

**THE MIAMI FOUNDATION, INC.**

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CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



MORRISON BROWN ARGIZ & FARRA, LLC

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

**THE MIAMI FOUNDATION, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
The Miami Foundation, Inc.

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

We have audited the accompanying consolidated financial statements of The Miami Foundation, Inc., which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audits 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 The Miami Foundation, Inc. as of December 31, 2017 and 2016, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Morrison, Brown, Argiz & Farra*

Miami, Florida  
July 10, 2018

An independent member of Baker Tilly International

**THE MIAMI FOUNDATION, INC.**

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 12,736,998	\$ 11,480,272
Accounts receivable, prepaid expenses and other assets	301,506	243,165
Contributions receivable, net	2,581,728	2,790,951
Investments	347,807,029	271,764,334
Properties held for sale	1,348,000	-
Property and equipment, net	<u>654,366</u>	<u>784,957</u>
TOTAL ASSETS	<b><u>\$ 365,429,627</u></b>	<b><u>\$ 287,063,679</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable, accrued expenses and other liabilities	\$ 1,202,965	\$ 1,535,309
Line of credit	3,694,000	4,694,000
Liabilities under annuity agreements	32,471,389	35,824,923
Funds held on behalf of others	<u>18,945,574</u>	<u>16,901,749</u>
TOTAL LIABILITIES	<u>56,313,928</u>	<u>58,955,981</u>
<b>NET ASSETS</b>		
Unrestricted	269,687,576	198,713,635
Temporarily restricted	<u>39,428,123</u>	<u>29,394,063</u>
TOTAL NET ASSETS	<u>309,115,699</u>	<u>228,107,698</u>
TOTAL LIABILITIES AND NET ASSETS	<b><u>\$ 365,429,627</u></b>	<b><u>\$ 287,063,679</u></b>

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

**THE MIAMI FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31,

	<b>2017</b>			<b>2016</b>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
Contributions	\$ 64,442,634	\$ 40,633,304	\$ 105,075,938	\$ 23,343,021	\$ 24,724,305	\$ 48,067,326
Contribution - annuities (NOTE 6)	-	-	-	-	837,597	837,597
Change in value - annuities (NOTE 6)	-	246,624	246,624	-	1,841,529	1,841,529
Administration fees	3,477,839	-	3,477,839	3,197,808	-	3,197,808
Dividends and interest	6,162,865	28,588	6,191,453	3,081,944	1,390	3,083,334
Fundraising and other revenue	1,482,835	-	1,482,835	2,410,891	-	2,410,891
Net realized and unrealized gain on investments	26,350,945	-	26,350,945	10,743,044	-	10,743,044
Net assets released from restrictions	30,874,456	(30,874,456)	-	20,295,640	(20,295,640)	-
<b>TOTAL REVENUES</b>	<b>132,791,574</b>	<b>10,034,060</b>	<b>142,825,634</b>	<b>63,072,348</b>	<b>7,109,181</b>	<b>70,181,529</b>
<b>EXPENSES</b>						
Grants and services to beneficiaries	57,257,981	-	57,257,981	39,858,451	-	39,858,451
Management and general	3,233,477	-	3,233,477	3,101,750	-	3,101,750
Fundraising	1,326,175	-	1,326,175	760,245	-	760,245
<b>TOTAL EXPENSES</b>	<b>61,817,633</b>	<b>-</b>	<b>61,817,633</b>	<b>43,720,446</b>	<b>-</b>	<b>43,720,446</b>
<b>CHANGES IN NET ASSETS</b>	<b>70,973,941</b>	<b>10,034,060</b>	<b>81,008,001</b>	<b>19,351,902</b>	<b>7,109,181</b>	<b>26,461,083</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>198,713,635</b>	<b>29,394,063</b>	<b>228,107,698</b>	<b>179,361,733</b>	<b>22,284,882</b>	<b>201,646,615</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 269,687,576</b>	<b>\$ 39,428,123</b>	<b>\$ 309,115,699</b>	<b>\$ 198,713,635</b>	<b>\$ 29,394,063</b>	<b>\$ 228,107,698</b>

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

**THE MIAMI FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31,

	2017				2016			
	Grants and Services to Beneficiaries	Management and General	Fundraising	Total	Grants and Services to Beneficiaries	Management and General	Fundraising	Total
Wages and salaries	\$ 383,270	\$ 1,030,515	\$ 480,753	\$ 1,894,538	\$ 367,689	\$ 840,290	\$ 445,174	\$ 1,653,153
Employee benefits and taxes	102,518	307,635	120,800	530,953	86,238	335,137	103,605	524,980
<b>TOTAL SALARIES AND BENEFITS</b>	<b>485,788</b>	<b>1,338,150</b>	<b>601,553</b>	<b>2,425,491</b>	<b>453,927</b>	<b>1,175,427</b>	<b>548,779</b>	<b>2,178,133</b>
Audit and accounting services	-	71,675	-	71,675	7,529	130,500	-	138,029
Administration fees	3,410,429	-	-	3,410,429	3,076,904	-	-	3,076,904
Direct support payments	4,346,467	-	-	4,346,467	6,299,807	-	-	6,299,807
General administrative	32,168	400	-	32,568	20,606	28,929	-	49,535
Banking fees	26,203	19,924	-	46,127	15,951	12,081	7,500	35,532
Board meetings	-	3,920	-	3,920	3,814	3,191	-	7,005
Conferences and travel	51,448	47,539	9,362	108,349	29,487	23,326	10,176	62,989
Local meetings and travel	120,602	2,069	15,554	138,225	18,162	4,573	14,688	37,423
Consulting	268,927	12,991	-	281,918	398,751	97,628	-	496,379
Depreciation and amortization	-	110,695	-	110,695	-	120,165	-	120,165
Disposal loss on property and equipment	-	37,592	-	37,592	-	-	-	-
Give Miami Day grants	1,430,662	-	-	1,430,662	1,042,393	-	-	1,042,393
Grants	46,817,153	-	-	46,817,153	28,365,239	7,548	-	28,372,787
Grants returned	(5,900)	-	-	(5,900)	(40,173)	-	-	(40,173)
Information technology	28,839	114,525	-	143,364	20,814	89,822	-	110,636
Insurance, interest and taxes	-	123,236	-	123,236	-	120,988	-	120,988
Investment management and consulting fees	-	1,114,696	-	1,114,696	-	1,018,340	-	1,018,340
Legal fees	36,223	-	-	36,223	61,551	-	-	61,551
Marketing and advertising	-	-	651,978	651,978	-	-	90,827	90,827
Memberships	30,850	10,297	565	41,712	22,750	16,853	9,970	49,573
Newsletter and annual report expenses	-	1,644	-	1,644	7,288	18,024	-	25,312
Office supplies	5,372	31,766	-	37,138	3,034	41,731	487	45,252
Other program expenses	128,825	12,306	-	141,131	3,531	102	-	3,633
Postage and delivery	2,046	7,280	-	9,326	374	7,994	114	8,482
Printing and copying	-	27,962	-	27,962	228	28,498	-	28,726
Publications	6,551	6,386	-	12,937	849	2,621	-	3,470
Rent and occupancy	30,895	83,068	38,753	152,716	42,715	97,618	51,717	192,050
Special events	-	11,449	5,050	16,499	-	12,988	22,707	35,695
Telephone	3,360	36,659	3,360	43,379	2,642	35,017	3,280	40,939
Website	1,073	7,248	-	8,321	278	7,786	-	8,064
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 57,257,981</b>	<b>\$ 3,233,477</b>	<b>\$ 1,326,175</b>	<b>\$ 61,817,633</b>	<b>\$ 39,858,451</b>	<b>\$ 3,101,750</b>	<b>\$ 760,245</b>	<b>\$ 43,720,446</b>

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

**THE MIAMI FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 81,008,001	\$ 26,461,083
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	110,695	120,165
Loss on disposal of property and equipment	37,592	-
Non-cash contribution - stock and property	(30,009,678)	(1,427,835)
Unrealized gain from annuities	(246,624)	(1,841,529)
Net unrealized gain on investments	(20,459,470)	(10,742,728)
Pension adjustment	(38,630)	(12,762)
(Increase) decrease in operating assets:		
Accounts receivable, prepaid expenses and other assets	(58,341)	(125,226)
Contributions receivable	209,223	216,811
(Decrease) increase in operating liabilities:		
Accounts payable, accrued expenses and other liabilities	(293,714)	625,771
Funds held on behalf of others	2,043,825	3,644,861
<b>TOTAL ADJUSTMENTS</b>	<b>(48,705,122)</b>	<b>(9,542,472)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>32,302,879</b>	<b>16,918,611</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(17,696)	(52,489)
Purchases of investments	(172,046,196)	(97,902,032)
Proceeds from sale of investments	146,622,709	91,653,583
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(25,441,183)</b>	<b>(6,300,938)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments to annuitants	(4,604,970)	(5,020,664)
Repayments on line of credit	(1,000,000)	(1,000,000)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,604,970)</b>	<b>(6,020,664)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,256,726</b>	<b>4,597,009</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>11,480,272</b>	<b>6,883,263</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 12,736,998</b>	<b>\$ 11,480,272</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 86,882	\$ 89,270
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:</b>		
Contribution of stock and property	\$ 30,009,678	\$ 1,427,835

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

# THE MIAMI FOUNDATION, INC.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### 1. GENERAL

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The Miami Foundation, Inc. (the "Foundation") is a community foundation created to build long term charitable support for Miami-Dade County. The Foundation administers individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made.

The Foundation supports arts and emerging charitable and social justice activities through fiscal sponsorships by acting as a sponsor for a project seeking support from individuals, foundations, corporations and/or government agencies. The Foundation also actively manages a mature annuity program that it agreed to undertake in mid-2015.

The consolidated financial statements include the accounts of The Miami Foundation, Inc. and The College Assistance Program ("CAP") of Miami-Dade County, Inc., as well as its supporting organization DadeFund, Inc. (collectively referred to as the "Foundation").

CAP seeks to assist the diverse multi-cultural, economically disadvantaged population of Miami-Dade County Public High School graduates, who have exhausted all available means of financial assistance (institutional, federal, and state) to attend the college of their choice through the award of grants.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### **Basis of Presentation**

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

#### **Financial Statement Presentation**

Net assets and revenues, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three classes of net asset categories are as follows:

Unrestricted: Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations but expendable only for grant making purposes recommended by the grantor or donor.

Temporarily Restricted: Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire within a certain period of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted: Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Foundation.

#### **Management Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The consolidated financial statements include certain amounts that are based on management's best estimates and judgments. The most significant estimates include the fair value of financial instruments, the liabilities under annuity agreements and the discount on contributions receivable. These estimates may be adjusted as more current information becomes available, and any adjustments could significantly impact the financial statements. Actual results may differ from these estimates under different assumptions or conditions, and the differences may be material.

#### **Concentrations**

The majority of the Foundation's donors are located in South Florida. Two donors accounted for 52% and one donor accounted for 53% of contributions during the years ended December 31, 2017 and 2016, respectively. A decrease in the contributions from these donors could have a significant impact on the Foundation's consolidated financial statements.

## THE MIAMI FOUNDATION, INC.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Risks and Uncertainties

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Foundation places its deposits with quality financial institutions and has not experienced losses in any such accounts. The Foundation places its investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification to achieve a balance that will enhance total return, while avoiding undue risk concentrations in any single asset or investment category. The Foundation's Investment Committee is responsible for oversight of the Foundation's investing activities.

### Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when acquired are considered cash equivalents. Cash and cash equivalents temporarily held by financial institutions for investment purposes are included within investments in the consolidated statements of financial position.

### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Investments in alternative investments are valued using the most recent valuation available from the respective external fund manager.

Investments in commercial fixed annuity contracts are measured at fair value. Accumulated values are provided by insurance carriers on a periodic basis as reported by the insurance companies. The majority of the contracts have surrender charges. The Foundation expects to realize the fair value of these contracts. Additionally, changes in accumulated values are recorded annually.

### Properties Held for Sale

During the year ended December 31, 2017, the Foundation received two properties located in Miami as noncash gifts, which were recorded at their fair market value of \$1,348,000. The properties were listed for sale and one of the properties was sold in April 2018.

### Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements are stated at cost, if purchased, or at the estimated market value at date of receipt if acquired by donation. Fixed assets with a value in excess of \$1,000 and with a useful life in excess of one year are capitalized. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Computer and office equipment	3 years
Furniture	5 years
Leasehold improvements	Shorter of useful life or lease term

### Funds Held on Behalf of Others

The Foundation accepts funds from unrelated nonprofit organizations who desire to have the Foundation provide efficient investment management. A liability is recorded at the estimated fair value of the assets deposited with the Foundation. The nonprofit organization may request a partial or total distribution at any time. Assets are invested in investment pools offered by the Foundation. U.S. GAAP requires that a recipient organization recognize the fair value of the assets as a liability. Balances under the Foundation's fiscal agency program are included in "Funds Held on Behalf of Others" in the consolidated statements of financial position.

## THE MIAMI FOUNDATION, INC.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Revenue Recognition

#### *Contributions*

The Foundation recognizes contributions received as revenue in the period received. The Foundation considers all contributions to be available for unrestricted use unless they are received with donor stipulations that limit the use of the assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as "Net assets released from restrictions."

#### *Administration Fees*

Administration fees are charged to funds in accordance with the fund agreements and are recognized quarterly over the term of the fund agreement.

#### *Fundraising and Other Revenue*

Fundraising and other revenue is recognized in the period the event occurs, or cash is received from fiscal agents.

#### *Fiscal Agencies*

Give Miami Day – The Foundation sponsors a 24-hour online donation event annually, in which the Foundation matches, on a percentage basis, the total donations made during the donation period. Donations received by the Foundation for Give Miami Day are specified for other beneficiaries and are not recognized in the consolidated statements of activities. Total contributions raised on behalf of others under this program totaled approximately \$10,133,000 and \$9,218,000 during the years ended December 31, 2017 and 2016, respectively.

The Foundation also operates as a fiscal agent for certain grants by providing fiscal expenditure responsibility services for the organization making the grant. Revenue under these arrangements is based on a percentage of receipts.

### Liabilities Under Annuity Programs

The Foundation records a liability for the present value of the annuities payable using a discount rate of 4.5%. An adjustment is made to the liability to record the gain or loss due to recomputation of the liability based upon the revised life expectancy and amounts due to beneficiaries. These are reflected in the accompanying consolidated statements of activities as "Change in value - annuities." Upon the occurrence of certain events, including the death of annuitants or early termination of a contract, the Foundation records an adjustment for the remaining liability and resulting gain.

### Split-Interest Agreements

Charitable lead trusts and charitable remainder trusts, in which the Foundation is not the trustee, are recorded in the temporarily restricted net assets class as a receivable at the present value of the expected future cash inflows and contribution revenue is recognized for the same amount. In the event that the trust has an income beneficiary other than the Foundation, the contribution revenue is reduced by the amount of the present value of the estimated liability due to the income beneficiary.

### Grants and Services to Beneficiaries

Grants are recognized when all significant conditions are met by grantees, all due diligence has been completed and the grants are approved by the Foundation's staff or Board Committee. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives or is notified of the refund. Services to beneficiaries represent expenses associated with fiscal sponsorships and are recognized when service is performed.

## THE MIAMI FOUNDATION, INC.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

### Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred were \$99,455 and \$89,577 for the years ended December 31, 2017 and 2016, respectively. In addition, The Foundation expensed \$651,978 in marketing and advertising costs during the year ended December 31, 2017 for its 50<sup>th</sup> anniversary fundraising campaign.

### Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. The Foundation is subject to unrelated business income tax on net income from certain investment activities. There is no material unrelated business income for the years ended December 31, 2017 and 2016. The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Foundation files income tax returns. The Foundation is generally no longer subject to U.S. Federal or state examinations by tax authorities for years before 2014.

### Recent Accounting Pronouncements

#### Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. Management will be reviewing the presentation of net assets and is in the process of gathering the information necessary to facilitate the adoption and the requirements of the accounting standard update.

#### Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. The Foundation is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on the Foundation's financial condition due to the recognition of a right-of-use asset and related lease liability. The Foundation does not anticipate the update having a material effect on the Foundation's results of operations or cash flows, though such an effect is possible. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

### Reclassifications

Certain items in the 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation.

### Subsequent Events

The Foundation has evaluated subsequent events through July 10, 2018, which is the date the consolidated financial statements were available to be issued.

## THE MIAMI FOUNDATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Charitable remainder trust	\$ 1,346,080	\$ 1,346,080
Contributions receivable	1,425,705	1,534,928
Other receivables	100,000	200,000
Present value discount	<u>(290,057)</u>	<u>(290,057)</u>
Contributions receivable, net	<u>\$ 2,581,728</u>	<u>\$ 2,790,951</u>

Under the terms of the charitable remainder trust, the Foundation will receive a 28.5% remainder interest in a residence in Coconut Grove, Florida, upon termination of the grantors life estate in the residence. The amount reflected in the consolidated financial statements is 28.5% of management's estimate of the fair value of the property at the date of receipt.

Contributions receivable consist of two unitrusts, a charitable lead trust and the net cash surrender value of three life insurance policies which name the Foundation as a remainder beneficiary. Under the terms of the unitrusts, the Foundation is to receive 50% of the trust's assets upon the death of the last surviving beneficiary. The present value discount of future distributions has been estimated using a single life and last survivor expectancy and totaled approximately \$290,000 as of December 31, 2017 and 2016. The Foundation has not set up reserves for these contributions receivable as management anticipates they are fully collectible.

#### 4. INVESTMENTS

The Investment Committee of the Foundation has the responsibility to ensure that the assets of the Foundation's various funds are managed in a manner consistent with its policies and objectives. The Investment Committee has established five investment pools for the investment management of the Foundation's assets. Donors that establish funds with the Foundation recommend one of the investment pools based on their investment objectives and risk tolerance level. The Investment Committee will permit the investment pools to experience an overall level of risk consistent with the risk generally associated with the Investment Committee's policy asset allocation and similar to that of the market opportunity available to institutional investors with similar return objectives. The Foundation permits the establishment of externally managed funds for donors meeting certain criteria. Under this program, the donor may recommend a financial advisor.

The Foundation's general investment philosophy is as follows:

Asset allocation is a crucial factor in the ongoing management of risks facing the investment funds. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is expected. Therefore, the general policy is to diversify investments to achieve a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and the factors that influence them. A globally diversified portfolio, with uncorrelated returns from various asset classes, should reduce the variability of returns over time. In determining the appropriate asset allocation, the inclusion or exclusion of asset classes and investments within each class is based on the impact on the funds, rather than judging asset classes and investments on a standalone basis. At all times, liquidity within the pools will be maintained at a level that will minimize the possibility of a loss occasioned by the sale of an investment vehicle forced by the need to meet a required distribution.

The following is a description of the Foundation's investment pools at December 31, 2017 and 2016:

*The Long-Term Pool* – This pool is the most broadly diversified. It is designed to accept more downside short-term risk to achieve a higher level of long-term growth. The primary financial objective is to preserve the purchasing power of the investments after withdrawals are taken. The pool has adopted a total return investment approach including capital appreciation, dividends and interest income. The objective is based on a ten-year time horizon.

**THE MIAMI FOUNDATION, INC.**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**4. INVESTMENTS (CONTINUED)**

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*The Balanced Pool* - The Balanced Pool is designed to achieve moderate risk adjusted returns with an emphasis on total returns, which is the aggregate return from capital appreciation, dividend and interest income.

*The Social Impact Pool* - The investment strategy for the Social Impact Pool is similar to the Balanced Pool. The Social Impact concept is intimately linked to responsible investing and is designed to invest in companies that strive to have a positive societal impact, including, but not limited to, mitigating climate change, reducing waste, using clean energy and employing sound corporate governance and labor practices.

*The Income Pool* - The objective of the Income Pool is to achieve low to moderate risk adjusted returns, with an emphasis on total returns. As such, investment parameters will be limited to short and intermediate term, high-quality, fixed-income instruments or cash equivalents. The Income Pool may invest in other types of securities, including stocks, provided that the corporation is organized under U.S. laws and is publicly traded.

*The Cash Pool* - The objective of the Cash Pool is to preserve principal value and maintain a high degree of liquidity while providing current income.

Cash and cash equivalents subject to investment management direction are reported as investments rather than cash equivalents. Investments are presented in the consolidated financial statements at fair market values. The Foundation invests in marketable equity securities which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual equity security.

Investments consist of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Fixed income	\$ 38,664,105	\$ 51,205,199
Domestic equity	56,369,857	46,920,337
International equity	65,824,983	51,938,095
Alternative investments	36,715,760	34,397,574
Cash and cash equivalents	77,491,776	13,469,285
Diversified mutual funds	29,039,182	21,962,188
Mutual funds	8,587,086	11,551,741
Private equity	595,976	701,577
Insurance contracts	34,518,304	39,618,338
	<u>\$ 347,807,029</u>	<u>\$ 271,764,334</u>

Investment income consists of the following for the years ended December 31,:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 6,191,453	\$ 3,083,334
Net realized and unrealized gain on investments	26,350,945	10,743,044
Investment management and consulting fees	(1,114,696)	(1,018,340)
Total investment income	<u>\$ 31,427,702</u>	<u>\$ 12,808,038</u>

Investment earnings from annuity assets were approximately \$1,000,000 and \$729,000 during the years ended December 31, 2017 and 2016, respectively, and are included in the consolidated statements of activities within the caption "Change in value – annuities".

## THE MIAMI FOUNDATION, INC.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 5. FAIR VALUE MEASUREMENTS

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The FASB Accounting Standards Codification established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

*Fixed income, domestic equity and international equity:* Valued at the closing price reported in the active market in which the individual securities are traded.

*Alternative investments and private equity:* Valued at net asset value ("NAV") per share on a monthly basis by the investment managers. In determining the fair value level, the Foundation considers the length of time until the investment is redeemable, including notice and lock up periods or any other restriction on the disposition of the investment. The Foundation also considers the nature of the portfolios of the underlying investments and their ability to liquidate the underlying investments. If the Foundation has the ability to redeem its investment at the measurement date, the investment is generally included in Level 2 of the fair value hierarchy. If the Foundation does not know when it will have the ability to redeem the investment, or it does not have the ability to redeem the investment in the near term, the investment is included in Level 3 of the fair value hierarchy.

*Cash and cash equivalents:* Valued at cost, which approximates fair value.

*Diversified mutual funds:* Valued at NAV per share. The Foundation has the ability to redeem its interest in the fund at the measurement date.

*Mutual funds:* Valued at the closing price reported in the active market in which the individual securities are traded.

*Insurance contracts:* Accumulated values are provided by insurance carriers on a periodic basis. The values approximate the fair value of these policies. The values assigned to the individual policies, which are not actively traded on any exchange, are not observable and are considered to be Level 3 of the valuation hierarchy.

**THE MIAMI FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**5. FAIR VALUE MEASUREMENTS (CONTINUED)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following tables represent the Foundation's financial instruments measured at fair value on a recurring basis at December 31, for each of the fair value hierarchy levels:

<b>Fair Value Measurements at December 31, 2017</b>				
<b>Description</b>	<b>Fair Value</b>	<b>Quoted Prices</b>		
		<b>In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Assets:				
Fixed income	\$ 38,664,105	\$ 38,664,105	\$ -	\$ -
Domestic equity	56,369,857	56,369,857	-	-
International equity	65,824,983	65,824,983	-	-
Alternative investments	36,715,760	-	-	36,715,760
Cash and cash equivalents	77,491,776	77,491,776	-	-
Diversified mutual funds	29,039,182	24,889,492	4,149,690	-
Mutual funds	8,587,086	8,587,086	-	-
Private equity	595,976	-	-	595,976
Insurance contracts	34,518,304	-	-	34,518,304
	<b>\$ 347,807,029</b>	<b>\$ 271,827,299</b>	<b>\$ 4,149,690</b>	<b>\$ 71,830,040</b>

<b>Fair Value Measurements at December 31, 2016</b>				
<b>Description</b>	<b>Fair Value</b>	<b>Quoted Prices</b>		
		<b>In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Assets:				
Fixed income	\$ 51,205,199	\$ 51,205,199	\$ -	\$ -
Domestic equity	46,920,337	46,920,337	-	-
International equity	51,938,095	51,938,095	-	-
Alternative investments	34,397,574	-	-	34,397,574
Cash and cash equivalents	13,469,285	13,469,285	-	-
Diversified mutual funds	21,962,188	19,802,454	2,159,734	-
Mutual funds	11,551,741	11,551,741	-	-
Private equity	701,577	-	-	701,577
Insurance contracts	39,618,338	-	-	39,618,338
	<b>\$ 271,764,334</b>	<b>\$ 194,887,111</b>	<b>\$ 2,159,734</b>	<b>\$ 74,717,489</b>

## THE MIAMI FOUNDATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 5. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2017:

	<b>Alternative Investments and Private Equity</b>	<b>Insurance Contracts</b>
Balance, beginning of year	\$ 35,099,151	\$ 39,618,338
Withdrawals and payments	(537,526)	(6,283,697)
Net investment gain	2,750,111	-
Change in value	-	1,183,663
Balance, end of year	<b>\$ 37,311,736</b>	<b>\$ 34,518,304</b>

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2016:

	<b>Alternative Investments and Private Equity</b>	<b>Insurance Contracts</b>
Balance, beginning of year	\$ 19,507,835	\$ 46,744,005
Additions	17,900,000	-
Withdrawals and payments	(2,877,664)	(7,996,624)
Net investment gain	568,980	-
Change in value	-	870,957
Balance, end of year	<b>\$ 35,099,151</b>	<b>\$ 39,618,338</b>

#### NAV per Share

Alternative and private equity investments include investments in funds and limited partnerships where the Foundation has the right to withdraw its investments after the expiration of "lock-up" periods of one to two years pursuant to the respective offering memorandums. The underlying investments of the funds are valued at fair value on a quarterly basis by the partnership or fund. As part of the private equity investment structure, initial capital call commitments are required.

**THE MIAMI FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**5. FAIR VALUE MEASUREMENTS (CONTINUED)**

**NAV per Share (Continued)**

The following summary represents the funds reported at NAV as of December 31, 2017:

	<b>Fair Value as of 12/31/2017</b>	<b>Unfunded Commitments as of 12/31/2017</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Blackrock Diamond Property Fund (a)	\$ 20,139	\$ -	In liquidation	Not applicable
Arden Sage Capital International (b)	8,361	-	In liquidation	Not applicable
SEI Structured Credit (c)	7,933,862	-	Bi-annually	95 days
SEI Core Property Fund (d)	8,287,688	-	Quarterly	65 days
Portfolio Advisors Private Equity Fund IV (e)	168,507	113,353	Illiquid	None
Portfolio Advisors Private Equity Fund VI (e)	427,469	237,246	Illiquid	None
Vintage European Opportunity Fund (f)	227,612	-	Illiquid	None
SEI Energy Fund (g)	8,347,465	-	Bi-annually	95 days
SEI Hedge Fund (h)	11,890,633	-	Monthly, quarterly, annually - subject to restrictions	30 to 180 days
<b>Total</b>	<b>\$ 37,311,736</b>	<b>\$ 350,599</b>		

The following is a summary of the investment strategies of the investments valued at net asset value:

- (a) The fund's objective is to seek income and capital appreciation through investments in real estate. The fund is in the liquidation process.
- (b) The fund's investment objective is to achieve long-term capital appreciation while attempting to reduce risk and volatility. The fund accomplishes its investment objective by investing substantially all of its assets in a master fund that in turn, invests its assets primarily in hedge funds and other similar investments. The fund is in the liquidation process.
- (c) The fund's objective is to seek to generate high total returns by investing in a portfolio of collateralized debt obligations. The fund primarily invests in collateralized debt, limited partnerships and asset backed securities.
- (d) The objective of the fund is to seek to generate income and capital appreciation through a diversified strategy of property funds.
- (e) The fund's objective is to achieve long-term returns through investments in a diversified portfolio of private equity limited partnerships.
- (f) The fund seeks to provide aggregate long-term compounded returns in excess of those available from a portfolio of conventional investments in the public equity.
- (g) The fund seeks to generate high total returns.
- (h) The fund seeks to produce returns comparable to those of the equity markets over a full market cycle targeting substantially less volatility than equities by investing in a diversified portfolio of hedge funds.

## THE MIAMI FOUNDATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 6. ANNUITIES

In 2015, the Foundation agreed to take over an established annuity program with assets primarily related to commercial fixed annuity contracts and liabilities for payments due to annuitants. The Foundation manages the assets and makes distributions to the annuitants under the terms of the original agreements. The assets are held as general assets of the Foundation.

The following presents the fair value of the annuity assets and present value of the liabilities at December 31,:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 318,820	\$ 4,193,459
Investments including insurance contracts and receivables	39,993,503	39,618,338
Total assets	<u>\$ 40,312,323</u>	<u>\$ 43,811,797</u>
Total liabilities	<u>\$ 32,471,389</u>	<u>\$ 35,824,923</u>
Temporarily restricted net assets	<u>\$ 7,840,934</u>	<u>\$ 7,986,874</u>

During the years ended December 31, 2017 and 2016, the net change in value of annuities assets and liabilities was \$246,624 and \$1,841,529, respectively. These non-cash benefits are shown in the consolidated statements of activities as "Change in value – annuities" and in the consolidated statements of cash flows as "Unrealized gain from annuities." During the year ended December 31, 2016, the Foundation received additional cash contributions from the previous administrator in the amount of \$837,597, which represents the residual balance of funds that remained after the original transfer.

#### 7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Computer and office equipment	\$ 202,824	\$ 224,452
Furniture	174,276	172,543
Leasehold improvements	699,955	699,955
	1,077,055	1,096,950
Accumulated depreciation and amortization	(422,689)	(311,993)
	<u>\$ 654,366</u>	<u>\$ 784,957</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 totaled \$110,695 and \$120,165, respectively.

## THE MIAMI FOUNDATION, INC.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 8. LINE OF CREDIT

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On April 1, 2013, the DadeFund, Inc. (the "Fund"), a supporting organization of The Miami Foundation, Inc., entered into a \$5,000,000 line of credit agreement with a financial institution secured by substantially all of the Fund's assets. Below are the statements of financial position of the Fund as of December 31,:

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 293	\$ 19,293
Investments	6,266,065	6,876,505
Total assets	<u>\$ 6,266,358</u>	<u>\$ 6,895,798</u>
Liabilities:		
Accounts payable	\$ -	\$ 67,003
Line of credit	3,694,000	4,694,000
Total liabilities	3,694,000	4,761,003
Unrestricted net assets	2,572,358	2,134,795
	<u>\$ 6,266,358</u>	<u>\$ 6,895,798</u>

The line of credit expired in April 2014. The Fund entered into an amended agreement in April 2014 which increased the line of credit to \$6,000,000. The amended line bears interest at LIBOR plus 1.25% (approximately 2.8% and 2.0% at December 31, 2017 and 2016, respectively) and expires on February 28, 2019. Interest expense totaled \$86,882 and \$89,270 for the years ended December 31, 2017 and 2016, respectively. The amount outstanding on the line of credit was \$3,694,000 and \$4,694,000 at December 31, 2017 and 2016, respectively. Subsequent to December 31, 2017, the Foundation paid \$700,000 to reduce the principal on the line of credit.

#### 9. FUNDS HELD ON BEHALF OF OTHERS

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Funds held on behalf of others are comprised of cash and investments held at financial institutions and amounted to \$18,945,574 and \$16,901,749 at December 31, 2017 and 2016, respectively.

#### 10. TEMPORARILY RESTRICTED NET ASSETS

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Temporarily restricted net assets at December 31, 2017 and 2016 totaling \$39,428,123 and \$29,394,063, respectively, consist of the fiscal sponsorship funds, annuities (NOTE 6), four charitable trusts and three life insurance policies in which the Foundation is beneficiary (NOTE 3).

#### 11. RETIREMENT PLANS

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##### Pension Plan

The Foundation sponsors a non-contributory defined benefit pension plan for all full-time employees. In November 2010, the Foundation froze this plan. During the year ended December 31, 2017, the Foundation contributed \$35,000. There were no contributions made to the plan during the year ended December 31, 2016.

**THE MIAMI FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**11. RETIREMENT PLANS (CONTINUED)**

**Pension Plan (Continued)**

Information related to the Foundation's obligation, which is included as "Accounts payable, accrued expenses and other liabilities" in the consolidated statements of financial position is as follows at December 31,:

	<u>2017</u>	<u>2016</u>
Fair value of plan assets	\$ 907,089	\$ 775,276
Projected benefit obligation*	<u>(953,291)</u>	<u>(895,108)</u>
Unfunded projected benefit obligation	<u>\$ (46,202)</u>	<u>\$ (119,832)</u>

\*The projected benefit obligation is the amount the pension plan needs now to cover future pension obligations to its participants.

Net periodic pension benefit under the plan was \$(19,701) and \$(17,110) for the years ended December 31, 2017 and 2016, respectively. The components of the net periodic pension benefit are as follows for the years ended December 31,:

	<u>2017</u>	<u>2016</u>
Service cost	\$ 4,933	\$ 4,586
Interest cost	35,988	36,483
Expected return on plan assets	(62,022)	(59,424)
Amount of recognized actuarial loss	<u>1,400</u>	<u>1,245</u>
Net periodic pension benefit	<u>\$ (19,701)</u>	<u>\$ (17,110)</u>

Changes in plan assets as of the actuarial valuation date of December 31,:

	<u>2017</u>	<u>2016</u>
Fair value of plan assets at beginning of the year	\$ 775,276	\$ 742,800
Actual return on plan assets	118,473	53,789
Contributions	35,000	-
Annuities purchased or benefits paid, including expense charges	<u>(21,660)</u>	<u>(21,313)</u>
Fair value of plan assets at the end of the year	<u>\$ 907,089</u>	<u>\$ 775,276</u>

Changes in the plan benefit obligation as of the actuarial valuation date of December 31,:

	<u>2017</u>	<u>2016</u>
Benefit obligation at the beginning of the year	\$ 895,108	\$ 875,394
Service cost	4,933	4,586
Interest cost	35,988	36,483
Assumption changes	42,826	13,841
Actuarial gain	(3,904)	(13,883)
Expense charges	(4,933)	(4,586)
Annuities purchased or benefits paid	<u>(16,727)</u>	<u>(16,727)</u>
Benefit obligation at the end of the year	<u>\$ 953,291</u>	<u>\$ 895,108</u>

The assumptions used in the accounting for the defined benefit plan for the years ended December 31, 2017 and 2016 were 3.5% and 4.0% for the discount rate, respectively, 7.5% and 8% for expected long-term return on assets, respectively, and no increase in compensation levels.

**THE MIAMI FOUNDATION, INC.**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**11. RETIREMENT PLANS (CONTINUED)**

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**Pension Plan (Continued)**

Pension assets were allocated in the following manner at December 31,:

	2017		2016	
	Amount	Percent	Amount	Percent
Equity	\$ 450,226	50%	\$ 440,814	57%
Fixed income and other	446,084	49%	327,062	42%
General account	10,779	1%	7,400	1%
<b>Plan assets</b>	<b>\$ 907,089</b>	<b>100%</b>	<b>\$ 775,276</b>	<b>100%</b>

As of December 31, 2017, the expected payout of pension benefits is approximately as follows for the years ending December 31,:

2018	\$ 17,000
2019	17,000
2020	17,000
2021	125,000
2022	16,000
2023 - 2027	80,000
	<b>\$ 272,000</b>

The Foundation's expected long-term return on plan assets assumption of 7.5% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection Economic Assumptions for Measuring Pension Obligations. Based upon the investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.5% was selected and added to the real rate of return range to arrive at a best estimate range of 6.74% - 9.40%. A rate within the best estimate range of 7.5% was selected.

The Foundation's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The Foundation's overall investment strategy is to achieve a mix of approximately 65-75% of investments for long-term growth and 25-35% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are between 30-70% equity securities, 30-70% corporate bonds, with a long term asset mix guideline of 50% equity and 50% fixed income. Equity securities primarily include investments in large-cap and small-cap companies primarily located in the United States of America and developing and emerging international markets. Fixed income securities include corporate bonds with various durations. The investment policy is periodically reviewed by the Foundation. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

**Defined Contribution Plan**

In December 2010, the Foundation started a 403(b) contributory retirement plan. The Foundation contributes 1% of an employee's salary once the employee has completed one year of service with the Foundation. The Foundation will also match up to an additional 4% of a qualified employee's voluntary contribution to the plan. Total employer contributions to this plan were approximately \$83,000 and \$64,000 for the years ended December 31, 2017 and 2016, respectively.

## THE MIAMI FOUNDATION, INC.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 12. OPERATING LEASE

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In January 2015, the Foundation entered into an operating lease agreement for office space. The lease expires on December 31, 2024 and the Foundation has the option to renew the lease for an additional term of five years. Monthly rent payments are approximately \$12,400, subject to an annual increase of 3%. The Foundation records rent expense on a straight-line basis over the lease term. As part of the agreement, the Foundation received an allowance of approximately \$485,000 in consideration for the improvements made to the new office space. Tenant allowances received are deferred when received and amortized on a straight-line basis over the life of the lease term. As of December 31, 2017 and 2016, the deferred rent liability balance was approximately \$409,000 and \$447,000, respectively, and is reflected within the caption "Accounts payable, accrued expenses and other liabilities" in the consolidated statements of financial position.

Rent expense amounted to \$119,515 and \$159,314 for the years ended December 31, 2017 and 2016, respectively.

Future minimum payments under the operating lease are as follows for the years ending December 31,:

2018	\$	162,508
2019		167,383
2020		172,405
2021		177,577
2022		182,904
Thereafter		<u>382,435</u>
	\$	<u>1,245,212</u>