Max M. & Marjorie S. Fisher Foundation

Financial Report

December 31, 2018

Contents

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Max M. & Marjorie S. Fisher Foundation

We have audited the accompanying financial statements of Max M. & Marjorie S. Fisher Foundation (the "Foundation"), which comprise the balance sheet as of December 31, 2018 and 2017 and the related statements of activities and changes in net assets 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 Max M. & Marjorie S. Fisher 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, 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. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Max M. & Marjorie S. Fisher Foundation

As explained in Note 2, the financial statements include certain investments whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the partnership general partners. These investments are valued at $126,311,355 (48.2 percent of net assets) at December 31, 2018 and $130,616,698 (44.7 percent of net assets) at December 31, 2017. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

August 14, 2019

Balance Sheet

December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 678,325	$ 123,696
Investments (Note 3)	265,956,260	295,505,269
Mission-related investments (Note 3)	1,297,225	272,917
Program-related investments net of allowance of $535,000 and $330,000 as of December 31, 2018 and 2017, respectively (Note 5)	2,564,409	2,660,797
Investment redemption and other receivables	970,081	757,626
Other assets	106,203	87,500
Property and equipment - Net (Note 6)	202,122	201,311
Total assets	**$ 271,774,625**	**$ 299,609,116**
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	$ 221,759	$ 241,077
Grants payable (Note 4)	9,634,320	6,945,167
Total liabilities	9,856,079	7,186,244
Net Assets - Without donor restrictions	261,918,546	292,422,872
Total liabilities and net assets	**$ 271,774,625**	**$ 299,609,116**

See notes to financial statements.

Max M. & Marjorie S. Fisher Foundation

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2018 and 2017

	2018	2017
Changes in Net Assets without Donor Restrictions		
Income (loss):		
Contributions	$ 702	$ 359
Investment income (loss):		
Dividends and interest	1,312,124	1,248,425
Net realized and unrealized (losses) gains on investments	(11,215,586)	40,635,444
Other income	1,587	584
Investment expenses	(988,636)	(907,600)
Federal excise tax	(35,006)	(239,353)
Net investment (loss) income	(10,925,517)	40,737,500
Net (loss) income	(10,924,815)	40,737,859
Expenses:		
Program services:		
Grants	16,828,000	12,540,617
Program support expenses	1,383,605	1,233,820
Total program services	18,211,605	13,774,437
Management and general	1,367,906	1,691,727
Total expenses	19,579,511	15,466,164
(Decrease) Increase in Net Assets	(30,504,326)	25,271,695
Net Assets - Beginning of year	292,422,872	267,151,177
Net Assets - End of year	**$ 261,918,546**	**$ 292,422,872**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (30,504,326)	$ 25,271,695
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	20,429	19,504
Discount on grants payable	(2,594)	18,110
Discount on program-related investment loan receivable	(63,612)	255,485
Realized gain on sales of investments	(7,743,454)	(9,589,989)
Unrealized loss (gain) on investments	18,959,040	(31,045,455)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(495,454)	302,467
Program-related investment loan receivables	(45,000)	(2,195,000)
Allowance for doubtful accounts	205,000	320,000
Other assets	(18,703)	-
Grants payable	2,691,747	239,452
Accrued liabilities	(19,318)	53,092
Net cash and cash equivalents used in operating activities	(17,016,245)	(16,350,639)
Cash Flows from Investing Activities		
Purchase of property and equipment	(21,240)	(2,590)
Net change in investment redemption receivable	282,999	(282,999)
Purchases of investments	(25,018,399)	(23,160,623)
Proceeds from sales and maturities of investments	42,327,514	39,830,996
Net cash and cash equivalents provided by investing activities	17,570,874	16,384,784
Net Increase in Cash and Cash Equivalents	554,629	34,145
Cash and Cash Equivalents - Beginning of year	123,696	89,551
Cash and Cash Equivalents - End of year	**$ 678,325**	**$ 123,696**

See notes to financial statements.

Note 1 - Nature of the Organization

Max M. & Marjorie S. Fisher Foundation (the "Foundation"), located in Southfield, Michigan, established in 1955, and endowed following the death of Max M. Fisher in 2005, is a private family foundation that was organized to make grants to charitable organizations, which are described in Section 501(c)(3) of the Internal Revenue Code. The primary activity of the Foundation is to receive and administer funds in order to support charitable, educational, religious, cultural, and other organizations. The Foundation aims to enrich humanity by strengthening and empowering children and families in need. The Foundation was funded through the Max M. Fisher Estate and contributions by family members.

Note 2 - Significant Accounting Policies

Cash Equivalents

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

Investments

Money market investment funds are under the custody of fund managers and represent temporarily uninvested monies and short-term investments consisting of funds collected.

Investments in common and preferred stocks, bonds, U.S. Treasury bills, and mutual funds are carried at quoted fair market value. The change in unrealized market appreciation is included in the statement of activities and changes in net assets. Realized gains and losses are recorded using specific identification of the assets sold.

The alternative investments, composed primarily of funds of funds, multiasset funds, private equity funds, alternative/hedge funds, and real estate funds, a significant amount of which are not readily marketable, are carried at estimated fair values as provided by the various fund managers. Foundation management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. Those estimated fair values are subject to uncertainty and may differ significantly from the values that would have been used had a ready market for these securities existed. The estimated fair values of the Foundation's alternative investments totaled $126,311,355 and $130,616,698 at December 31, 2018 and 2017, respectively.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established based on a specific assessment of all receivables that remain unpaid following agreed-upon payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Risk and Uncertainties

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

Property and Equipment

Property and equipment are recorded at cost when purchased and at estimated fair market value when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. Donated collections that include works of art, historical treasures, or similar assets are not capitalized or recognized as revenue or gains. In 2015, the widow of Max M. Fisher donated the Max M. Fisher Archives to the Foundation. The archives consist of political memorabilia, autographs, and photos. The archives are housed at Wayne State University.

Note 2 - Significant Accounting Policies (Continued)

Grants Payable

Unconditional promises to give are recognized as an expense once the grant agreement is fully executed. Discretionary promises to give are recognized as an expense at the time of formal approval by the full board of trustees. Conditional promises to give, if any, are expensed when such conditions are substantially met.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. As a private family 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.

Contributions

Contributions of cash and other assets are reported as revenue when received, measured at fair value. All contributions received by the Foundation are without donor restrictions.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions. All net assets of the Foundation are without donor restrictions.

Use of Estimates

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

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, applied retrospectively to all years presented, the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): - Presentation of Financial Statements of Not-for-Profit Entities*. 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 also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. The standard has been applied on a retrospective basis. As a result of the adoption of this standard, functional expenses for the year ended December 31, 2017 have been restated as follows: program services expenses decreased and management and general expenses increased by $125,987.

Upcoming Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. 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 has not yet determined the impact on the timing of recognition of individual grants made.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including August 14, 2019, which is the date the financial statements were available to be issued.

Note 3 - Investments and Mission-related Investments

Investments and mission-related investments consisted of the following at December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Short-term cash pool	$ 2,031,517	$ 2,031,517	$ 3,775,317	$ 3,775,317
Fixed-income securities	40,220,765	45,305,731	41,931,653	49,672,771
Equity securities	53,134,852	87,468,052	48,872,468	99,694,760
Asset allocation funds	5,228,232	5,144,537	11,440,311	12,018,640
Real estate funds	10,716,057	18,372,404	11,126,515	19,317,419
Private equity funds and distressed credit	32,574,152	55,068,616	34,668,739	58,796,162
Hedge funds	33,747,998	52,565,403	30,747,998	52,230,200
Mission-related investments	1,391,431	1,297,225	367,342	272,917
Total	$ 179,045,004	$ 267,253,485	$ 182,930,343	$ 295,778,186

The Foundation has approved a $1 million commitment in partnership with the Council of Michigan Foundations and Community Capital Management for the Economic Development Bond Fund - Michigan Series. This mission-related investment was paid on February 1, 2018.

Note 4 - Grants for Charitable, Educational, and Other Authorized Purposes

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

	2018	2017
Grants payable - Beginning of year	$ 6,945,167	$ 6,687,605
Grants approved	16,637,662	11,944,367
Payments made	(13,951,103)	(11,668,695)
Change in present value discount	2,594	(18,110)
Grants payable - End of year	$ 9,634,320	$ 6,945,167

The discount rate used in the December 31, 2018 and 2017 present value calculations was 2.49 percent and 2.09 percent, respectively, and is based on daily Treasury yield curve rates.

Grants payable at December 31, 2018 are scheduled to be disbursed as follows: $6,363,257, $2,883,907, $373,221, and $13,935 for 2019, 2020, 2021, and 2022, respectively.

As of December 31, 2018 and 2017, there were conditional grant commitments totaling $2,025,000 and $2,200,000, respectively, for which the grantee had not yet satisfied the condition.

Note 5 - Program-related Investments

The Foundation has funded nine program-related investments.

The Hebrew Free loan bears no interest and will mature on December 31, 2019. As of December 31, 2018 and 2017, the Foundation valued the asset at $180,952 and $172,336, respectively, to reflect the collectibility of the final payment due in 2019.

The P3E, L.3.C. changed its name to Artesian Farms, L3C in 2016. On September 28, 2016, the Foundation converted the promissory note into a 7.35 percent membership interest in Artesian Farms, L3C. As of December 31, 2018 and 2017, the Foundation valued the asset at $60,298.

In 2016, the Foundation completed the loan of $250,000 to Capital Impact Partners (the Michigan Good Food Fund) that was approved in 2015. As of December 31, 2017, the Foundation valued the asset at $233,250. This loan was paid in full on September 19, 2018.

A loan of $400,000 was made to Recovery Park in 2016. This loan bears 2 percent interest and will mature on September 30, 2023. As of December 31, 2018 and 2017, the Foundation valued the asset at $0 and $75,495, respectively, to reflect the collectibility of the final payment due in 2023.

A loan of $250,000 was made to Dualis Social Investment Fund in 2016. This loan bears 3 percent interest and will mature on December 20, 2023. As of December 31, 2018 and 2017, the Foundation valued the asset at $114,492 and $222,315, respectively, to reflect the collectibility of the final payment due in 2023.

In 2017, the Foundation completed two loans, which total $2,000,000, to the Detroit Community Loan Fund. One loan for $1 million bears 2 percent interest, and the other $1 million note bears 0 percent interest. Both will mature on September 15, 2025. As of December 31, 2018 and 2017, the Foundation valued the asset at $1,751,146 and $1,716,810, respectively, to reflect the collectibility of the final payment due in 2025.

Rebel Nell L3C was provided a $195,000 loan by the Foundation at the end of 2017. This loan bears 2 percent interest and will mature on November 15, 2023. As of December 31, 2018 and 2017, the Foundation valued the asset at $183,899 and $180,293, respectively, to reflect the collectibility of the final payment due in 2023.

In 2018, Rebel Nell L3C was provided a second $195,000 loan by the Foundation. This loan bears 2 percent interest and will mature on December 31, 2024. As of December 31, 2018, the Foundation valued the asset at $180,220 to reflect the collectibility of the final payment due in 2024.

In 2018, a loan of $100,000 was made to Future Build Construction. This loan bears 2 percent interest and will mature on October 29, 2023. As of December 31, 2018, the Foundation valued the asset at $93,402 to reflect the collectibility of the final payment due in 2023.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017
Office equipment	$ 55,882	$ 43,251
Computer equipment and software	91,730	83,121
Leasehold improvements	250,541	250,541
Total cost	398,153	376,913
Accumulated depreciation	196,031	175,602
Net property and equipment	$ 202,122	$ 201,311

Note 6 - Property and Equipment (Continued)

Depreciation and amortization expense for 2018 and 2017 was $20,429 and $19,504, respectively. Depreciation is calculated on a straight-line basis over useful lives ranging from 3 to 39 years.

Note 7 - 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.

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.

The Foundation's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels during the years ended December 31, 2018 and 2017.

Note 7 - 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)	Net Asset Value	Balance at December 31, 2018
Investments:			
Equity securities - U.S.	$ -	$ 28,209,845	$ 28,209,845
Equity securities - International and emerging markets funds	-	59,258,207	59,258,207
Fixed-income mutual funds	20,502,630	-	20,502,630
Fixed-income institutional funds	-	24,803,101	24,803,101
Global asset allocation funds	5,144,537	-	5,144,537
Real estate funds	-	18,372,404	18,372,404
Private equity funds	-	53,335,586	53,335,586
Distressed credit funds	-	1,733,030	1,733,030
Hedge fund instruments	-	52,565,403	52,565,403
Total investments	25,647,167	238,277,576	263,924,743
Mission-related investments:			
Fixed-income mutual funds	992,293	-	992,293
Private equity funds	-	304,932	304,932
Total mission-related investments	992,293	304,932	1,297,225
Total assets	$ 26,639,460	$ 238,582,508	$ 265,221,968

*Excludes the short-term cash pool totaling $2,031,517, which is not required to be disclosed under this accounting standard.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2017*		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value	Balance at December 31, 2017
Investments:			
Equity securities - U.S.	$ -	$ 30,273,934	$ 30,273,934
Equity securities - International and emerging markets funds	-	69,420,826	69,420,826
Fixed-income mutual funds	20,893,523	-	20,893,523
Fixed-income institutional funds	-	28,779,248	28,779,248
Global asset allocation funds	12,018,640	-	12,018,640
Real estate funds	-	19,317,419	19,317,419
Private equity funds	-	56,251,391	56,251,391
Distressed credit funds	-	2,544,771	2,544,771
Hedge fund instruments	-	52,230,200	52,230,200
Total investments	32,912,163	258,817,789	291,729,952
Mission-related investments - Private equity funds	-	272,917	272,917
Total assets	$ 32,912,163	$ 259,090,706	$ 292,002,869

Note 7 - Fair Value Measurements (Continued)

*Excludes the short-term cash pool totaling $3,775,317, which is not required to be disclosed under this accounting standard.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows (in thousands):

	December 31, 2018	December 31, 2017	December 31, 2018		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equity securities - U.S. (a)	$ 28,210	$ 30,274	$ -	Monthly	30 days
Equity securities - International and emerging markets funds (b)	59,258	69,421	-	Monthly	30 days
Fixed-income institutional funds (c)	24,803	28,779	-	Monthly	30 days
Real estate (d)	18,373	19,318	10,130	N/A*	N/A
Private equity (e)	53,336	56,251	40,746	N/A*	N/A
Distressed credit (f)	1,733	2,545	316	N/A*	N/A
Hedge funds (g)	52,565	52,230	-	Semiannually	105 days
Mission-related investments (h)	305	273	-	N/A*	N/A
Total	$ 238,583	$ 259,091	$ 51,192		

*These funds are in private equity structures with no rights to redemption. Liquidity is based on the timing of the fund's ability to distribute proceeds as available.

The unfunded commitments noted above are not considered liabilities of the Foundation at December 31, 2018 and 2017 and have not been recorded in the balance sheet.

(a) Equity securities - U.S. include an actively managed portfolio of individual stocks and index funds benchmarked to three stock indexes. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

(b) Equity securities - International and emerging markets funds include investments in diversified institutional funds. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

(c) Fixed-income institutional funds include investments in diversified institutional funds. The underlying investments include U.S. corporate bonds (both investment grade and high yield), bank loans, sovereign debt of both established international and emerging market countries, U.S. master limited partnerships, and U.S. Treasury and agency bonds. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

(d) The real estate funds category includes several real estate funds invested in a variety of real property types, including multifamily, office, retail, and hotel, primarily in North America. The fair values of the investments in this category have been estimated using net asset value of the Foundation’s ownership interest in partners’ capital.

Note 7 - Fair Value Measurements (Continued)

(e) The private equity funds category includes investments in large and small company buyouts, venture capital, growth equity, and distressed situations. The investment managers invest directly or through secondary market purchases globally. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

(f) The distressed credit category includes investments in a variety of debt instruments purchased at discounts to intrinsic value globally. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

(g) The hedge fund category includes global investments in stocks, bonds, commodities, and currencies. Such managers are provided broad latitude to invest long or short, directly or synthetically, and can employ leverage. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

(h) The mission-related investments category includes investments in a venture capital fund for a social or environmental impact. The fair value of the investments in this category have been estimated using net asset value per share of the investments.

Note 8 - Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets available to meet cash needs for general expenditures within one year as of December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents	$ 678,325	$ 123,696
Short-term investments	140,942,130	165,161,488
Financial assets available to meet cash needs for general expenditures within one year	$ 141,620,455	$ 165,285,184

None of the financial assets disclosed above are subject to contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average approximately $2,600,000. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments.

Note 9 - Excise Taxes

The Foundation's current excise tax expense for the years ended December 31, 2018 and 2017 was $35,006 and $239,353, respectively. The unrealized gain on contributed securities at December 31, 2018 and 2017 was $1,709,110 and $1,969,072, respectively. There are deferred taxes of $17,091 and $39,381 related to this unrealized gain at December 31, 2018 and 2017, respectively, which are included within accrued liabilities on the balance sheet.

Note 10 - Related Party Transactions

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

The Fisher Group (TFG) provides the majority of financial services for the Foundation. The terms of these services are covered under a service agreement signed by both parties. Four trustees for the Foundation are also owners of TFG. For the years ended December 31, 2018 and 2017, the Foundation incurred expenses related to TFG service provider fees in the amount of $1,476,764 and $1,351,712, respectively.

Note 10 - Related Party Transactions (Continued)

The Foundation has entered into a commitment to invest $8 million in a TFG-sponsored LLC, which has, in turn, committed the Foundation to invest in Ram Realty Partners II LP and Ram Realty Investors II LLC (collectively, the "Ram Funds"). The Foundation has also entered into a commitment to invest $2.5 million directly in Ram Realty Partners III, $1.7 million in Ram Realty Partners IV, and $1.35 million in The Boulevard f/k/a Third & Grand LLC. In 2018, the Foundation entered into a commitment to invest $1 million in Platform Neighborhood Fund I and $800,000 in Ram Realty Partners V LP. The above-mentioned funds are sponsored and managed by entities co-owned by a foundation board of trustees member.

During the year ended December 31, 2017, the Foundation entered into an agreement with Mission Throttle to perform professional and managerial services related to the Foundation's digital communication strategy in the amount of $10,000. A trustee of the Foundation is also an owner of Mission Throttle.

Note 11 - Defined Contribution Plan

The Foundation sponsors a defined contribution 403(b) plan for all eligible full-time employees. Employees may make elective contributions to the 403(b) plan in accordance with IRS regulations. The Foundation may make contributions to the 403(b) plan up to 5 percent of the employees' base salaries. During the years ended December 31, 2018 and 2017, the Foundation contributed $35,735 and $32,052, respectively, to the plan.

Note 12 - Functional Expenses

Expenses are functionally allocated as follows for the year ended December 31, 2018:

	Program Services	Management and General	Total
Grants	$ 16,828,000	$ -	$ 16,828,000
Salaries and wages	758,974	373,167	1,132,141
Contract and professional fees	336,466	233,343	569,809
Employee benefits	119,808	67,222	187,030
Travel	61,479	44,140	105,619
Payroll taxes	44,265	21,763	66,028
Rent and utilities	36,513	18,452	54,965
Depreciation and amortization	13,571	6,858	20,429
Telephone	9,401	4,843	14,244
Miscellaneous	3,128	17,408	20,536
Convenings	-	12,706	12,706
Employee relations and training	-	32,437	32,437
Insurance	-	13,293	13,293
Postage and shipping	-	2,903	2,903
TFG service provider fee	-	516,867	516,867
Supplies, printing, and subscriptions	-	15,793	15,793
Interest expense	-	252	252
Other taxes (recovery)*	-	(26,371)	(26,371)
Information systems	-	12,830	12,830
Total	$ 18,211,605	$ 1,367,906	$ 19,579,511

Note 12 - Functional Expenses (Continued)

Expenses are functionally allocated as follows for the year ended December 31, 2017:

	Program Services	Management and General	Total
Grants	$ 12,540,617	$ -	$ 12,540,617
Salaries and wages	685,338	329,943	1,015,281
Contract and professional fees	246,020	266,159	512,179
Employee benefits	124,706	68,348	193,054
Travel	78,517	28,906	107,423
Payroll taxes	40,171	19,753	59,924
Rent and utilities	36,488	18,440	54,928
Depreciation and amortization	12,956	6,548	19,504
Telephone	6,474	3,335	9,809
Miscellaneous	3,150	17,488	20,638
Convenings	-	29,123	29,123
Employee relations and training	-	31,413	31,413
Insurance	-	13,075	13,075
Postage and shipping	-	2,534	2,534
TFG service provider fee	-	473,100	473,100
Supplies, printing, and subscriptions	-	12,864	12,864
Interest expense	-	173	173
Other taxes*	-	366,729	366,729
Information systems	-	3,796	3,796
Total	$ 13,774,437	$ 1,691,727	$ 15,466,164

*Other taxes includes federal and state income tax on unrelated business taxable income generated from investment gains.

Costs have been allocated between program and management and general based on estimates, as determined by management. Salaries and wages, employee benefits, and payroll taxes are allocated on the basis of the actual employee time and effort devoted to these activities. Other expenses are allocated on the basis of the program or support service that used the related asset or service. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.