COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS

COMBINED FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2015 AND 2014

thecommunityfoundation

COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS

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Report of Independent Auditor

Board of Directors
Community Foundation of Greater Greensboro, Inc.
Greensboro, North Carolina

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Community Foundation of Greater Greensboro, Inc. and Combined Supporting Organizations (collectively the "Community Foundation"), which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Community Foundation's preparation and fair presentation of the combined 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 Community Foundation'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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Raleigh, North Carolina
May 24, 2016

COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (includes $18 million and $12.4 million, restricted for construction projects, respectively)	$ 25,491,527	$ 20,191,768
Investments	132,686,497	140,958,414
Pledges receivable, net	13,567,664	5,077,257
Pledges receivable restricted for performing arts center, net	22,117,905	24,309,423
Prepaid and other current assets	207,736	94,431
Notes receivable	70,000	70,000
Cash surrender value of donated life insurance policies	492,674	459,600
Beneficial interest in trusts	955,891	778,540
Donated artwork	310,000	310,000
Construction in progress - Note 13	4,275,809	913,940
Real estate held, net	4,023,379	4,332,524
Equipment, furniture and leasehold improvements, net	227,138	233,367
Total Assets	$ 204,426,220	$ 197,729,264
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 586,349	$ 271,491
Grants payable	591,817	589,402
Deferred rent	58,929	69,643
Liabilities under split-interest agreements	2,738,889	2,640,845
Funds held as organizational funds	25,822,330	28,745,239
Total Liabilities	29,798,314	32,316,620
Net assets:		
Unrestricted	77,621,450	70,884,218
Temporarily restricted	64,081,582	63,117,349
Permanently restricted	32,924,874	31,411,077
Total Net Assets	174,627,906	165,412,644
Total Liabilities and Net Assets	$ 204,426,220	$ 197,729,264

The accompanying notes to the combined financial statements are an integral part of this statement.

COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:								
Contributions, net	$ 21,786,238	$ 6,862,284	$ 941,878	$ 29,590,400	$ 10,846,282	$ 2,457,534	$ 194,531	$ 13,498,347
Contributions restricted for performing arts center, net	-	775,728	-	775,728	-	2,177,049	-	2,177,049
Less contributions to organizational funds	-	(991,327)	-	(991,327)	-	(2,192,286)	-	(2,192,286)
	21,786,238	6,646,685	941,878	29,374,801	10,846,282	2,442,297	194,531	13,483,110
Interest and dividends	1,825,142	1,720,389	-	3,545,531	1,649,308	1,715,739	-	3,365,047
Investment gain (loss), net	(4,072,282)	(4,528,897)	-	(8,601,179)	1,738,551	1,074,347	-	2,812,898
Less earnings of organizational funds	-	1,280,192	-	1,280,192	-	(976,497)	-	(976,497)
	(2,247,140)	(1,528,316)	-	(3,775,456)	3,387,859	1,813,589	-	5,201,448
Change in value of unitrusts, split interest agreements, and donated insurance policies	38,523	(156,737)	-	(118,214)	42,312	69,060	-	111,372
Grants and other income, net	470,442	435,022	-	905,464	195,898	366,371	-	562,269
Accumulations and transfers to (from) endowment funds	(571,919)	-	571,919	-	(1,260,347)	-	1,260,347	-
Net assets released from restrictions	4,432,421	(4,432,421)	-	-	3,020,673	(3,020,673)	-	-
	4,369,467	(4,154,136)	571,919	787,250	1,998,536	(2,585,242)	1,260,347	673,641
Total Revenue	23,908,565	964,233	1,513,797	26,386,595	16,232,677	1,670,644	1,454,878	19,358,199
Expenses:								
Grants for charitable purposes	15,959,966	-	-	15,959,966	15,228,428	-	-	15,228,428
Grants for performing arts center	609,623	-	-	609,623	631,005	-	-	631,005
Less grants of organizational funds	(2,633,917)	-	-	(2,633,917)	(2,179,480)	-	-	(2,179,480)
	13,935,672	-	-	13,935,672	13,679,953	-	-	13,679,953
Functional expenses:								
Program	1,831,955	-	-	1,831,955	1,683,697	-	-	1,683,697
Fund-raising	162,004	-	-	162,004	150,238	-	-	150,238
Administrative	880,214	-	-	880,214	864,062	-	-	864,062
Total functional expenses	2,874,173	-	-	2,874,173	2,697,997	-	-	2,697,997
Income rights distributions	361,488	-	-	361,488	414,611	-	-	414,611
Total expenses	17,171,333	-	-	17,171,333	16,792,561	-	-	16,792,561
Change in net assets	6,737,232	964,233	1,513,797	9,215,262	(559,884)	1,670,644	1,454,878	2,565,638
Net assets, beginning	70,884,218	63,117,349	31,411,077	165,412,644	71,444,102	61,446,705	29,956,199	162,847,006
Net assets, ending	$ 77,621,450	$ 64,081,582	$ 32,924,874	$ 174,627,906	$ 70,884,218	$ 63,117,349	$ 31,411,077	$ 165,412,644

COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 9,215,262	$ 2,565,638
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions restricted for endowments	(941,878)	(194,531)
Depreciation and amortization	101,546	87,042
Donated artwork	-	(310,000)
Donated real estate	-	(38,750)
Gain on disposal of investments	(6,375,412)	(5,422,653)
Unrealized loss on investments	14,183,018	1,736,036
Reinvested earnings on investments	(2,370,081)	(2,300,478)
Loss on disposal of real estate	611	18,415
Change in value of unitrusts, split interest agreements and donated insurance policies	(112,381)	(111,372)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable, net	(8,490,407)	7,413,706
Pledges restricted for performing art center, net	2,191,518	3,628,898
Other assets	(113,305)	(41,493)
Increase (decrease) in:		
Accounts payable and accrued expenses	314,858	182,814
Grants payable	2,415	503,902
Deferred rent	(10,714)	69,643
Funds held as organizational funds	(2,922,909)	989,231
Net cash from operating activities	4,672,141	8,776,048
Cash flows from investing activities:		
Sale and maturity of investments	7,489,885	12,531,949
Purchase of investments	(4,655,493)	(10,375,374)
Purchase of property and equipment	(45,522)	(224,319)
Construction in progress	(3,361,869)	(913,940)
Sale of real estate	258,739	37,487
Payments on notes receivable	-	800
Redemption of cash surrender value of donated life insurance policy	-	4,506
Net cash from investing activities	(314,260)	1,061,109
Cash flows from financing activities:		
Contributions restricted for endowments	941,878	194,531
Net cash from financing activities	941,878	194,531
Net increase in cash	5,299,759	10,031,688
Cash and cash equivalents at beginning of year	20,191,768	10,160,080
Cash and cash equivalents at end of year	$ 25,491,527	$ 20,191,768
Supplemental schedule of noncash operating activities:		
Donated artwork	$ -	$ 310,000
Donated real estate	$ -	$ 38,750

The accompanying notes to the combined financial statements are an integral part of this statement.

Note 1—Nature of activity, basis of presentation and summary of significant accounting policies

Nature of Activity - The Community Foundation of Greater Greensboro, Inc. ("Community Foundation") was established on August 1, 1983, as a charitable organization dedicated to strengthening its communities, through effective philanthropy and civic engagement, for present and future generations. The Community Foundation accepts contributions and bequests for current charitable distribution, builds and manages permanent endowments for emerging issues and opportunities, serves as a resource for achieving the philanthropic objectives of its donors, and provides leadership in addressing community issues.

As of December 31, 2015, the Community Foundation has five active supporting organizations - The Community Foundation Real Estate Management Fund, Inc., The Stanley and Dorothy Frank Family Foundation, TPAC, LLC, LeBauer Park, LLC, and Streetscape, LLC. The purpose of each is to serve exclusively as a supporting organization for the benefit of the Community Foundation by carrying out purposes which are consistent with and which support the purposes of the Community Foundation. Gate City Company, an inactive supporting organization, was dissolved in 2015.

The Board of Directors of the Community Foundation appoints the entire board of directors of the Community Foundation Real Estate Management Fund, Inc., Gate City Company, and TPAC, LLC, and a majority of the board of directors of the Stanley and Dorothy Frank Family Foundation. The Board of the Community Foundation Real Estate Management Fund, Inc. appoints the entire board of directors of the LeBauer Park, LLC and Streetscape, LLC.

The Community Foundation has an agreement to administer charitable funds ("affiliated funds"), on behalf of The Alamance Foundation, an incorporated nonprofit organization located in a surrounding geographic area. At such time as The Alamance Foundation forms a qualifying charitable organization, its Board may request and the Community Foundation will not unreasonably withhold a grant distribution of the affiliated funds, which comprise approximately $13,319,000 and $14,385,000 of the Community Foundation's assets at December 31, 2015 and 2014, respectively.

Basis of Presentation - The financial statements include the accounts of the entities referred to above which have been combined in accordance with generally accepted accounting principles. As used hereafter, the "Community Foundation" includes the Community Foundation of Greater Greensboro, Inc. and its supporting organizations. All significant intercompany transactions have been eliminated in these combined financial statements.

A summary of the Community Foundation's significant accounting policies follows:

Cash and Cash Equivalents - The Community Foundation considers checking and money market accounts, overnight repurchase agreements, and certificates of deposit, which are not part of an investment portfolio, to be cash equivalents. The carrying amounts of these instruments approximate fair value due to the short maturity of those instruments.

The Community Foundation places its cash, cash equivalents, and certificates of deposit with financial institutions in the United States. These deposits are protected by either the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). Both agencies provide insured coverage on cash balances up to $250,000, and the SIPC provides coverage up to $500,000 for cash and securities. Deposit accounts, at times, may exceed federally insured limits.

Note 1—Nature of activity, basis of presentation and summary of significant accounting policies (continued)

Investments and Credit Risk - The Community Foundation maintains various types of investments that encompass many different investment funds and companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. Most of the Community Foundation's investments are traded in public markets and are subject to general fluctuations in the markets' overall performance. The Community Foundation performs periodic evaluations of the relative credit standing of the companies, funds and financial institutions in which it invests.

The Community Foundation carries all investments in marketable debt, equity and other securities with readily determinable fair values at fair value in the combined statements of financial position. These investments are measured in accordance with the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 820), which establishes a framework for measuring fair values for assets and liabilities using one of the following valuation measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); or significant unobservable inputs (Level 3). Observable inputs reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity, while unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

Cash and Equivalents - Consists of cash, money market funds, and certificates of deposit in active markets.

Equities - Consists of equity securities and equity mutual funds 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, then at the mean of the last bid and asked prices on such exchange.

Private Equity – Consists of a limited partnership interest in fund-of-funds. The fair value of this investment has been estimated using the net asset value as provided by the general partner.

Fixed Income - Consists of debt securities including corporate bonds and funds and blended fixed income mutual funds that are either exchange-traded and/or valued at last sales price, or if there is no sale and the market is considered active, these securities are valued at the mean of the last bid and asked prices on such exchange.

Real Asset Funds - Consists of mutual funds invested in real estate and natural resources 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, then at the mean of the last bid and asked prices on such exchange.

Annuity Contract – Consists of an annuity contract held by a charitable remainder annuity trust. The annuity is invested in a diversified portfolio of proprietary and third party mutual funds, of which approximately 65% is invested in equities and 35% invested in fixed income securities. The fair value of these investments has been estimated using the net asset value as provided by the annuity holder. There are no restrictions on redemptions.

Alternative Assets – Consists of hedge fund-of-funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers.

Note 1—Nature of activity, basis of presentation and summary of significant accounting policies (continued)

Donated Investments - Represent assets, received by donor contributions, which are not managed under the Community Foundation's current investment strategies. Investments in limited partnerships and closely held stock are stated at appraised value or tax-basis capital account value at the date of donation. Insurance revenue asset backed bonds are stated at face value. The carrying amounts of these financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. No such impairment existed at December 31, 2015 or 2014.

Pledges Receivable · Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recognized at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Management evaluates pledges receivable for collectability at least annually. The Community Foundation provides an allowance for uncollectible contributions equal to the estimated uncollectible amounts. Management's estimate is based on historical charge-offs, factors related to the specific donors' ability to pay, donor giving history, and current economic trends.

Conditional promises to give are not recognized as revenue until the donors' conditions are substantially met. From time-to-time, the Community Foundation may become aware of certain donors having named the Community Foundation in their wills. These testamentary gifts are treated as conditional promises to give and not recognized as contribution revenue until a probate court finalizes a decedent's will, declares the will valid, and authorizes distribution of assets to the Community Foundation. If the value of the bequest is not known, or cannot be reasonably estimated, the pledge receivable is not recorded until amounts can be estimated with reasonable accuracy.

Prepaid and Other Current Assets, Notes Receivable, Accounts Payable, Accrued Expenses, and Grants Payable - The carrying amounts of these items approximate fair value due to their short-term nature.

Cash Surrender Value of Donated Life Insurance Policies - Certain donors contribute beneficiary interests in life insurance policies to the Community Foundation. These gifts are recorded at current cash surrender value less any outstanding loans.

Beneficial Interest in Trusts - The Community Foundation has been notified that it is a remainder beneficiary of irrevocable unitrust interests which are managed by independent trustees. These interests are recorded at the present value of estimated future cash flows, using mortality, payout, and current risk-adjusted interest rates.

Donated Artwork, Construction in Progress, Real Estate Held, Equipment, Furniture and Leasehold Improvements - The Community Foundation generally capitalizes expenditures of $750 or more for artwork, construction in progress, real estate, equipment, furniture and leasehold improvements that have expected lives exceeding one year. Assets are carried at cost or, if donated, at the approximate fair value at the date of donation. Real estate, equipment and furniture depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years. Leasehold improvement depreciation is computed using the straight-line method over the lesser of the useful life of the asset or life of the lease. Artwork and construction in progress are not depreciated.

Note 1—Nature of activity, basis of presentation and summary of significant accounting policies (continued)

Liabilities Under Split-Interest Agreements - Charitable remainder unitrusts and annuity agreements provide for the payment of distributions to designated beneficiaries over specified terms. Initial donations under these agreements are recognized as contributions, measured at the present value of the Community Foundation's irrevocable remainder interest in the assets of the unitrust or annuity. The assets of the unitrusts and annuity agreements are reported at the related assets' fair value or present value based on the donor's life expectancy using discount rates commensurate with the risks involved at the date of the contribution. Discount rates range from 1.6% to 8.8%. The unitrust agreements primarily provide for quarterly or annual payments to beneficiaries ranging from 6% to 8% of the unitrusts' net fair market value. Annuity agreements call for a fixed payment, either quarterly or annually, to be paid to the beneficiaries.

Liabilities are reported for the beneficial and remainder interest of others in unitrusts or the future payments to others required under annuity agreements. These liabilities are measured at the present value of anticipated distributions to other beneficiaries. Present values for these liabilities are calculated based on the life expectancy of the donor or recipient, using discount rates, commensurate with the risks involved at the date of the contribution, ranging from 1.6% to 8.8%.

Funds Held as Organizational Funds - The Community Foundation accepts contributions from nonprofit organizations and agrees to use those assets for the benefit of the nonprofit organization. The Community Foundation recognizes a liability to the nonprofit beneficiary at the time it recognizes the assets received, and adjusts the liability for related contributions, earnings, grants, and expenses.

Net Assets - Unrestricted net assets are those assets presently available for use by the Community Foundation at the discretion of the Board of Directors.

The Community Foundation’s policy is to report revenues, gains, and other support that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets when the restrictions are met in the same reporting period as the income recognized.

Temporarily restricted net assets are those assets or earnings on assets which have been donated with donor-imposed time or purpose restrictions. When a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Included in this category are net assets associated with charitable remainder trusts and charitable gift annuities ("split interest"), restricted due to the Community Foundation's limited ability to use these assets until the related trust or annuity agreement is terminated. Purpose restricted net assets represent real estate and investments to address housing, revitalization and related community needs.

Permanently restricted net assets are those contributions from donors which establish endowment funds, restricted in perpetuity, for nonprofit organizations (“special interest”), projects or areas of focus (“field of interest”) of the Community Foundation. The income earned by the investment of these donations is recorded as temporarily restricted net assets.

Endowments - The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve an annualized total return, through appreciation and income, greater than the annual spending rate (payout and fees) plus inflation (as measured by the broad, domestic Consumer Price Index). Actual returns in any given year may vary.

Note 1—Nature of activity, basis of presentation and summary of significant accounting policies (continued)

To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), net of investment management fees and expenses. The Community Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Annually, the Community Foundation appropriates for distribution an amount equal to the target payout percentage times the endowment fund's average fair value on the last business day of each of the 12 preceding quarters or each quarter of the fund's existence, if the fund was established within the preceding 12 quarters.

In determining the target payout percentage for any given year, the Community Foundation exercises ordinary business care and prudence under the facts and circumstances prevailing at the time of the decision and considers the following factors: long-term and short-term needs of the Foundation in carrying out its charitable purposes, the present and anticipated financial requirements of the Foundation, expected total return on the investments of the Foundation, price level trends, and general economic considerations.

Contributions - Contributions and unconditional promises to give are recognized as revenue or expenses when made or a written promise to give is conveyed, whichever is earliest. Contributions of assets other than cash are recorded at estimated fair value at the date of donation. Contributions received with donor stipulations that restrict the use of the assets and promises to give that are receivable in future periods are reported as temporarily restricted revenue. When the use or time restriction is met, the amount is reported as unrestricted revenue and a reduction in temporarily restricted revenue. Contributions of specialized services are recognized at the fair market value of those services.

Interest, Dividends and Securities Transactions - Securities transactions are recorded on a trade-date basis. Realized gains and losses on securities transactions, determined on a specific identification basis, and the difference between the cost and the fair value of open investments are included as realized and unrealized gains (losses) in the accompanying combined statements of activities and changes in net assets. Interest and other investment income are recognized on the accrual basis.

Investment gains (losses) are reported net of related investment expenses in the combined statements of activities and changes in net assets. Investment and other asset management fees for the years ended December 31, 2015 and 2014 totaled $848,686 and $858,104, respectively.

Functional Classification of Expenses - The Community Foundation allocates its expenses on a functional basis between programs, fundraising and administrative expenses. Expenses which can be identified with a specific area are directly allocated. Other expenses that are common to all areas are allocated based on various relationships.

Tax Status - The Community Foundation of Greater Greensboro, Inc. and its supporting organizations are exempt from income tax, under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income tax. Contributions to the Community Foundation qualify for tax deduction by the donor.

It is the Community Foundation's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and the impact, if any, the effect of the uncertain tax position may have on the combined financial statements.

Note 1—Nature of activity, basis of presentation and summary of significant accounting policies (continued)

No material uncertain tax positions were identified during 2015 and 2014.

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

New Pronouncements - On May 1, 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Instead, the amounts measured using the net asset value per share (or its equivalent) must be provided to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The Community Foundation has elected to early adopt ASU 2015-07 and has removed all investments, for which fair value is measured using the net asset value per share practical expedient, from the fair value hierarchy. The ASU has been applied retrospectively to all periods presented.

Note 2—Investments

Investments consist of the following at December 31, 2015 and 2014:

	2015	2014
Cash and equivalents:		
Cash held for short-term investments	$ 4,224,417	$ 5,228,740
Certificate of deposit	300,458	317,070
Subtotal of cash and equivalents	4,524,875	5,545,810
Investments:		
Equities and private equity	80,492,845	91,723,113
Fixed income	21,033,654	21,510,895
Real asset funds	5,315,114	5,869,348
Annuity contract	638,735	713,057
Alternative assets	18,230,517	13,145,434
Subtotal of investments	125,710,865	132,961,847
Donated Investments:		
Limited partnership interests	592,757	592,757
Insurance revenue asset backed bonds	1,858,000	1,858,000
Subtotal of donated investments	2,450,757	2,450,757
Total investments	$ 132,686,497	$ 140,958,414

Note 2—Investments (continued)

Investments are allocated as follows at December 31, 2015 and 2014:

	2015	2014
Investments	$ 128,422,134	$ 136,213,313
Charitable remainder trusts and gift annuities held as trustee	4,264,363	4,745,101
	$ 132,686,497	$ 140,958,414

Charitable remainder trust and gift annuity agreements held by the Community Foundation in trust are reflected in the accompanying combined financial statements at December 31, 2015 and 2014 as follows:

	2015	2014
Charitable remainder trusts and gift annuities assets	$ 4,264,363	$ 4,745,101
Liabilities under unitrust and annuity agreements	(2,738,889)	(2,640,845)
Other assets (liabilities) of the trusts	35,242	31,194
Split-interest agreements, net	$ 1,560,716	$ 2,135,450

Note 3—Valuation of investments

The following tables summarize financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2015:

	2015			
	Investments Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and equivalents	$ 4,524,875	$ 4,524,875	$ -	$ -
Equities:				
Equity securities – U.S.	46,486,139	46,486,139	-	-
Equity securities – Non U.S.	33,873,003	33,873,003	-	-
Fixed income:				
Corporate debt securities	14,466,217	14,466,217	-	-
U.S. government obligations	2,423,527	2,423,527	-	-
High yield/credit	4,143,910	4,143,910	-	-
Real asset funds	5,315,114	5,315,114	-	-
Alternative assets:				
Absolute return	319,089	319,089	-	-
Directional/hedged equity	202,101	202,101	-	-
Investments measured at net asset value[1]	18,481,765	-	-	-
	125,710,865	107,229,100	-	-
Total	$130,235,740	$111,753,975	$ -	$ -

(1) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value 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 statements of financial position.

Note 3—Valuation of investments (continued)

The following tables summarize financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2014:

	2014			
	Investments Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and equivalents	$ 5,545,810	$ 5,545,810	$ -	$ -
Equities:				
Equity securities – U.S.	62,349,844	62,349,844	-	-
Equity securities – Non U.S.	29,353,269	29,353,269	-	-
Fixed income:				
Corporate debt securities	13,625,675	13,625,675	-	-
U.S. government obligations	2,492,097	2,492,097	-	-
High yield/credit	5,393,123	5,393,123	-	-
Real asset funds	5,869,348	5,869,348	-	-
Alternative assets:				
Absolute return	445,676	445,676	-	-
Investments measured at net asset value[1]	13,432,815	-	-	-
	132,961,847	119,549,032	-	-
Total	$138,507,657	$124,649,166	$ -	$ -

There were no changes in the valuation techniques during 2015 or 2014. Unrealized gains (losses) are included in investment gains (losses) on the combined statements of activities and changes in net assets. Transfers between levels, if any, are recognized at the end of the year.

Note 3—Valuation of investments (continued)

For investments that calculate Net Asset Value ("NAV") per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from NAV per share for the year ended December 31, 2015:

Investment/Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	$ 133,703	$ 850,000	n/a until 2025	n/a until 2025
Absolute return	7,172,886	n/a	Semi-annual	95 days
Directional/hedged equity	2,179,651	n/a	Quarterly	45 days
Directional/hedged equity	3,507,268	n/a	Semi-annual, up to 50% of investment	95 days
Energy and infrastructure	2,006,299	n/a	Monthly, subject to 5% holdback	30 days
Global, equity-oriented fund	2,843,223	n/a	None until Dec. 2016, thereafter monthly	90 days
Annuity contract	638,735	n/a	n/a	n/a
	$ 18,481,765			

Note 4—Pledges receivable

Pledges receivable includes amounts due from the endowment campaigns for which written pledges have been received and other pledges of which the Community Foundation has been notified.

Pledges receivable at December 31, 2015 and 2014 are as follows:

	2015	2014
Amount receivable in one year	$ 3,085,967	$ 4,239,916
Amount receivable in two to five years	10,057,937	894,348
Amount due in greater than five years	2,800,000	300,000
Total unconditional promises to give	15,943,904	5,434,264
Discount to present value for future pledges, at 4.0%	(2,133,188)	(194,085)
Allowance for doubtful pledges	(243,052)	(162,922)
Pledges receivable, net	$ 13,567,664	$ 5,077,257

Note 5—Pledges receivable restricted for performing arts center

The Community Foundation receives pledges and contributions to support the construction of a performing arts center in downtown Greensboro. Funds from the collection of the donor-restricted pledges may be used for the acquisition of land, building and equipment for the center, and, if funds are raised in excess of that needed for acquisition and construction of the facility, an endowment for future enhancements of the center.

Pledges restricted for the performing arts center at December 31, 2015 and 2014 are as follows:

	2015	2014
Amount receivable in one year	$ 5,573,743	$ 5,119,965
Amount receivable in two to five years	15,308,807	17,645,881
Amount due in greater than five years	4,592,658	5,431,000
Total unconditional promises to give	25,475,208	28,196,846
Discount to present value for future pledges, at 4.0%	(3,074,963)	(3,605,083)
Allowance for doubtful pledges	(282,340)	(282,340)
Pledges receivable, net	$ 22,117,905	$ 24,309,423

For the years ended December 31, 2015 and 2014, the Community Foundation incurred $52,326 and $219,667, respectively, of costs related to the performing arts center, which are included in program expenses on the Combined Statement of Activities and Changes in Net Assets.

In March 2014, the City of Greensboro (the "City") and the Community Foundation executed a memorandum of understanding which sets forth the principal terms of a public-private "partnership" to design, finance, develop, construct and manage the operations and programs of the proposed Steven B. Tanger Center for the Performing Arts. It is expected that upon completion and repayment of any financing obligations, the performing arts center will be owned and operated by the City. Under the terms of the memorandum, the City will serve as the project manager to contract for and oversee the design and construction of the center. The Community Foundation will reimburse the City up to $5,000,000 to pay for pre-construction design costs; through December 31, 2015, reimbursements totaling $1,086,555 have been paid or accrued. Reimbursements totaling $588,555 and $498,000, respectively, were made for the years ended December 31, 2015 and 2014.

During August 2014, the Community Foundation, via a single member limited liability company, executed a commitment letter to obtain bank financing which will fund the donors' portion of the construction of the performing arts center. The financing instrument has a maximum limit of $25,000,000, for a term of 10 years, with an interest rate tied to the One Month LIBOR Rate. The terms of the loan stipulate several criteria limiting the outstanding balance of the loan and identifying security interests granted to the bank, including a collateral assignment of the restricted pledges. Additionally the Community Foundation, as approved by its Board of Directors, will place $5,000,000 of unrestricted funds subject to an Account Control Agreement as further collateral of the bank financing. The loan is expected to close during 2016 with the first draw in 2017.

Note 6—Notes receivable

Notes receivable are generally unsecured and represent funds loaned to local not-for-profit organizations to further charitable programs in the community. The repayment terms vary for each note. Interest rates on the notes range from non-interest bearing to 2.5% per annum.

Note 7—Real estate held

A real estate limited liability corporation ("LLC"), which is included in the Community Foundation's combined financial statements as a supporting organization, owns approximately 20% of Center City Park's land in downtown Greensboro. The other approximate 80% of land is owned by another local nonprofit organization. Center City Park is operated by a third, unrelated nonprofit organization.

During 2010, the LLC executed a long term building lease, on contributed property, with an unrelated nonprofit corporation which operates a community resource center to support the homeless population of Greensboro.

The Community Foundation owned two tracts of land in Guilford County, North Carolina, which were donated to support charitable purposes. These tracts were under contract to be sold as of December 31, 2014, and the sales closed during the first quarter of 2015.

Depreciation expense related to real estate held was $49,796 for each of the years ended December 31, 2015 and 2014.

Note 8—Equipment and furniture

Equipment and furniture at December 31, 2015 and 2014 consists of the following:

	2015	2014
Equipment	$ 272,749	$ 256,480
Furniture	167,255	144,784
Leasehold improvements	157,601	157,601
	597,605	558,865
Less accumulated depreciation	(370,467)	(325,498)
	$ 227,138	$ 233,367

Depreciation and amortization expense related to equipment, furniture and leasehold improvements was $51,750 and $37,246 for the years ended December 31, 2015 and 2014, respectively.

Note 9—Endowments

The Community Foundation's endowments consist of donor-restricted funds established for a variety of charitable purposes that must be held in perpetuity. These endowments are subject to the State Prudent Management of Institutional Funds Act ("SPMIFA"). The Board of Directors of the Community Foundation has interpreted SPMIFA as requiring the preservation of the fair value of contribution(s) as of the gift date(s) of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community Foundation classifies as permanently restricted net assets (1) the original value of contributions donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purpose of the Community Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the Community Foundation; and (7) the investment policies of the Community Foundation.

In all events, the actual accumulation or payout from any endowment fund shall be increased or reduced to the extent necessary to avoid a violation of the specific terms of the instrument by which the endowment fund was created.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or SPMIFA requires the Community Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. Permanently restricted endowment assets are below the level required by donor stipulations by approximately $239,500 and $7,400 as of December 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations over time and continued appropriations for certain programs that were deemed prudent by the Board of Directors.

Note 9—Endowments (continued)

The Community Foundation had the following activity in endowment net assets for 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	$ 65,960	$ 9,563,586	$ 31,411,077	$ 41,040,623
Contributions	-	-	941,878	941,878
Interest and dividends	136,257	914,167	-	1,050,424
Appreciation (depreciation) of assets, net of investment fees	(441,736)	(2,676,370)	-	(3,118,106)
Accumulations and transfers to endowments	-	-	571,919	571,919
Appropriations and transfers from endowments	78,414	(2,092,182)	-	(2,013,768)
End of the year	$ (161,105)	$ 5,709,201	$ 32,924,874	$ 38,472,970

The Community Foundation had the following activity in endowment net assets for 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	$ (31,979)	$ 9,115,434	$ 29,956,199	$ 39,039,654
Contributions	-	-	194,531	194,531
Interest and dividends	18,156	1,019,452	-	1,037,608
Appreciation (depreciation) of assets, net of investment fees	6,378	328,561	-	334,939
Accumulations and transfers to endowments	-	-	1,260,347	1,260,347
Appropriations and transfers from endowments	73,405	(899,861)	-	(826,456)
End of the year	$ 65,960	$ 9,563,586	$ 31,411,077	$ 41,040,623

Note 10—Net assets

Unrestricted net assets were comprised as follows at December 31:

	2015	2014
Non-endowed donor advised	$ 51,325,382	$ 52,471,074
Board designated:		
Field of interest	6,733,344	7,036,821
Foundation operations	2,203,755	2,253,701
Initiatives	10,140,284	897,283
Deficiencies of endowment funds, net	(161,105)	65,960
General purpose	7,379,790	8,159,379
	$ 77,621,450	$ 70,884,218

Temporarily restricted net assets were comprised as follows at December 31:

	2015	2014
Remainder interest from split-interest agreements	$ 2,516,268	$ 2,916,191
Appreciation of and pledges for endowments	15,122,288	10,229,952
Purpose restrictions	46,443,026	49,971,206
	$ 64,081,582	$ 63,117,349

Permanently restricted net assets were comprised as follows at December 31:

	2015	2014
Endowed donor advised	$ 11,529,408	$ 11,584,225
Field of interest	7,140,190	6,781,618
Special interest	12,832,686	11,311,103
Scholarships	1,422,590	1,734,131
	$ 32,924,874	$ 31,411,077

Note 11—Operating and retirement expenses

Operating expenses for the Community Foundation were as follows for years ended December 31:

	2015	2014
Salary and benefits	$ 1,919,378	$ 1,645,900
Rent and occupancy costs	235,559	175,994
Professional fees	158,449	344,938
Technology	79,829	88,858
Meetings, conferences and events	178,329	188,287
Office expense	63,391	60,983
Marketing and promotion	87,386	125,539
Allowance for uncollectible pledges, net	102,056	16,327
Premiums on donated life insurance policies	-	1,375
Depreciation on real estate held	49,796	49,796
	$ 2,874,173	$ 2,697,997

Note 11—Operating and retirement expenses (continued)

The Community Foundation provides a defined contribution retirement plan covering substantially all its employees. Total expense related to the plan was $93,791 and $70,808 for the years ended December 31, 2015 and 2014, respectively.

Note 12—Operating leases

The Community Foundation leases office equipment and space under noncancelable operating leases which expire at various dates through 2021. Rental expense for each of the years ended December 31, 2015 and 2014 was $166,000 and $133,000, respectively.

Future minimum lease payments under the noncancelable operating leases as of December 31, 2015 are as follows:

Year Ending	
2016	$ 178,588
2017	180,253
2018	180,253
2019	175,327
2020	170,400
Thereafter	85,200
	$ 970,021

Note 13—Commitments

In accordance with a donor's instructions, the Community Foundation is constructing a park in downtown Greensboro, which, upon completion, will be donated to the City of Greensboro for the enjoyment of its residents. The construction of the park and facilities, under a "guaranteed maximum price" contract of approximately $11,200,000, is expected to be completed in the summer of 2016.

Note 14—Subsequent events

Management has performed an evaluation of subsequent events through May 24, 2016, which is the date the combined financial statements were available to be issued.