Mary Reynolds Babcock Foundation, Incorporated

Financial Report
December 31, 2016

Mary Reynolds Babcock Foundation, Incorporated

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Jerry Gonzalez
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Mary Mountcastle
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Ivan Kohar Parra
Secretary

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Independent Auditor's Report

To the Board of Directors
Mary Reynolds Babcock Foundation, Incorporated
Winston-Salem, North Carolina

Report on the Financial Statements
We have audited the accompanying financial statements of Mary Reynolds Babcock Foundation, Incorporated, which comprise the statement of financial position as of December 31, 2016, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mary Reynolds Babcock Foundation, Incorporated as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited Mary Reynolds Babcock Foundation, Incorporated's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Greensboro, North Carolina
June 21, 2017

Mary Reynolds Babcock Foundation, Incorporated

Statement of Financial Position
December 31, 2016
(With Comparative Totals as of December 31, 2015)

	2016	2015
Assets		
Cash and cash equivalents (Notes 2 and 9)	**$ 7,379,333**	$ 6,984,526
Interest and dividends receivable	**235,578**	263,222
Contributions receivable (Note 3)	**4,632,490**	-
Prepaid expenses and other assets	**75,070**	59,244
Prepaid federal excise tax	**315,517**	107,165
Investments (Notes 2, 4, 14 and 16)	**157,882,719**	159,689,620
Program related investments (Note 5)	**4,491,700**	4,639,694
Beneficial interests in charitable remainder trusts (Notes 7 and 16)	**896,738**	826,021
Property and equipment, net (Notes 6 and 10)	**527,006**	488,966
Total assets	**$ 176,436,151**	$ 173,058,458
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 235,895**	$ 182,274
Unpaid grants	**11,437,654**	4,009,415
Deferred federal excise tax	**75,183**	93,544
Note payable (Note 10)	**362,072**	393,321
	12,110,804	4,678,554
Commitments (Note 14)		
Net assets:		
Unrestricted net assets	**163,318,099**	167,553,883
Temporarily restricted net assets (Note 11)	**1,007,248**	826,021
	164,325,347	168,379,904
Total liabilities and net assets	**$ 176,436,151**	$ 173,058,458

See notes to financial statements.

Mary Reynolds Babcock Foundation, Incorporated

Statement of Activities
Year Ended December 31, 2016
(With Comparative Totals for Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenue, gains and losses:				
Uplift America grant revenue	$ -	$ 8,565,821	$ 8,565,821	$ -
Dividends and interest	2,647,024	-	2,647,024	2,175,471
Net appreciation (depreciation) in fair value of investments	4,404,642	-	4,404,642	(2,286,790)
Change in value of charitable remainder trusts	-	70,717	70,717	(309,916)
Other	37,044	-	37,044	-
	7,088,710	8,636,538	15,725,248	(421,235)
Net assets released from restrictions (Note 11)	8,455,311	(8,455,311)	-	-
Total revenue, gains and losses	15,544,021	181,227	15,725,248	(421,235)
Expenses:				
Investment expenses and federal excise tax	1,129,245	-	1,129,245	1,336,279
Administrative and program expenses	2,002,686	-	2,002,686	1,961,392
Grants awarded	7,138,928	-	7,138,928	7,193,000
Uplift America grants awarded	9,508,946	-	9,508,946	-
Total expenses	19,779,805	-	19,779,805	10,490,671
Change in net assets	(4,235,784)	181,227	(4,054,557)	(10,911,906)
Net assets:				
Beginning of year	167,553,883	826,021	168,379,904	179,291,810
End of year	$163,318,099	$ 1,007,248	$164,325,347	$168,379,904

See notes to financial statements.

Mary Reynolds Babcock Foundation, Incorporated

Statement of Cash Flows
Year Ended December 31, 2016
(With Comparative Totals for Year Ended December 31, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (4,054,557)**	$ (10,911,906)
Adjustment to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	**28,757**	30,569
Net (appreciation) depreciation in fair value of investments	**(4,404,642)**	2,286,790
Change in value of charitable remainder trusts	**(70,717)**	309,916
Deferred federal excise tax expense	**(18,361)**	(331,515)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	**(4,632,490)**	-
Interest and dividends receivable	**27,644**	(115,499)
Prepaid expenses and other assets	**(15,826)**	15,972
Prepaid federal excise tax	**(208,352)**	(69,401)
Increase (decrease) in:		
Accounts payable and accrued expenses	**53,621**	(62,151)
Unpaid grants	**7,428,239**	219,916
Net cash used in operating activities	**(5,866,684)**	(8,627,309)
Cash flows from investing activities:		
Proceeds from sales of investments	**101,443,206**	162,626,595
Purchases of investments	**(95,313,095)**	(179,092,946)
Net proceeds of program related investments	**229,426**	(74,045)
Purchases of property and equipment	**(66,797)**	(10,383)
Net cash provided by (used in) investing activities	**6,292,740**	(16,550,779)
Cash flows used in financing activities:		
Payments on note payable	**(31,249)**	(28,606)
Net increase (decrease) in cash and cash equivalents	**394,807**	(25,206,694)
Cash and cash equivalents:		
Beginning	**6,984,526**	32,191,220
Ending	**$ 7,379,333**	$ 6,984,526

See notes to financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Mary Reynolds Babcock Foundation, Incorporated (the Foundation) is a nonprofit organization located in Winston-Salem, North Carolina. Its stated purpose is assisting people in the Southeast to build communities that nurture people, spur enterprise, bridge differences and foster fairness. Its mission is to help people and places to move out of poverty and achieve greater social and economic justice. The Foundation provides grants to nonprofit organizations striving to attain these goals and invests in program related investments.

The Foundation helped establish and began managing the Uplift America Fund in 2016. The Uplift America Fund is part of a collaboration between banks, philanthropic organizations, community development organizations, and the U.S. Department of Agriculture (USDA) to leverage federal resources, bank financing and private grants to target much-needed capital for community facilities to persistently low-wealth areas. The Uplift America Fund pools funding from philanthropic organizations to provide grants to community development organizations across the U.S. In partnership with the Uplift America Fund, the USDA provides loan funds to the community development organizations and banks provide loan guarantees. Grants from the Uplift America Fund provide an opportunity for experienced community lenders to deploy the USDA loan capital to areas of greatest need while building their capacity to address rural economic challenges. The Foundation manages the Uplift America Fund by receiving awards from other philanthropic organizations and granting those funds to the community development organizations in coordination with USDA and banks. These contributions are made in the form of grants, whereby the other philanthropic organizations, and not the foundation, will report the contributions as qualifying distributions on their excise tax returns.

A summary of the Foundation’s significant accounting policies follows:

Basis of accounting: The accounts of the Foundation are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of presentation: The Foundation follows the guidance provided by accounting principles generally accepted in the United States of America (GAAP) for preparation of its financial statements. In accordance with GAAP, the Foundation classifies its resources for accounting and reporting purposes as either unrestricted, temporarily restricted or permanently restricted:

Unrestricted net assets: Resources of the Foundation that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts and the investment in property and equipment.

Temporarily restricted net assets: Resources that carry a donor-imposed restriction that permits the Foundation to use or expend the donated assets as specified for which the restrictions are satisfied by the passage of time or by actions of the Foundation. As those restrictions are met, the contributions are released from temporarily restricted net assets and are transferred to unrestricted net assets.

Permanently restricted net assets: Resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Foundation to use or expend part or all of the income derived from the donated assets. The Foundation does not currently have any permanently restricted net assets.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Cash and cash equivalents: For purposes of the statement of cash flows, the Foundation considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions receivable: Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of their future cash flows, and are subsequently amortized over the expected payment period. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments: Investments are presented in the financial statements at fair value determined in accordance with Topic 820, Fair Value Measurement, of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC Topic 820 permits reporting entities, as a practical expedient, to estimate the fair value of their investments in certain entities that calculate net asset value (NAV) per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) by using NAV if the NAV per share (or its equivalent) of the investment is calculated in a manner consistent with the measurement principles of FASB ASC Topic 946, Financial Services – Investment Companies, as of the reporting entity's measurement date.

The Foundation elects to use NAV as a practical expedient to estimate the fair value of its equity funds. The investee managers calculate NAV using fair value estimates of the underlying securities and other financial instruments. The estimated fair values of these underlying investments, which may include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's equity funds generally represent the amount the Foundation would expect to receive if it were to liquidate its investments, excluding any redemption charges that may apply.

Determining whether an investee fund manager has calculated NAV in a manner consistent with FASB ASC Topic 946 requires the Foundation to independently evaluate the fair value measurement process utilized to calculate the NAV. Such an evaluation is a matter of professional judgment and includes determining that an investee fund manager has an effective process and related internal controls in place to estimate the fair value of its investments that are included in the calculation of NAV. The Foundation's evaluation of the process used by investee fund managers includes initial due diligence, ongoing due diligence and financial reporting controls.

The Foundation's investments include various types of investment securities, which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect amounts reported in the financial statements.

Investment transactions are recorded on the trade date. Interest income and expense is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

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

Notes receivable: Notes receivable, included in program related investments, are recorded at total unpaid balance, net of allowance for doubtful accounts. The Foundation estimates any allowance for doubtful accounts by individual item based on a combination of factors, including the Foundation's knowledge of the current composition of receivables, historical losses and existing economic conditions. The Foundation considers a note receivable to be past due once a required principal payment has not been received on a timely basis. Receivables that management believes to be ultimately not collectible are written off upon such determination. The Foundation does not recognize interest income on impaired notes to the extent impairment impacts the amount the Foundation believes it will receive from interest income. Any cash receipts from the maker of the note received are recorded against outstanding interest due first and then against the principal of the note. There were no allowances for credit losses related to notes receivable as of December 31, 2016.

The Foundation uses an internal credit risk grade as its primary credit quality indicator for notes receivable. The Foundation assesses changes to its ratings for each note receivable at each reporting date. These ratings are developed based upon management's judgment about the likelihood of loss on a particular instrument.

Property and equipment: The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed when incurred. When items of property or equipment are sold or retired, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the change in net assets.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 40 years for the buildings, 8-15 years for building improvements and 3-10 years for furniture, fixtures and equipment.

Unpaid grants: Unpaid grants represent all unconditional grants that have been awarded prior to yearend, that remain unpaid as of the statement of financial position date. All grants are payable in one to five years.

Tax status: The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. However, as a private charitable foundation, it is subject to federal excise tax on its net investment income, including realized gains on securities and investment transactions. Deferred federal excise tax is provided for net unrealized appreciation on investments that have been recognized in the financial statements.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements.

Subsequent events: The Foundation has evaluated subsequent events (events occurring after December 31, 2016) through June 21, 2017, the date the financial statements were available to be issued.

Recent accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this Update make several improvements to reporting requirements including changes to net asset classification and requiring additional disclosures related to various not-for-profit issues. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and should be applied retrospectively upon adoption, with certain limited exceptions. Early adoption is permitted. The Foundation is currently evaluating the effect that the standard will have on the financial statements.

Note 2. Cash and Cash Equivalents

The short-term investment funds on deposit with investment advisors are included in cash and cash equivalents on the statements of financial position. These funds, held for investment purposes only, amounted to $5,068,264 as of December 31, 2016.

Note 3. Contributions Receivable

Contributions receivable consist of unconditional promises to give in the form of grants from other foundations. As of December 31, 2016, contributions receivable were due as follows:

Receivable in 2017	$ 2,333,335
Receivable in 2018	2,333,334
Contributions receivable, gross	4,666,669
Less present value discount at 0.51% rate	(34,179)
	$ 4,632,490

Note 4. Investments

Investments as of December 31, 2016, consist of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	$ 72,443,729	$ 80,947,562	$ 8,503,833
Mutual funds	9,173,630	9,867,221	693,591
Fixed income securities	27,704,188	27,528,727	(175,461)
Equity funds:			
Generation IM Asia LP	5,353,227	5,770,688	417,461
Responsible Global Emerging Market Equity	6,000,000	5,338,559	(661,441)
Generation IM Climate Solutions II	1,610,808	1,251,940	(358,868)
DBL Partners III LP	1,492,263	1,676,124	183,861
SJF Ventures IV	286,707	278,505	(8,202)
Generation IM Global Equity Fund	24,673,565	25,223,393	549,828
	$ 148,738,117	$ 157,882,719	$ 9,144,602

Cost represents the original value at the time of purchase. For equity funds, cost is adjusted for the Foundation’s proportionate share of income, expenses, gains and losses reported by the funds as well as any distributions from the funds.

Note 4. Investments (Continued)

The Foundation invests in a professionally managed portfolio that contains common shares and bonds of publicly-traded companies, U.S. government obligations, private equity or debt securities that are not publicly listed or traded, mutual funds and money market funds. Such investments are exposed to various risks, such as interest rate, market and credit risks. The investment portfolio is regularly reviewed and the extent of its diversification is considered in conjunction with other risk management and performance objectives.

The money managers of underlying investments in which the Foundation invests may utilize derivative instruments with off-balance-sheet risk. The Foundation’s exposure to risk is limited to the amount of its investment. Investment management fees range from 0.16% to 2.50% of investment values. Performance fees may also apply when established benchmarks are attained.

Note 5. Mission Investing

The Foundation seeks to align its investments with its values and mission. The Foundation does this in two ways: below-market program related, or programmatic, investments (PRIs) and market-rate environmental/social/governance (ESG) investments.

PRIs, as defined in IRC 4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property. PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes. The Foundation’s current PRIs consist of below-market certificates of deposit, secondary capital investments in a community development credit union, limited partnership interests in community development venture funds and notes receivable from community development revolving loan funds. PRIs are presented net of $250,000 of other than temporary impairments as of December 31, 2016. The Foundation expects to hold all PRIs to maturity.

The Foundation board adopted new investment policies in October 2014 for the purpose of aligning 100% of the investments with a newly approved Environmental/Social/Governance (ESG) statement.

Note 6. Property and Equipment

Property and equipment is summarized as follows at December 31, 2016:

Land	$	67,000
Building		610,099
Building improvements		63,913
Furniture, fixtures and equipment		229,259
		970,271
Less accumulated depreciation		443,265
	$	527,006

Note 7. Charitable Remainder Trusts

A charitable remainder trust provides for payments to the grantor or other designated beneficiaries over the trust's term. The terms of the charitable remainder trusts, which name the Foundation as a remainder beneficiary, are the lifetimes of the respective distribution recipients. At the end of the respective trust's term, the remaining assets in which the Foundation has an interest will be distributed to the Foundation.

Upon receipt of a beneficial interest in a charitable remainder trust, the fair value, which is measured at the present value of such interest, is recorded as contribution revenue. The annual change in the fair value of the beneficial interest is recorded as a change in value of charitable remainder trusts in the statement of activities. Such valuations are based on estimated mortality rates and other assumptions that could change in the near term. The discount rate used in the calculation was 2.79% for 2016.

Note 8. Distribution of Income

The minimum amount required to be distributed by the Foundation during the year ended December 31, 2016, computed in accordance with the minimum distribution requirements of the Internal Revenue Code, was approximately $8,296,000.

At December 31, 2016, the Foundation had excess contributions carryover of approximately $4,265,000.

Note 9. Concentration of Credit Risk

The Foundation routinely maintains demand deposits and certificates of deposit with financial institutions in amounts that exceed federally insured limits. In addition, the Foundation from time-to-time invests in short-term investment funds issued by commercial banks that are uninsured or exceed federally insured limits. The Foundation has not suffered any credit losses related to such deposits and investments.

Note 10. Note Payable

Note payable consists of a note payable to bank with payments of principal and interest at 3.25% of $4,985 due monthly though September 2023 and is collateralized by the Foundation's land and building. Maturities of principal for subsequent years ending December 31 are as follows:

2017	$	48,791
2018		50,401
2019		52,064
2020		53,781
2021		55,555
Thereafter		101,480
	$	362,072

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016, consist of purpose restrictions of $110,510 for the Uplift America Fund and time restrictions of $896,738 related to the beneficial interests in charitable remainder trusts. Temporarily restricted net assets released from restrictions during 2016 were $8,455,311 for purpose restrictions satisfied through the Uplift America Fund.

Note 12. Retirement Benefits

The Foundation has a defined contribution retirement plan covering substantially all employees under arrangements with Teachers Insurance and Annuity Association of America and College Retirement Equities Fund, which provides for the purchase of annuities for employees. Retirement plan expense was $84,983 for the year ended December 31, 2016.

Note 13. Related Party Transactions

The Foundation has a conflict of interest policy that requires any director or member of management to abstain from participating in a decision when that director or member of management has a conflict of interest.

One of the Foundation's directors is associated with an investment management company that manages investments for the Foundation. The market value of the investment portfolio managed by this company totaled approximately $10,415,000 at December 31, 2016. The Foundation incurred investment management fees of approximately $76,000 to this company in 2016. The director associated with this investment management company is no longer on the Foundation's board as of February 2016.

Several of the Foundation's directors and employees are associated with other organizations to which the Foundation makes grants. The total amount awarded to these organizations was $2,285,000 in 2016. The Foundation had $250,000 in PRIs as of December 31, 2016, with organizations with which board members were associated. No director receives any direct benefit from the Foundation associated with these transactions.

The Foundation also pays memberships to various organizations with which the directors and employees of the Foundation are associated. These memberships totaled $9,600 during 2016.

Note 14. Commitments

At December 31, 2016, the Foundation had approved and committed additional investments of approximately $10,200,000 in private equity funds.

In addition to the unpaid grants recorded in the statements of financial position, the Foundation also has approved grants subject to conditions. These conditional grants are not reflected in the financial statements at December 31, 2016. However, when the respective grantees meet the conditions specified in the grant agreements, the Foundation will recognize expense for the grants awarded and a liability for the unpaid grants relative to the conditions that are met. At December 31, 2016, there were fifteen conditional grants outstanding totaling $6,119,982 of which twelve grants totaling $5,982,482 related to Uplift America funds.

Note 15. Supplemental Disclosures of Cash Flow Information

Cash paid for taxes and interest during the year ended December 31, 2016, were $315,168 and $17,237, respectively.

Note 16. Fair Value Measurements

The carrying values of cash and cash equivalents, receivables, payables and unpaid grants approximate their estimated fair value due to their short-term maturity or retirement.

The fair value of PRIs approximates the carrying amounts as yields on these investments are not significantly different than market yields for these types of investments. The fair value of the note payable approximates the carrying amount as the interest rate on the obligation is not significantly different than market rates.

FASB ASC 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to 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 under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.

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; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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.

In determining fair value, the Foundation uses valuation approaches within the FASB ASC 820 fair value measurement framework and utilizes the end of reporting period for determining when transfers between levels are recognized. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy.

***Equity securities and mutual funds*:** Equity securities and mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

***Fixed income securities*:** Investments in debt securities include corporate bonds and funds and government and government agency obligation bonds and funds. Certain bond funds are listed on national markets or exchanges and are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy. All other fixed income investments are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data, and classified within Level 2 of the hierarchy.

Note 16. Fair Value Measurements (Continued)

Beneficial interest in charitable remainder trusts**:** Fair value is determined using the income approach based on estimated cash flows, mortality and discounts rates.

The following table sets forth, by level within the fair value hierarchy, the Foundation's assets measured at fair value subsequent to initial recognition on a recurring basis at December 31, 2016:

Description	Level 1	Level 2	Level 3	Total
Equity securities:				
Large cap	$ 61,078,538	$ -	$ -	$ 61,078,538
Small/Mid cap	19,869,024	-	-	19,869,024
Mutual funds:				
Global environmental	9,867,221	-	-	9,867,221
Fixed income securities:				
U.S. government	-	10,616,478	-	10,616,478
State and local	-	5,208,220	-	5,208,220
Corporate	-	11,704,029	-	11,704,029
	90,814,783	27,528,727	-	118,343,510
Equity funds (a)				39,539,209
Total investments	90,814,783	27,528,727	-	157,882,719
Beneficial interest in charitable remainder trusts	-	-	896,738	896,738
	$ 90,814,783	$ 27,528,727	$ 896,738	$ 158,779,457

(a) In accordance with FASB ASU 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The Foundation evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets. For the year ended December 31, 2016, there were no significant transfers in or out of Levels 1, 2 or 3.

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

	Beneficial Interest in Charitable Remainder Trusts
Balance at January 1, 2016	$ 826,021
Change in value of beneficial interest in Charitable Remainder Trusts	70,717
Balance at December 31, 2016	$ 896,738

Note 16. Fair Value Measurements (Continued)

The following table sets forth attributes related to the nature and risk of equity funds whose fair value is estimated using NAV per share (or its equivalent) practical expedient as of December 31, 2016.

		Fair Value Estimated Using NAV Per Share				
		Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Notice Period
Generation IM Global Equity	(a)	$ 25,223,393	$ -	Quarterly	(a)	30 days
Generation IM Asia LP	(b)	5,770,688	-	Quarterly	(b)	90 days
Responsible Global Emerging Market Equity	(c)	5,338,559	-	Monthly	(c)	30 days
DBL Partners III	(d)	1,676,124	4,199,524			
Generation IM Climate Solutions II	(e)	1,251,940	3,300,000			
SJF Ventures IV	(f)	278,505	2,700,000			
		$ 39,539,209	$ 10,199,524			

(a) The fund's investment objective is to generate long-term capital appreciation by investing in long-only concentrated portfolio of global equity securities. The fund's investment strategy integrates sustainability research within a fundamental equity analysis framework. The fund invests in the securities of U.S. and foreign issuers. The fund will not invest in equity securities not listed on an exchange; however, it may invest up to 5% of its assets in such securities when the securities are expected to be listed on an exchange within 12 months. The fund's investments are fully redeemable only after the first anniversary of the date of initial contribution. Withdrawals can be made on a quarterly basis; however, withdrawals may be limited to 25% of the fund's net asset value during any such quarter.

(b) The fund's investment objective is to generate long-term capital appreciation by investing in long-only concentrated portfolio of equity securities of Asian companies. Asian companies include companies having their registered office in an Asian country, companies listed on a stock exchange or market in an Asian country, companies established and/or listed on a stock exchange outside of an Asian country that generate or are expected to generate a significant proportion of their revenues and/or operating profits from Asian companies. The fund's investments are fully redeemable only after the first anniversary of the date of the initial contribution. The minimum withdrawal is $500,000 and no partial withdrawal shall reduce the investment to less than $1 million without prior consent of the fund's general partner.

(c) The fund's investment objective is to meet or exceed the return of the MSCI Emerging Markets Index over a three-year to five-year time horizon, while seeking to invest in companies that contribute to or benefit from the sustainable economic development of the emerging markets countries. The fund's investments are fully redeemable; however, partial redemptions may be refused if, immediately after the redemption, the value of the remaining investment is less than the minimum holding of $1 million.

Note 16. Fair Value Measurements (Continued)

(d) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's objective is to provide investors the opportunity to realize significant long-term capital appreciation by investing in securities of every kind (including but not limited to, stocks, notes, bonds and debentures) in companies that achieve a double bottom line: long-term financial returns as well as positive social, environmental and economic impact. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes that it has adequate liquidity to meet its obligations.

(e) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The partnership's investment objective is to generate attractive long-term, risk-adjusted returns by investing in small cap investments and private investments. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of remaining portfolio and returning capital to the investors. Alternatively, the fund may terminate early in certain circumstances with each investor receiving its share of the investment in accordance with the partnership agreement. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes that it has adequate liquidity to meet its obligations.

(f) The private equity investment is made through a limited partnership agreement where the Foundation is one of many limited partners. The fund is an expansion-stage venture capital fund that seeks superior financial returns by investing in high-growth, positive-impact companies. Under the terms of the agreement, the Foundation is required to provide funding, up to the total amount committed by the Foundation, when capital calls are made by the fund manager. The partnership has a stated maturity date, but provides for annual extensions for the purposes of disposing of remaining portfolio and returning capital to the investors. While the timing and amount of capital calls and distributions in any particular year are inherently uncertain, the Foundation takes these factors into consideration when allocating to private investments and believes that it has adequate liquidity to meet its obligations.