

Renaissance Charitable Foundation Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

Renaissance Charitable Foundation Inc.

December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Renaissance Charitable Foundation Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Renaissance Charitable Foundation Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renaissance Charitable Foundation Inc. and its subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, in 2018, Renaissance Charitable Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Indianapolis, Indiana
September 6, 2019

Renaissance Charitable Foundation Inc.
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 16,396,146	\$ 320,230
Investments	1,473,391,629	1,452,035,607
Commercial annuity receivable	822,143	889,646
Other assets	1,537,923	-
Interest in charitable trusts	2,424,406	2,743,164
Total assets	\$ 1,494,572,247	\$ 1,455,988,647
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,456,459	\$ 1,041,432
Grants payable	22,121,537	3,067,322
Lines of credit - related parties	355,000	370,000
Annuities payable	797,929	867,133
Total liabilities	24,730,925	5,345,887
Net Assets		
Without donor restrictions	1,467,416,916	1,447,899,596
With donor restrictions	2,424,406	2,743,164
Total net assets	1,469,841,322	1,450,642,760
Total liabilities and net assets	\$ 1,494,572,247	\$ 1,455,988,647

Renaissance Charitable Foundation Inc.

Consolidated Statements of Activities Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	\$ 423,867,068	\$ -	\$ 423,867,068	\$ 446,168,584	\$ -	\$ 446,168,584
Investment income, net of fees	36,475,683	-	36,475,683	23,752,290	-	23,752,290
Net realized gains on investments	13,121,654	-	13,121,654	15,811,886	-	15,811,886
Net unrealized gains (losses) on investments	(119,740,633)	-	(119,740,633)	87,936,907	-	87,936,907
Change in value of split-interest agreements	(1,700)	(318,758)	(320,458)	1,982	267,182	269,164
Total revenues, gains and other support, net	<u>353,722,072</u>	<u>(318,758)</u>	<u>353,403,314</u>	<u>573,671,649</u>	<u>267,182</u>	<u>573,938,831</u>
Expenses						
Grants to charitable organizations	326,661,592	-	326,661,592	206,181,838	-	206,181,838
Management and general	7,517,328	-	7,517,328	6,277,456	-	6,277,456
Fundraising	25,832	-	25,832	21,871	-	21,871
Total expenses	<u>334,204,752</u>	<u>-</u>	<u>334,204,752</u>	<u>212,481,165</u>	<u>-</u>	<u>212,481,165</u>
Change in Net Assets	19,517,320	(318,758)	19,198,562	361,190,484	267,182	361,457,666
Net Assets, Beginning of Year	<u>1,447,899,596</u>	<u>2,743,164</u>	<u>1,450,642,760</u>	<u>1,086,709,112</u>	<u>2,475,982</u>	<u>1,089,185,094</u>
Net Assets, End of Year	<u>\$ 1,467,416,916</u>	<u>\$ 2,424,406</u>	<u>\$ 1,469,841,322</u>	<u>\$ 1,447,899,596</u>	<u>\$ 2,743,164</u>	<u>\$ 1,450,642,760</u>

Renaissance Charitable Foundation Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 19,198,562	\$ 361,457,666
Items not requiring (providing) cash		
Realized gains on investments	(13,121,654)	(15,811,886)
Unrealized (gains) losses on investments	119,740,633	(87,936,907)
Noncash gifts	(236,752,453)	(64,982,029)
Changes in		
Interest in charitable trusts	318,758	(267,182)
Other assets	(1,470,420)	418,680
Accounts payable	415,027	(296,643)
Grants payable	19,054,215	(6,364,652)
Annuities payable	(69,204)	(60,749)
Net cash provided by (used in) operating activities	(92,686,536)	186,156,298
Investing Activities		
Purchase of investments	(464,507,975)	(481,274,390)
Proceeds from disposition of investments	602,686,959	300,215,806
Net change in money market funds	(29,401,532)	(4,982,615)
Net cash provided by (used in) investing activities	108,777,452	(186,041,199)
Financing Activities		
Borrowings on lines of credit - related parties	35,000	145,000
Payments on lines of credit - related parties	(50,000)	(50,000)
Net cash provided by (used in) financing activities	(15,000)	95,000
Increase in Cash	16,075,916	210,099
Cash, Beginning of Year	320,230	110,131
Cash, End of Year	\$ 16,396,146	\$ 320,230

Renaissance Charitable Foundation Inc.
Consolidated Statements of Functional Expense
Years Ended December 31, 2018 and 2017

	2018			
	Program Services	Management and General	Fundraising	Total
Grants to charitable organizations	\$ 326,661,592	\$ -	\$ -	\$ 326,661,592
Administration expenses	-	7,193,338	-	7,193,338
Consulting expenses	-	142,323	-	142,323
Insurance premiums	-	154,462	-	154,462
Miscellaneous expense	-	27,205	-	27,205
Fundraising expenses	-	-	25,832	25,832
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 326,661,592</u>	<u>\$ 7,517,328</u>	<u>\$ 25,832</u>	<u>\$ 334,204,752</u>

	2017			
	Program Services	Management and General	Fundraising	Total
Grants to charitable organizations	\$ 206,181,838	\$ -	\$ -	\$ 206,181,838
Administration expenses	-	5,909,879	-	5,909,879
Consulting expenses	-	139,326	-	139,326
Insurance premiums	-	147,732	-	147,732
Miscellaneous expense	-	80,519	-	80,519
Fundraising expenses	-	-	21,871	21,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 206,181,838</u>	<u>\$ 6,277,456</u>	<u>\$ 21,871</u>	<u>\$ 212,481,165</u>

Renaissance Charitable Foundation Inc.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Renaissance Charitable Foundation Inc. (Foundation) was formed in December 2000 pursuant to the provisions of the Indiana Nonprofit Corporation Act of 1991 and is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code (Code) as an organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code and a similar provision of state law. The Foundation is a public benefit corporation that operates exclusively to conduct, support, encourage and assist religious, charitable, educational and other programs and projects as are described in Sections 170(c)(2)(B), 501(c)(3), 2055(a)(2) and 2522(a)(2) of the Code. The Foundation's revenues and other support are derived principally from contributions and investment return.

The Foundation offers a number of charitable giving programs, including donor-advised funds, charitable gift annuities and endowment funds. The Foundation markets its charitable programs to donors through the internet, financial advisors, attorneys, CPAs and other financial services professionals. In general, the Foundation offers donors the opportunity to make lifetime or testamentary gifts to the Foundation. In addition, the Foundation offers a private-labeled donor-advised fund program to financial services firms and nonprofits. The program is an integrated turnkey solution that assists financial services companies in offering a donor-advised fund product to their clients. The Foundation has a service agreement with Renaissance Philanthropic Solutions Group (RenPSG) (formerly Renaissance Administration LLC) to provide the Foundation with outsourced administrative support services for this program, including transaction processing and accounting, administration and reporting contributions to and distributions from individual donor accounts, customer service support, preparation and filing regulatory reports and tax returns, charitable planning support and other related services.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the Foundation's wholly owned subsidiaries, generally referred to as Renaissance Special Gifts Foundation, LLC (RSGF). These include RSGF 4, RSGF 7, RSGF 8 and RSGF 9.

In September 2017, the Foundation created a new subsidiary, Renaissance Charitable Supporting Organization Trust (RCSOT). RCSOT is recognized by the Internal Revenue Service as a Type 1 Supporting Organization trust that is generally exempt from federal income taxes under Section 501(c)(3) of the Code as an organization described in Sections 509(a)(3)(B)(i) and 170(b)(1)(A)(viii) of the Code and similar provision of state law. RCSOT was created as a trust under South Dakota law. The Foundation created RCSOT to facilitate and manage charitable gifts that are expected to generate unrelated business income.

These organizations are referred to collectively as the Subsidiaries and are included in these consolidated financial statements. The Subsidiaries were formed on various dates by the Foundation to accept gifts of real estate and other nonconforming assets.

Renaissance Charitable Foundation Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

In 2018, the Foundation closed RSGF 3, RSGF 5, and RSGF 6.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value. Financial instruments measured at fair value are classified into one of the following levels based on the lowest level of input that is significant to the fair value measurement:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

As a practical expedient, fair value of hedge funds is determined using the net asset value (or its equivalent) supplied by the respective fund managers and are, therefore, classified within the investments measured at NAV of the valuation hierarchy.

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

The Foundation's financial instruments measured at fair value in the consolidated statements of financial position consist of investments and interest in charitable trusts as described in Note 3 and Note 4.

Renaissance Charitable Foundation Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Cash

At December 31, 2018, the Foundation's cash accounts exceeded federally insured limits by approximately \$40 million. In addition, cash and cash equivalents included in the managed portfolio of investments are included in investments.

Investments

Investments are measured and reported at fair value on a recurring basis in the consolidated statements of financial position. Net realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities.

The following is a description of the valuation methodologies and inputs used in the fair value measurement of investments and the classification into the applicable level within the fair value hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018:

- **Money markets and cash equivalents:** Where quoted market prices are available in an active market, money markets and cash equivalents are classified within Level 1 of the fair value hierarchy. Otherwise, money markets and cash equivalents are classified within Level 2 based on observable inputs that may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications.
- **Equity securities:** Where quoted market prices are available in an active market, equity securities are classified within Level 1 of the fair value hierarchy. Otherwise equity securities are classified within Level 2 based on observable inputs that may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications.
- **Fixed income securities:** Where quoted market prices are available in an active market, fixed income securities are classified within Level 1 of the fair value hierarchy. For fixed income securities that are not publicly traded, the pricing service may use various inputs to determine fair value. Such inputs may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications. When such valuation inputs are utilized, fixed income securities are classified within Level 2 of the fair value hierarchy.
- **Mutual and common trust funds:** Where quoted market prices are available in an active market, mutual funds are classified within Level 1 of the fair value hierarchy. As a practical expedient, the fair values of common trust funds and unit investment trusts (which are not publicly traded) are determined using the estimated fair values provided by the trust fund managers. Net asset value typically represents the value at which the Foundation can redeem its investment at December 31 or within a reasonable period of time and are, therefore, classified as Level 2.

Renaissance Charitable Foundation Inc.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

- **Alternative investments:** As a practical expedient, fair value of alternative investments is determined using the net asset value (or its equivalent) supplied by the respective fund managers. Alternative investments are therefore classified within the investments measured at NAV of the valuation hierarchy.

Fair value determinations for investments measured at NAV are the responsibility of the Treasurer of the Foundation. The Treasurer utilizes the valuations provided by fund managers to generate fair value estimates on a monthly or quarterly basis and challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting principles generally accepted in the United States of America.

- **Other Investments:** For other investments that are not publicly traded, the Foundation may use various inputs to determine fair value. Such inputs may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications. These investments are classified within Level 2 of the fair value hierarchy. Other investments that do not have sufficient activity or liquidity are classified within Level 3 of the fair value hierarchy and include primarily interests in limited liability partnerships. In most instances, the values of the limited liability partnerships are estimated using the fair value of the investments held by the limited liability partnerships discounted at rates ranging between 0% and 10% for the lack of an active market on these limited liability partnerships.

The Foundation invests in numerous investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

Net Assets With Donor Restrictions

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded with donor restrictions and then released from restriction.

Renaissance Charitable Foundation Inc.

Notes to Consolidated Financial Statements

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Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. With the exception of RCSOT, the activities of the RSGF subsidiaries are combined with the activities of the Foundation for tax purposes. RCSOT files a separate return that is not consolidated with the Foundation and other supporting entities.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function.

Note 2: Change in Accounting Principle

In 2018, the Foundation, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Renaissance Charitable Foundation Inc.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

Note 3: Investments

The following table presents the fair value measurements of investments recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	Fair Value	Fair Value Measurements Using			Investments Measured at NAV
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2018					
Investments					
Money markets and cash equivalents	\$ 202,932,889	\$ 202,932,889	\$ -	\$ -	\$ -
Equity securities	102,128,086	99,829,628	2,298,458	-	-
Fixed income securities	9,074,468	5,988,048	3,086,420	-	-
Mutual and common trust funds					
Short-term cash	12,408,540	-	12,408,540	-	-
Equity funds	864,321,035	625,827,542	238,493,493	-	-
Fixed income funds	9,190,005	165,065	9,024,940	-	-
Other mutual funds	4,190,519	2,725,039	1,465,480	-	-
Alternative investments - hedge funds	189,175,688	-	-	-	189,175,688
Other	79,970,399	5,421,047	5,667,714	68,881,638	-
Total investments	<u>\$ 1,473,391,629</u>	<u>\$ 942,889,258</u>	<u>\$ 272,445,045</u>	<u>\$ 68,881,638</u>	<u>\$ 189,175,688</u>
December 31, 2017					
Investments					
Money markets and cash equivalents	\$ 170,502,449	\$ 170,502,449	\$ -	\$ -	\$ -
Equity securities	110,767,571	107,865,636	2,901,935	-	-
Fixed income securities	14,223,170	7,527,436	6,695,734	-	-
Mutual and common trust funds					
Short-term cash	16,468,986	-	16,468,986	-	-
Equity funds	705,715,675	466,182,740	239,532,935	-	-
Fixed income funds	159,836,911	158,248,357	1,588,554	-	-
Other mutual funds	3,801,480	2,995,386	806,094	-	-
Alternative investments - hedge funds	203,821,339	-	-	-	203,821,339
Other	66,898,026	6,158,151	17,453,112	43,286,763	-
Total investments	<u>\$ 1,452,035,607</u>	<u>\$ 919,480,155</u>	<u>\$ 285,447,350</u>	<u>\$ 43,286,763</u>	<u>\$ 203,821,339</u>

Renaissance Charitable Foundation Inc.
Notes to Consolidated Financial Statements
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At December 31, 2018 and 2017, approximately 29% of the Foundation's investments were invested in various funds of an individual fund manager. In addition, approximately 18% and 20% of the Foundation's investments were invested in various funds of another fund manager at December 31, 2018 and 2017, respectively.

The following is a reconciliation of other investments classified as Level 3 for the years ended December 31, 2018 and 2017:

	Other Investments
Balance, January 1, 2017	\$ 33,375,423
Total unrealized gain included in the change in net assets	2,576,522
Disbursements	(2,710,899)
Contributions received	10,045,717
Balance, December 31, 2017	43,286,763
Total unrealized gain included in the change in net assets	1,159,876
Disbursements	(1,293,644)
Contributions received	25,728,643
Balance, December 31, 2018	\$ 68,881,638
Total gains for the period included in the change in net assets attributable to the change in unrealized losses related to assets still held at December 31, 2017	\$ 2,576,522
Total gains for the period included in the change in net assets attributable to the change in unrealized losses related to assets still held at December 31, 2018	\$ 1,159,876

The Treasurer of the Foundation values the investments in good faith based on the available information, including independent pricing services, brokerage statements, investment manager reports, audited financial statements and subscription documents. Considerable judgment is required to evaluate the inputs used in the fair value measurement and classification into the fair value hierarchy. Accordingly it is possible that different valuation models or alternative inputs could result in materially different fair value measurements and different levels within the fair value hierarchy.

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Other Funds and Redemption Information

Equity and fixed income funds include common trust funds, unit investment trusts, and real estate investment trusts that are not actively traded on public exchanges. While these funds are similar in many respects to traditional mutual funds, they impose limitations or restrictions on the ability to redeem shares. The corresponding fair values of the investments in these funds are estimated using the estimated fair values provided by the fund.

The following table presents redemption information regarding these funds which are classified as Level 2 in the fair value hierarchy:

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
December 31, 2018			
Short-term cash	\$ 12,408,540	Daily	Same day
Equity funds	238,493,493	Daily or monthly	1 to 11 days
Fixed income funds	9,024,940	Monthly	8 to 9 days
Other mutual funds	1,465,480	Monthly or quarterly	1 to 30 days
December 31, 2017			
Short-term cash	\$ 16,468,986	Daily	Same day
Equity funds	239,532,935	Daily or monthly	1 to 11 days
Fixed income funds	1,588,554	Monthly	8 to 9 days
Other mutual funds	806,094	Monthly or quarterly	1 to 30 days

There were no unfunded commitments to the funds listed above at December 31, 2018 and 2017.

Investments Valued at Net Asset Value

The following table presents information regarding funds with fair value that is determined using the net asset value (or its equivalent) provided by the fund.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
December 31, 2018				
Hedge fund	\$ 189,175,688	\$ -	Semi-annually	30 days
December 31, 2017				
Hedge fund	\$ 203,821,339	\$ -	Semi-annually	30 days

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Hedge Funds: These categories include investments that take both long and short positions across asset classes. Management of the funds has the ability to shift investments among differing investment strategies. The remaining restriction period for these investments was six months at December 31, 2018.

Note 4: Interest in Charitable Trusts

The Foundation is the beneficiary under charitable remainder trusts and charitable lead trusts administered by RenPSG. Under the terms of the charitable remainder trusts, the Foundation has the irrevocable right to receive a specified percentage of the remaining trust assets upon the death of the income beneficiaries or the end of a specified term of years. Under the terms of the charitable lead trusts, the Foundation receives an irrevocable annuity or unitrust amount at least annually for a qualified measuring life or a term of years. The interest in charitable remainder trusts and charitable lead trusts of \$2,424,406 and \$2,743,164 at December 31, 2018 and 2017, respectively, represents the present value of the expected net cash proceeds ultimately payable to the Foundation and is considered to be a reasonable estimate of fair value. The discount rate range used by the Foundation to value its interest was 2.76% to 3.31% in 2018 and 1.47% to 2.21% in 2017.

Due to the nature of the valuation inputs, the interest in charitable trusts is classified within Level 3 of the hierarchy. The following is a reconciliation of the beginning and ending balances of the interest in charitable trusts recognized in the accompanying consolidated statements of financial position using significant unobservable inputs on a recurring basis:

	<u>2018</u>	<u>2017</u>
Balance, January 1	\$ 2,743,164	\$ 2,475,982
Change in value of split-interest agreements included in the change in net assets	<u>(318,758)</u>	<u>267,182</u>
Balance, December 31	<u>\$ 2,424,406</u>	<u>\$ 2,743,164</u>
Total gains (losses) for the period included in the change in net assets attributable to the change in unrealized gains (losses) related to assets still held at December 31	<u>\$ (318,758)</u>	<u>\$ 267,182</u>

Renaissance Charitable Foundation Inc.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Note 5: Annuities Payable

The Foundation has received several contributions in exchange for gift annuities which require future payments to the donors or their named beneficiaries. The assets received from the donors are recorded at fair value. The Foundation has recorded a liability at December 31, 2018 and 2017 of \$797,929 and \$867,133, respectively, which represents the present value of the future annuity obligations. The liability at December 31, 2018 and 2017 has been determined using a discount rate range of 2.76% to 3.31% in 2018 and 1.47% to 2.21% in 2017. The Foundation purchased Single Premium Immediate Annuities (SPIAs) to cover future annuity obligations and recorded an asset at December 31, 2018 and 2017 of \$822,143 and \$889,646, respectively.

Note 6: Lines of Credit With Related Parties

As of December 31, 2018, the Foundation has a \$500,000 unsecured line of credit with RenPSG, a related party. The outstanding principal balance plus accrued unpaid interest was due on December 31, 2018. At December 31, 2018 and 2017, there were outstanding borrowings of \$170,000 under the line of credit. Interest is payable monthly and varies based on the prime rate, which was 5.25% at December 31, 2018 and 4.50% at December 31, 2017. This line of credit was extended through December 31, 2021.

As of December 31, 2018, the Foundation has a \$300,000 revolving line of credit with a local financial institution, an executive of which is a member of the board of directors of the Foundation. The line of credit expired on August 31, 2019 and was subsequently renewed until August 29, 2020. The line of credit is collateralized by the Foundation's business assets. At December 31, 2018 and 2017, there were outstanding borrowings of \$185,000 and \$200,000, respectively, under the line of credit. Interest is payable monthly and varies based on the prime rate, which was 5.25% at December 31, 2018 and 4.50% at December 31, 2017.

Note 7: Grants Payable

At December 31, 2018 and 2017, the Foundation had awarded, but not disbursed, \$22,121,537 and \$3,067,322, respectively, of grants to various recipients. The grants were paid subsequent to the end of the year.

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions of \$2,424,406 and \$2,743,164 at December 31, 2018 and 2017 are subject to charitable remainder trust agreements and charitable lead trust agreements and will be available to the Foundation in future periods.

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Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and 2017, comprise the following:

	<u>2018</u>	<u>2017</u>
Total financial assets		
Cash	\$ 16,396,146	\$ 320,230
Other receivables	1,537,923	-
Investments	<u>1,473,391,629</u>	<u>1,452,035,607</u>
	1,491,325,698	1,452,355,837
Amounts not available to be used within one year		
Investments	<u>68,881,638</u>	<u>43,286,763</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,422,444,060</u>	<u>\$ 1,409,069,074</u>

The Foundation receives support without donor restrictions from the investment return on its investments and contributions. General expenditures include grant commitments made during the year and subsequent year, administrative and general expenses, and fundraising expenses.

The Foundation manages its cash available to meet general expenditures following certain principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets, and maintaining sufficient reserves to provide reasonable assurance for grant commitments supporting the mission fulfillment and sustainability of the Foundation.

Note 10: Related Party Transactions

The Foundation and RenPSG are related parties that are not financially interrelated organizations. The board of the Foundation includes two employees of RenPSG, and RenPSG provides certain administration services for the Foundation, which are outlined in an Administrative Services Agreement. In exchange for these services, the Foundation pays an administrative fee to RenPSG, which is based on the value of the individual account balances held by the Foundation. Administrative fees paid to RenPSG for the years ended December 31, 2018 and 2017 were \$7,193,338 and \$5,909,879, respectively.

The Foundation also maintains a line of credit with RenPSG, which is described in Note 6.

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Note 11: Subsequent Events

Subsequent events have been evaluated through September 6, 2019, which is the date the consolidated financial statements were available to be issued.