The Skillman Foundation

Financial Report
December 31, 2018

Contents

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Independent Auditor's Report

To the Board of Trustees
The Skillman Foundation

We have audited the accompanying financial statements of The Skillman Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2018 and 2017 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 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 The Skillman Foundation as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Foundation adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended December 31, 2018, applied retrospectively to all years presented except for liquidity disclosures for 2017, as permitted by the standard. Our opinion is not modified with respect to this matter.

To the Board of Trustees
The Skillman Foundation

As disclosed in Notes 2 and 3, the 2018 and 2017 financial statements include investments whose fair values of $402,895,940 and $442,855,417, or 95 and 94 percent of net assets, respectively, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund manager or the general partners. Our opinion is not modified for this matter.

Plante & Moran, PLLC

June 6, 2019

Statement of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 13,834,462	$ 17,686,763
Investments (Note 3)	417,832,587	458,484,370
Unsettled trade receivables	1,405	278,517
Dividend and interest receivable	132,129	94,817
Federal excise tax refundable	34,035	94,749
Prepaid expenses and other assets	10,605	37
Program-related investments - Net (Note 4)	843,146	603,133
Fixed assets - Net (Note 5)	302,929	399,278
Total assets	**$ 432,991,298**	**$ 477,641,664**
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	$ 1,035,761	$ 1,042,555
Grants payable (Note 6)	8,462,000	2,462,500
Deferred rent liability (Note 11)	140,888	144,269
Deferred excise tax payable	699,872	1,428,366
Total liabilities	10,338,521	5,077,690
Net Assets - Without donor restriction	422,652,777	472,563,974
Total liabilities and net assets	**$ 432,991,298**	**$ 477,641,664**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2018 and 2017

	2018	2017
Changes in Net Assets without Donor Restrictions		
(Loss) income:		
Net realized and unrealized (losses) gains on investments	$ (18,553,584)	$ 58,862,149
Interest income	470,442	423,203
Dividend income	33,352	49,323
Investment management fees	(2,338,071)	(2,311,026)
Total (loss) income	(20,387,861)	57,023,649
Grants and expenses:		
Program services	24,666,750	10,593,693
Administrative expenses	3,515,772	3,535,758
Federal excise and other tax expense	1,340,814	1,676,949
Total grants and expenses	29,523,336	15,806,400
(Decrease) Increase in Net Assets without Donor Restrictions	(49,911,197)	41,217,249
Net Assets - Beginning of year	472,563,974	431,346,725
Net Assets - End of year	**$ 422,652,777**	**$ 472,563,974**

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Support Services		
	Grants	Other	Total	Administrative	Taxes	Total
Salaries and payroll	$ -	$ 1,379,242	$ 1,379,242	$ 1,689,468	$ -	$ 3,068,710
Benefits and payroll tax	-	392,637	392,637	515,950	-	908,587
Grantmaking and strategic consulting	-	389,512	389,512	101,418	-	490,930
Meetings, conference, and travel	-	78,591	78,591	94,943	-	173,534
Office expense	-	165,248	165,248	369,614	-	534,862
Communication	-	-	-	153,312	-	153,312
Evaluation	-	75,066	75,066	-	-	75,066
Trustee, audit, and legal fees	-	-	-	317,406	-	317,406
Technology solutions and cyber	-	285,857	285,857	236,818	-	522,675
Grants	21,894,351	-	21,894,351	-	-	21,894,351
Grants recovered	(1,717)	-	(1,717)	-	-	(1,717)
Miscellaneous	-	7,963	7,963	36,843	-	44,806
Excise tax	-	-	-	-	593,540	593,540
Other taxes UBIT	-	-	-	-	747,274	747,274
Total functional expenses	**$ 21,892,634**	**$ 2,774,116**	**$ 24,666,750**	**$ 3,515,772**	**$ 1,340,814**	**$ 29,523,336**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services			Support Services		
	Grants	Other	Total	Administrative	Taxes	Total
Salaries and payroll	$ -	$ 1,174,388	$ 1,174,388	$ 1,656,532	$ -	$ 2,830,920
Benefits and payroll tax	-	362,853	362,853	540,712	-	903,565
Grantmaking and strategic consulting	-	40,500	40,500	157,901	-	198,401
Meetings, conference, and travel	-	92,591	92,591	107,010	-	199,601
Office expense	-	150,376	150,376	371,102	-	521,478
Communication	-	-	-	138,247	-	138,247
Evaluation	-	166,000	166,000	-	-	166,000
Trustee, audit, and legal fees	-	8,340	8,340	324,157	-	332,497
Technology solutions and cyber	-	295,568	295,568	210,730	-	506,298
Grants	8,397,592	-	8,397,592	-	-	8,397,592
Grants recovered	(100,165)	-	(100,165)	-	-	(100,165)
Miscellaneous	-	5,650	5,650	29,367	-	35,017
Excise tax	-	-	-	-	342,793	342,793
Other taxes UBIT	-	-	-	-	1,334,156	1,334,156
Total functional expenses	**$ 8,297,427**	**$ 2,296,266**	**$ 10,593,693**	**$ 3,535,758**	**$ 1,676,949**	**$ 15,806,400**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ (49,911,197)	$ 41,217,249
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	96,349	87,920
Net realized and unrealized losses (gains) on investments	18,553,584	(58,862,149)
Bad debt expense	109,150	93,792
Changes in deferred excise tax payable	(728,494)	791,043
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Dividend and interest receivable	(37,312)	(1,277)
Federal and state tax	60,714	706,663
Prepaid expenses and other assets	(10,568)	380,495
Accrued liabilities	(6,794)	110,803
Deferred rent liability	(3,381)	815
Grants payable	5,999,500	(1,643,400)
Net cash and cash equivalents used in operating activities	(25,878,449)	(17,118,046)
Cash Flows from Investing Activities		
Purchase of fixed assets	-	(68,600)
Purchases of investments	(65,320,610)	(48,745,210)
Change in net unsettled trades	277,112	(1,261,634)
Collections of principal of program-related investments	(349,163)	77,229
Proceeds from sale of investments	87,418,809	69,875,932
Net cash and cash equivalents provided by investing activities	22,026,148	19,877,717
Net (Decrease) Increase in Cash and Cash Equivalents	(3,852,301)	2,759,671
Cash and Cash Equivalents - Beginning of year	17,686,763	14,927,092
Cash and Cash Equivalents - End of year	**$ 13,834,462**	**$ 17,686,763**

See notes to financial statements.

Note 1 - Nature of Business

The Skillman Foundation (the "Foundation") was established in 1960 as a private, nonoperating foundation. The Foundation is committed to expanding opportunities for children and youth in Detroit by expanding high-quality education, fostering equitable systems of support, and preparing them for productive adult lives. It distributes funds primarily to not-for-profits at the direction of the board of trustees.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the board of trustees.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. For the years ended December 31, 2018 and 2017, the Foundation has not received donor restricted contributions that would be reported as increases in donor restricted net assets, nor does it hold donor-restricted net assets.

Cash Equivalents

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

Investments

Investments in marketable securities, including fixed-income investments, publicly traded securities, and hedge funds, are carried at quoted fair value whenever available. Private equity limited partnerships are valued at fair value based on net asset value of available information, including underlying financial statements and partner reporting, as the limited partnerships do not have readily determinable market values as of December 31. The partnership valuations necessarily involve assumptions and methods that are reviewed by the Foundation. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity, real estate, and natural resources, limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed.

At December 31, 2018 and 2017, five investment funds accounted for approximately 74 and 73 percent, respectively, of total investments held by the Foundation. These investment funds held a variety of underlying investment assets, as managed by other managers. See Note 13 for additional information.

At December 31, 2018 and 2017, the Foundation had commitments to contribute approximately $95,800,000 and $75,500,000, respectively, in additional capital under the terms of various agreements covering private equity and limited partnership agreements.

Concentration of Credit Risk Arising from Deposit Accounts

The Foundation maintains cash balances at various banks. Accounts at each institution are not fully insured.

Note 2 - Significant Accounting Policies (Continued)

Program-related Investments (PRI)

The Foundation invests in other organizations through direct loans and equity positions to achieve charitable purposes in alignment with the Foundation's strategies.

PRIs are defined in Section 4944 of the Internal Revenue Code as an investment in which its primary purpose is to accomplish a charitable, educational, or other similar purpose and in which the production of income or capital appreciation is not a significant purpose of the investment. Like grants, these investments count toward the Foundation's payout requirement in the year of distribution. Return of PRI principal affects the annual payout requirement in a similar manner as a grant refund.

Debt PRIs consist of loans outstanding generally bearing below-market interest rates. Loans are measured at fair value at inception to determine if a contribution element exists. Available pricing inputs are unobservable for these investments, and the determination of fair value requires management judgment be estimated. These investments are anticipated to have a less than fair market value return. Loans are recorded on a net basis to reflect any reasonable loss reserve. The loss reserve estimate is reviewed on an annual basis and adjusted if collectibility risk has significantly changed based on the Foundation's understanding of the borrower's financial health and/or payment history. As of December 31, 2018 and 2017, a loss reserve in the amount of $109,150 and $93,792, respectively, is recorded.

Fixed Assets

Property and equipment are recorded at cost when purchased. Depreciation on fixed assets is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are being depreciated over the life of the lease.

Grants

Grants are recognized as an expense at the time of formal approval by the board of trustees. Conditional grants, if any, are expensed when such conditions are substantially met.

The Foundation matches gifts of cash made by current employees and trustees of up to $15,000 annually per person on a two-to-one basis up to a maximum match of $30,000. Matching grants are made only to exempt organizations or public-supported charities, as listed in IRS Publication 78.

Risks and Uncertainties

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

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. A portion of administrative costs that benefit multiple functional areas (indirect costs) has been allocated across all functional areas based on an estimate of time and effort. These costs include personnel expenses, rent, insurance, utilities, technology, and telecommunications.

Use of Estimates

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

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*, applied retrospectively to all years presented, except for liquidity disclosures for 2017, as permitted by the standard. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Foundation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard clarifies the definition of management and general (administrative services) expenses and prohibits certain expenses from being allocated out of the management and general (administrative services) category. As a result of the adoption of this standard, the functional expenses for the year ended December 31, 2017 have been restated, as follows: administrative services expense has decreased by $1,824,562, and grants and contributions expense increased by $1,824,562. Additionally, net assets of $472,563,974 previously reported as unrestricted net assets have been reclassified as net assets without donor restriction.

Upcoming Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending December 31, 2020 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. Early implementation of the new guidance is permitted. The standard will impact the lease referred to in Note 11.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. As a resource provider, the new guidance will be effective for the Foundation’s year ending December 31, 2020 and will be applied on a modified prospective basis. The Foundation is in the process of evaluating the impact the standard will have on the timing of grant expense recognition related to the Foundation for Detroit's Future referred to in Note 6.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 6, 2019, which is the date the financial statements were available to be issued.

Note 3 - Investments

Investments consisted of the following at December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Global equities and futures contracts	$ 131,680,728	$ 135,901,464	$ 130,267,718	$ 159,231,505
Alternative investments:				
Hedge funds	98,866,221	116,918,391	118,352,696	141,353,370
Private equity limited partnerships	123,997,385	136,832,699	107,877,880	132,034,228
Total alternative investments	222,863,606	253,751,090	226,230,576	273,387,598
Fixed-income investments	28,776,567	28,180,033	27,212,110	25,865,267
Total	$ 383,320,901	$ 417,832,587	$ 383,710,404	$ 458,484,370

Realized and unrealized gains and losses represent the difference between the original cost of the investments and sales proceeds (realized) or the fair market value at the end of the year (unrealized). Cost is determined on a first-in, first-out basis.

	2018	2017
Realized gain on investments	$ 21,708,694	$ 21,427,709
Change in unrealized market (depreciation) appreciation	(40,262,278)	37,434,440
Net realized and unrealized (losses) gains on investments	$ (18,553,584)	$ 58,862,149

A summary of changes in cash and investments during the years ended December 31, 2018 and 2017 is shown below:

	Cash and Cash Equivalents	Global Equities and Futures Contracts	Alternative Investments	Fixed-income Investments
January 1, 2017 - Fair value	$ 14,927,092	$ 136,591,375	$ 258,884,502	$ 25,277,066
Add (deduct) changes during the year ended December 31, 2017:				
Purchases	115,780,135	7,938,799	30,364,386	10,442,025
Sales and maturities - At cost	(113,020,464)	(12,741,297)	(26,257,963)	(9,448,963)
Net appreciation (depreciation) in fair value	-	27,442,628	10,396,673	(404,861)
December 31, 2017 - Fair value	17,686,763	159,231,505	273,387,598	25,865,267
Add (deduct) changes during the year ended December 31, 2018:				
Purchases	98,215,110	24,800,000	27,580,246	12,940,364
Sales and maturities - At cost	(102,067,411)	(23,386,990)	(30,947,216)	(11,375,909)
Net (depreciation) appreciation in fair value	-	(24,743,051)	(16,269,538)	750,311
December 31, 2018 - Fair value	$ 13,834,462	$ 135,901,464	$ 253,751,090	$ 28,180,033

Note 4 - Program-related Investments (PRI)

The Foundation's PRI portfolio included five loans and one equity investment at December 31, 2018 and four loans and one equity investment at December 31, 2017. The investments are summarized in the table below as follows:

	2018	2017
Debt principal amount	$ 752,296	$ 496,925
Equity investment	200,000	200,000
Total program-related investments	952,296	696,925
Less reserve	(109,150)	(93,792)
Net program-related investments	$ 843,146	$ 603,133

Quarterly interest payments are due on the outstanding debt amounts at interest rates of 1 to 4 percent. The loans are for terms ranging from four to seven years from the date of issuance.

In addition to the above investments, the Foundation guarantees the loan of another organization. The amount of the guarantee is $860,000, capped at an annual maximum payment of $430,000.

Note 5 - Fixed Assets

The cost of fixed assets as of December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Furniture and fixtures	$ 212,050	$ 212,050
Computer equipment and software	99,196	99,196
Leasehold improvements	190,973	190,973
Total cost	502,219	502,219
Less accumulated depreciation	199,290	102,941
Net property and equipment	$ 302,929	$ 399,278

Depreciation expense for 2018 and 2017 was $96,349 and $87,920, respectively.

Note 6 - Grants for Charitable, Educational, and Other Authorized Purposes

Grants are recognized as an expense at the time of formal approval by the board of trustees.

The following summarizes the changes in grants payable as of December 31, 2018 and 2017:

	2018	2017
Grants payable - Beginning of year	$ 2,462,500	$ 4,105,900
Grants approved	21,137,500	7,170,000
Payments made	(15,138,000)	(8,813,400)
Grants payable - End of year	$ 8,462,000	$ 2,462,500

Note 6 - Grants for Charitable, Educational, and Other Authorized Purposes (Continued)

Grant commitments outstanding at December 31, 2018 and 2017 are scheduled for payment as follows:

Amount Due In	2018	2017
2018	$ -	$ 1,862,500
2019	6,232,000	500,000
2020	1,030,000	100,000
2021	400,000	-
2022	400,000	-
2023	400,000	-
Total	$ 8,462,000	$ 2,462,500

On June 3, 2014, the board of trustees approved a $3.5 million grant, payable over 20 years, to the Foundation for Detroit's Future (FDF), a supporting organization of the Community Foundation of Southeast Michigan, for the purpose of funding, in part, the City of Detroit, Michigan's pension obligations. The payment of the grant installments is conditional upon the City of Detroit, Michigan's pension funds and others being in compliance with the grant conditions of both an initial and ongoing nature, which have been memorialized in agreements between the parties. The Foundation has made cumulative payments of $875,000 since 2014. The remaining $2,625,000 will be payable upon fulfillment of the conditions, as monitored by FDF. This amount is not included in grants payable consistent with the Foundation’s policy for conditional grants.

Note 7 - Excise and Other Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax on net investment income, including realized gains as defined in the Tax Reform Act of 1969.

The Foundation's excise tax expense as of December 31, 2018 and 2017 is composed of the following approximates:

	2018	2017
Current excise and other taxes	$ 2,069,000	$ 886,000
Deferred excise tax (recovery) expense	(728,000)	791,000
Total excise tax expense	$ 1,341,000	$ 1,677,000

The deferred excise tax expense represents the tax on unrealized gains on investment securities.

At December 31, 2018 and 2017, amounts receivable related to tax prepayments were $34,035 and $94,749, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements, except for the estimated liability recorded for pass-through UBI from investments in partnerships.

Note 8 - Line of Credit

During the year ended December 31, 2018, the Foundation entered into a line of credit agreement with a bank, which provides for borrowings up to $20,000,000, subject to a borrowing formula. Borrowings under this agreement are collateralized by certain investments, and the borrowing arrangement expires on December 5, 2020. Interest is calculated at LIBOR plus 85 basis points. There were no borrowings on the line of credit as of December 31, 2018.

Note 9 - Postretirement Benefits

The Foundation assists its eligible retirees with the payment of the cost of medical insurance coverage during retirement. Net periodic postretirement healthcare cost was approximately $56,000 and $50,000 for the years ended December 31, 2018 and 2017, respectively, and increases the postretirement liability for use for future premiums of current employees. In addition, current postretirement healthcare expenses for current retirees are taken against this liability, as it has already been expensed. The Foundation had accrued postretirement benefits of approximately $750,000 and $715,000 as of December 31, 2018 and 2017, respectively.

Note 10 - Defined Contribution Plan

The Foundation sponsors a defined contribution 401(k) plan for all eligible full-time employees. The employees may make elective contributions to the 401(k) plan in accordance with IRS regulations. The Foundation makes contributions to the 401(k) plan based upon eligible compensation.

Contributions to the plan totaled $292,434 and $305,554 for the years ended December 31, 2018 and 2017, respectively.

Note 11 - Lease Commitments

The Foundation renewed its lease for office space under an agreement that expires in December 2025. The lease agreement requires monthly payments based on rates per square foot each year.

The future minimum lease payments are as follows:

Years Ending December 31	Amount
2019	$ 289,472
2020	293,667
2021	297,863
2022	302,058
2023	306,253
2024 and thereafter	624,852
Total	$ 2,114,165

Rent expense for 2018 and 2017 was $281,897.

In conjunction with the new lease agreement, the Foundation received discounted rent from the landlord, which is being amortized over the life of the lease. The unamortized portion at December 31, 2018 and 2017 was $140,888 and $144,269, respectively.

The Foundation has the option to renew the agreement for seven additional years in 2026 and again in 2033 at 90 percent of the market rate.

Note 12 - Related Party Transactions

The following is a description of transactions between the Foundation and a related party:

The Foundation has been advising and supporting the activities of another not-for-profit organization, Detroit Children's Fund (DCF). The Foundation is performing certain management functions for DCF based on a formal management services agreement. Related party transactions and balances as of and for the years ended December 31, 2018 and 2017 are shown below:

	2018	2017
Contributed services related to management functions	$ 339,661	$ 248,232
Expenses paid on behalf of DCF	-	142
Granted funds to DCF	259,420	15,560
Payable to DCF	819	-
Receivable from DCF	-	30

Note 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation’s assets measured at fair value on a recurring basis at December 31, 2018 and 2017 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. Significant Level 3 inputs include most recently audited financial statements and performance reports from independent sources.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 13 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2018
Cash equivalents	$ 13,744,057	$ 90,405	$ -	$ -	$ 13,834,462
Global equities and futures contracts	258,115	-	-	135,643,349	135,901,464
Fixed-income investments	14,678,532	-	-	13,501,501	28,180,033
Hedge funds	-	-	-	116,918,391	116,918,391
Private equity limited partnerships	-	-	426,357	136,406,342	136,832,699
Total	$ 28,680,704	$ 90,405	$ 426,357	$ 402,469,583	$ 431,667,049

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2017
Cash equivalents	$ 17,393,976	$ 292,787	$ -	$ -	$ 17,686,763
Global equities and futures contracts	2,713,869	-	-	156,517,636	159,231,505
Fixed-income investments	12,915,084	-	-	12,950,183	25,865,267
Hedge funds	-	-	-	141,353,370	141,353,370
Private equity limited partnerships	-	-	551,116	131,483,112	132,034,228
Total assets	$ 33,022,929	$ 292,787	$ 551,116	$ 442,304,301	$ 476,171,133

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2018 and 2017 are as follows:

	Private Equity Limited Partnership
Balance at January 1, 2018	$ 551,116
Net realized and unrealized losses on investments	(170,697)
Purchases	45,938
Balance at December 31, 2018	$ 426,357
Balance at January 1, 2017	$ 484,788
Net realized and unrealized losses on investments	(37,423)
Purchases	103,751
Balance at December 31, 2017	$ 551,116

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 13 - Fair Value Measurements (Continued)

One of the Foundation's limited partnerships is categorized as a Level 3 investment. The Foundation estimates its fair value based on income information provided by the general partner and fund manager, as well as third-party reports, including audit reports, interim financial statements, listing of underlying investments, and performance reports.

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. There were no transfers between levels during the years ended December 31, 2018 and 2017.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation hold shares or interest in investment companies at year end whereby the fair value of the investments held is estimated based on net asset value per share (or its equivalent) of the investment companies as a practical expedient.

	Investment Held at December 31, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Event driven (a)	$ 20,244	$ -	Annually	60 Days
Directional equity (b)	35,751	-	Biennial	60 Days
Fixed income (c)	13,501,501	-	Quarterly	90 Days
Multistrategy (d)	252,505,745	-	Monthly, Quarterly, and Annually	30-90 Days
Real estate private equity (e)	387,075	272,559	N/A	N/A
Natural resource private equity (f)	11,358,779	4,510,319	N/A	N/A
Nonmarketable limited partnerships (g)	76,487,611	76,008,502	N/A	N/A
Private equity - Domestic (h)	21,381,598	3,477,325	N/A	N/A
Private equity - International (h)	26,791,279	11,494,689	N/A	N/A
Total	$ 402,469,583	$ 95,763,394		

	Investments Held December 31, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Event driven (a)	$ 78,080	$ -	Annually	60 Days
Directional equity (b)	35,636	-	Biennial	60 Days
Fixed income (c)	12,950,183	-	Quarterly	90 Days
Multistrategy (d)	297,757,291	-	Quarterly and annually	45-90 Days
Real estate private equity (e)	1,235,933	272,559	N/A	N/A
Natural resource private equity (f)	17,061,356	4,552,065	N/A	N/A
Nonmarketable limited partnerships (g)	49,274,194	52,829,490	N/A	N/A
Private equity - Domestic (h)	30,881,965	4,452,261	N/A	N/A
Private equity - International (h)	33,029,663	13,316,329	N/A	N/A
Total	$ 442,304,301	$ 75,422,704		

Note 13 - Fair Value Measurements (Continued)

(a) **Event Driven** - This strategy involves taking a long or short position in any security (stock, bond, or loan) of a corporation that is undergoing some corporate "event." Events include merger, acquisition, spin off, bankruptcy, and restructuring. For instance, in a merger or acquisition, event-driven managers usually buy the stock of the company that is being acquired, and sell short the stock of the company that is acquiring, a trade which makes money if and when the two companies consummate their merger. In other types of corporate events, such as bankruptcy, event-driven managers usually use the bankruptcy to purchase the bonds or loans of the bankrupt company in order to profit from the company's restructuring, either through price appreciation of the security purchased, or through actively working with the company to restructure.

(b) **Directional Equity** - The strategy is similar to the equity market neutral strategy, except the managers do not balance long and short positions. This results in a portfolio that does have some market exposure, but far less than traditional long-only portfolios of stocks.

(c) **Fixed Income** - This strategy is similar to directional equity except that managers use fixed-income securities.

(d) **Multistrategy** - A hedge fund strategy that involves a combination of any other strategies. Multistrategy managers add value both by their successful management of each of the underlying strategies, but also in the relative allocation to different strategies in their fund.

(e) **Real Estate Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced real estate assets or real estate-related companies. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to direct real estate assets or real estate-related companies and securities. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

(f) **Natural Resources Private Equity** - This asset class seeks to generate returns predominately through the identification of undervalued or mispriced assets or companies engaged in the exploration, production, transportation, or related services in natural resources, such as oil, natural gas, timber, land, minerals, or precious metals, etc. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to companies or assets engaged in the basic materials sector. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

(g) **Nonmarketable Limited Partnerships (Investure)** - Investments in private equity are typically made through limited partnership structures and are illiquid in nature. Investments are typically made in unlisted companies (companies that are not traded on public exchanges) or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities that may include buyout, growth equity, and venture capital strategies. Other strategies may include real estate, natural resources, and credit. Investments may be in any sector of the economy or geography in the world, though funds will typically specialize in specific industries and regions.

Note 13 - Fair Value Measurements (Continued)

(h) **Private Equity Domestic and International (Legacy)** - Investments in private equity are typically made through limited partnership structures and are illiquid in nature. Investments are typically made in unlisted companies (companies that are not traded on public exchanges) or, in some cases, listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies, such as mezzanine or special situations, will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy or geography in the world, though funds will typically specialize in specific industries and regions.

Note 14 - Liquidity

The Foundation has $42,544,162 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of $13,834,462, receivables of $168,174, and short-term investments of $28,541,526 at December 31, 2018. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of daily requirements in various short-term investments. As more fully described in Note 8, the Foundation also has a committed line of credit in the amount of $20,000,000, which it could draw upon in the event of an unanticipated liquidity need.