Level 1 within the fair value hierarchy.

US government debt securities are valued using quoted market prices and/or other market data for the same or similar securities in establishing prices and are classified as Level 2 within the fair value hierarchy.

Corporate debt securities are valued using quoted market prices for similar assets in active markets and are classified as Level 2 within the fair value hierarchy.

The Foundation uses NAV when available to determine the fair value of investments in funds that do not have a readily determinable market value. The Foundation's investments in funds that calculate NAV per share consist of investments in private placement mutual funds, collective funds, and hybrid fund of funds.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgement, including consideration of inputs specific to the asset.

Limited partnerships are accounted for under the equity method; however, the transparency of the holdings is such that equity approximates fair value. Values are based on information provided by the general partner; management also takes into account the audited financial information to determine overall reasonableness of the recorded value.

The following table presents information about the Foundation's assets recorded at fair value on a recurring basis as of December 31, 2017, according to the valuation techniques used by the Foundation to determine those fair values (there were no assets measured on a nonrecurring basis as of December 31, 2017):

	Quoted Prices in Active Markets (Level 1)	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Total Fair Value**
Recurring fair value measurements:				
Mutual funds:				
Money market	$ 86,338,211	$ -	$ -	$ 86,338,211
Fixed income	143,337,765			143,337,765
Equity	147,081,410			147,081,410
Asset allocation	27,819,082			27,819,082
	404,576,468	-	-	404,576,468
Equity securities	22,458,956			22,458,956
US government debt securities		9,240,076		9,240,076
Corporate debt securities		3,537,582		3,537,582
Total assets recorded at fair value	427,035,424	12,777,658	-	439,813,082
Investments measured at net asset value:				
Private placement funds				69,423,146
Collective funds:				
Equity				139,428,047
	-	-	-	139,428,047
Hybrid fund of funds				2,033,084
Total assets measured at net asset value	-	-	-	210,884,277
Limited partnerships (under equity method):				
Fixed income				37,941,359
Equity				86,006,657
Asset allocation				
Private markets				41,880,747
Hedge funds				24,089,941
Total assets under equity method	-	-	-	189,918,704
Total assets	$ 427,035,424	$ 12,777,658	$ -	$ 840,616,063

Additional information related to investments recorded at fair value using NAV is as follows:

	2017 Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private placement fund	$ 20,529,150	$ -	Monthly	90 days
Private placement fund	23,841,665		Quarterly	60 days
Private placement fund	12,548,266		Monthly	3 days
Private placement fund	12,504,065		Quarterly	45 days
Equity collective fund	69,571,935		Daily	2 days
Equity collective fund	69,856,112		Daily	N/A
Hybrid fund of funds	2,033,084		12/31/19	N/A

As of December 31, 2017 and 2016, the Foundation had commitments to contribute $47,328,603 and $68,008,471, respectively, in additional capital under the terms of various limited partnership agreements over the next three to five years.

The following table presents information about the Foundation's assets recorded at fair value on a recurring basis as of December 31, 2016, according to the valuation techniques used by the Foundation to determine those fair values (there were no assets measured on a nonrecurring basis as of December 31, 2016):

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
Recurring fair value measurements:				
Mutual funds:				
Money market	$ 97,093,455	$ -	$ -	$ 97,093,455
Fixed income	146,544,366			146,544,366
Equity	118,315,404			118,315,404
Asset allocation	22,453,655			22,453,655
	384,406,880	-	-	384,406,880
Equity securities	22,327,821			22,327,821
US government debt securities		10,291,723		10,291,723
Corporate debt securities		706,476		706,476
Total assets recorded at fair value	406,734,701	10,998,199	-	417,732,900
Investments measured at net asset value:				
Private placement mutual funds				34,286,295
Collective funds:				
Equity				121,380,886
Asset allocation				19,994,471
	-	-	-	141,375,357
Hybrid fund of funds				3,442,266
Total assets measured at net asset value	-	-	-	179,103,918
Limited partnerships (under equity method):				
Fixed income				38,898,046
Equity				69,016,303
Asset allocation				4,020,883
Private markets				22,872,172
Hedge funds				15,296,716
Total assets under equity method	-	-	-	150,104,120
Total assets	$ 406,734,701	$ 10,998,199	$ -	$ 746,940,938

Additional information related to investments recorded at fair value using NAV is as follows:

	2016 Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private placement mutual fund	$ 17,754,900	$ -	Monthly	90 days
Private placement mutual fund	16,531,395		Monthly	14 days
Equity collective fund	61,005,686		Daily	2 days
Equity collective fund	60,375,200		Daily	N/A
Asset allocation collective fund	19,994,471		Monthly	5 days
Hybrid fund of funds	3,442,266		June 30, 2017	N/A

9. ENDOWMENT BY NET ASSET CLASS

As of December 31, 2017, the composition of endowment funds by type of fund is as follows:

Endowment by Net Asset Class	Unrestricted	Temporarily Restricted	Total Net Assets
Donor restricted endowment funds	$ -	$ 10,080,000	$ 10,080,000
Other endowment funds:			
Unrestricted	104,203,213		104,203,213
Field of interest	107,416,747		107,416,747
Designated	197,463,931		197,463,931
Scholarship	6,499,163		6,499,163
Advised endowment	89,263,807		89,263,807
Supporting organization	102,651,448		102,651,448
Total endowment funds	$ 607,498,309	$ 10,080,000	$ 617,578,309

Other endowment funds include funds that are subject to the Foundation's spending policy under governing documents, but are not endowment funds as defined by UPMIFA.

The summary of changes in endowment net assets as of December 31, 2017, is as follows:

Changes in Endowment Net Assets	Unrestricted	Temporarily Restricted	Total Net Assets
Endowment net assets—beginning of year	$ 530,584,522	$ 10,080,000	$ 540,664,522
Contributions	19,371,657		19,371,657
Investment earnings—net of investment expenses	82,752,024		82,752,024
Grants or scholarships	(22,043,984)		(22,043,984)
Administrative expenses	(4,635,360)		(4,635,360)
Other changes	1,469,450		1,469,450
Endowment net assets—end of year	$ 607,498,309	$ 10,080,000	$ 617,578,309

As of December 31, 2016, the composition of endowment funds by type of fund is as follows:

Endowment by Net Asset Class	Unrestricted	Temporarily Restricted	Total Net Assets
Donor restricted endowment funds	$ -	$ 10,080,000	$ 10,080,000
Other endowment funds:			
Unrestricted	94,254,083		94,254,083
Field of interest	95,584,292		95,584,292
Designated	176,066,880		176,066,880
Scholarship	5,690,720		5,690,720
Advised endowment	66,926,481		66,926,481
Supporting organization	92,062,066		92,062,066
Total endowment funds	$ 530,584,522	$ 10,080,000	$ 540,664,522

Other endowment funds include funds that are subject to the Foundation's spending policy under governing documents, but are not endowment funds as defined by UPMIFA.

The summary of changes in endowment net assets as of December 31, 2016, is as follows:

Changes in Endowment Net Assets	Unrestricted	Temporarily Restricted	Total Net Assets
Endowment net assets—beginning of year	$ 498,400,801	$ 10,080,000	$ 508,480,801
Contributions	15,059,829		15,059,829
Investment earnings—net of investment expenses	37,989,686		37,989,686
Grants or scholarships	(22,240,742)		(22,240,742)
Administrative expenses	(4,596,710)		(4,596,710)
Other changes	5,971,658		5,971,658
Endowment net assets—end of year	$ 530,584,522	$ 10,080,000	$ 540,664,522

10. ASSET TRANSFER TO DMC FOUNDATION

In 2010, Vanguard Health Systems, an investor-owned corporation, that is now owned by Tenet Healthcare, purchased the noncharitable assets of the nonprofit Detroit Medical Center. The Detroit Medical Center retained the charitable funds and was renamed Legacy DMC. Pursuant to an agreement with the Office of the Michigan Attorney General, certain of those charitable funds were to be transferred to the Detroit Community Health Foundation (now, DMC Foundation).

Pursuant to the charitable asset transfer agreement approved by the office of the Michigan Attorney General, DMC Foundation provided $2.5 million in funding for the operation of Legacy DMC for monitoring compliance by Vanguard Health Systems with charitable covenants. Under the agreement, any portion of the $2.5 million that is not spent after 10 years shall be returned to the DMC Foundation. Similarly, if Legacy DMC justifies the need for additional funds, the DMC Foundation may have to make an additional contribution to Legacy DMC for operating reserves. This contingent receivable or liability has not been included in these combined financial statements.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2018, the date these combined financial statements were available to be issued.

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