

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

COMBINED FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018



**COMMUNITY
FOUNDATION**
OF GREATER
GREENSBORO

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
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Report of Independent Auditor

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

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, 2019 and 2018, and the related combined statements of activities and changes in net assets, functional expenses, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. 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 of Greater Greensboro, Inc. and Combined Supporting Organizations as of December 31, 2019 and 2018, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of expenditures of State awards for the year ended December 31, 2019, as required by North Carolina General Statute 143C-6-23 ("N.C.G.S 143C-6-23") is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2020 on our consideration of the Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Foundation's internal control over financial reporting and compliance.

Cheryl Behaert LLP

Raleigh, North Carolina
May 19, 2020

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

DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents (includes \$5 million and \$23 million, respectively, restricted for construction projects) | \$ 11,595,956 | \$ 30,251,357 |
| Investments | 163,560,476 | 138,943,249 |
| Pledges receivable, net | 30,971,734 | 5,326,646 |
| Pledges receivable restricted for performing arts center, net | 8,063,277 | 10,898,414 |
| Prepaid and other current assets | 87,857 | 109,794 |
| Notes receivable | - | 12,616 |
| Cash surrender value of donated life insurance policies | 433,896 | 411,960 |
| Beneficial interest in trusts | 994,721 | 844,683 |
| Donated artwork | 310,000 | 310,000 |
| Real estate held, net | 1,206,537 | 1,255,235 |
| Equipment, furniture, and leasehold improvements, net | 109,531 | 134,845 |
| Total Assets | <u>\$ 217,333,985</u> | <u>\$ 188,498,799</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable, accrued expenses, and deferred revenue | \$ 1,911,857 | \$ 467,341 |
| Grants payable | 4,786,243 | 273,500 |
| Deferred rent | 16,071 | 26,786 |
| Liabilities under split-interest agreements | 2,315,879 | 2,111,020 |
| Funds held as organizational funds | 25,968,307 | 24,507,560 |
| Total Liabilities | <u>34,998,357</u> | <u>27,386,207</u> |
| Net Assets: | | |
| Without Donor Restrictions: | | |
| Designated for donor-advised grants | 63,459,387 | 49,797,025 |
| Designated for operations | 2,434,188 | 2,288,764 |
| Designated for discretionary grants | 11,080,728 | 9,973,432 |
| Invested in property and equipment | 109,531 | 134,845 |
| Undesignated | 8,301,306 | 7,571,703 |
| Total Without Donor Restrictions | <u>85,385,140</u> | <u>69,765,769</u> |
| With Donor Restrictions: | | |
| Restricted for specified purpose | 18,774,591 | 41,708,185 |
| Restricted for passage of time | 1,176,772 | 1,255,235 |
| Restricted in perpetuity-endowments | 65,377,023 | 42,428,626 |
| Accumulated earnings on endowments | 11,633,521 | 6,473,267 |
| Underwater endowments | (11,419) | (518,490) |
| Total With Donor Restrictions | <u>96,950,488</u> | <u>91,346,823</u> |
| Total Net Assets | <u>182,335,628</u> | <u>161,112,592</u> |
| Total Liabilities and Net Assets | <u>\$ 217,333,985</u> | <u>\$ 188,498,799</u> |

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

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

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | | | 2018 | | |
|--|----------------------------|-------------------------|-----------------------|----------------------------|-------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue: | | | | | | |
| Contributions, net | \$ 15,863,657 | \$ 23,896,303 | \$ 39,759,960 | \$ 9,931,211 | \$ 2,357,178 | \$ 12,288,389 |
| Contributions restricted for performing arts center, net | - | 1,841,942 | 1,841,942 | - | 1,472,290 | 1,472,290 |
| Less contributions to organizational funds | - | (929,368) | (929,368) | - | (918,193) | (918,193) |
| | <u>15,863,657</u> | <u>24,808,877</u> | <u>40,672,534</u> | <u>9,931,211</u> | <u>2,911,275</u> | <u>12,842,486</u> |
| Investment return | 12,614,919 | 12,292,994 | 24,907,913 | (4,425,320) | (6,332,064) | (10,757,384) |
| Less investment return of organizational funds | - | (3,836,610) | (3,836,610) | - | 2,166,195 | 2,166,195 |
| | <u>12,614,919</u> | <u>8,456,384</u> | <u>21,071,303</u> | <u>(4,425,320)</u> | <u>(4,165,869)</u> | <u>(8,591,189)</u> |
| Change in value of unitrusts, split interest agreements, and donated insurance policies | 18,046 | (269,553) | (251,507) | 30,105 | (42,426) | (12,321) |
| Grants and other income, net | 307,815 | 4,034,290 | 4,342,105 | 252,998 | 1,055,922 | 1,308,920 |
| Provision for losses on uncollectible pledges | - | 48,780 | 48,780 | - | (298,844) | (298,844) |
| Accumulations and transfers to (from) endowment funds | (1,653,005) | 1,653,005 | - | (132,350) | 132,350 | - |
| Net assets released from restrictions | 33,128,118 | (33,128,118) | - | 7,676,856 | (7,676,856) | - |
| | <u>31,800,974</u> | <u>(27,661,596)</u> | <u>4,139,378</u> | <u>7,827,609</u> | <u>(6,829,854)</u> | <u>997,755</u> |
| Total Revenue | <u>60,279,550</u> | <u>5,603,665</u> | <u>65,883,215</u> | <u>13,333,500</u> | <u>(8,084,448)</u> | <u>5,249,052</u> |
| Expenses: | | | | | | |
| Grants for charitable purposes | 19,404,843 | - | 19,404,843 | 28,041,639 | - | 28,041,639 |
| Grants for performing arts center | 24,609,948 | - | 24,609,948 | 1,044,796 | - | 1,044,796 |
| Less grants of organizational funds | (3,305,230) | - | (3,305,230) | (4,330,265) | - | (4,330,265) |
| | <u>40,709,561</u> | <u>-</u> | <u>40,709,561</u> | <u>24,756,170</u> | <u>-</u> | <u>24,756,170</u> |
| Other program expenses | 2,656,059 | - | 2,656,059 | 2,147,369 | - | 2,147,369 |
| Management and general | 1,199,724 | - | 1,199,724 | 1,031,459 | - | 1,031,459 |
| Fundraising and development | 94,835 | - | 94,835 | 182,518 | - | 182,518 |
| Total Expenses | <u>44,660,179</u> | <u>-</u> | <u>44,660,179</u> | <u>28,117,516</u> | <u>-</u> | <u>28,117,516</u> |
| Change in net assets | 15,619,371 | 5,603,665 | 21,223,036 | (14,784,016) | (8,084,448) | (22,868,464) |
| Net assets, beginning | 69,765,769 | 91,346,823 | 161,112,592 | 84,549,785 | 99,431,271 | 183,981,056 |
| Net assets, ending | <u>\$ 85,385,140</u> | <u>\$ 96,950,488</u> | <u>\$ 182,335,628</u> | <u>\$ 69,765,769</u> | <u>\$ 91,346,823</u> | <u>\$ 161,112,592</u> |

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

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

| | Program Services | | Supporting Services | | Total |
|--|------------------|--------------|------------------------|-----------------------------|---------------|
| | Grants | Other | Management and General | Fundraising and Development | |
| Grants Disbursed: | | | | | |
| Arts and humanities | \$ 1,859,298 | \$ - | \$ - | \$ - | \$ 1,859,298 |
| Civic and community | 870,552 | - | - | - | 870,552 |
| Education and workforce development | 5,364,065 | - | - | - | 5,364,065 |
| Environment | 87,602 | - | - | - | 87,602 |
| Health and human services | 2,049,785 | - | - | - | 2,049,785 |
| Housing | 250,227 | - | - | - | 250,227 |
| Performing arts center | 24,609,948 | - | - | - | 24,609,948 |
| Religious | 3,628,708 | - | - | - | 3,628,708 |
| Other | 1,989,376 | - | - | - | 1,989,376 |
| Salaries and wages | - | 1,141,334 | 688,995 | 61,193 | 1,891,522 |
| Payroll taxes and employee benefits | - | 256,996 | 156,669 | 13,914 | 427,579 |
| Fees for services | - | 219,126 | 54,926 | 1,617 | 275,669 |
| Advertising and promotions | - | 49,856 | 25,396 | 2,210 | 77,462 |
| Marketing - Eastern Triad Workforce Initiative | - | 492,992 | - | - | 492,992 |
| Office expenses | - | 24,484 | 15,681 | 1,726 | 41,891 |
| Staff development and meetings | - | 88,765 | 35,005 | 3,096 | 126,866 |
| Occupancy | - | 105,467 | 55,597 | 4,839 | 165,903 |
| Information technology | - | 68,899 | 39,535 | 3,440 | 111,874 |
| Travel | - | 7,827 | 1,397 | 122 | 9,346 |
| Depreciation | - | 48,698 | 42,890 | - | 91,588 |
| Insurance | - | 541 | 18,066 | - | 18,607 |
| Community engagement | - | 13,545 | 8,031 | 699 | 22,275 |
| Event expenses | - | 129,118 | 17,900 | 1,558 | 148,576 |
| Other expenses | - | 8,411 | 39,636 | 421 | 48,468 |
| Total Functional Expenses | \$ 40,709,561 | \$ 2,656,059 | \$ 1,199,724 | \$ 94,835 | \$ 44,660,179 |

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 STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018

| | Program Services | | Supporting Services | | Total |
|--|------------------|--------------|------------------------|-----------------------------|---------------|
| | Grants | Other | Management and General | Fundraising and Development | |
| Grants Disbursed: | | | | | |
| Arts and humanities | \$ 836,503 | \$ - | \$ - | \$ - | \$ 836,503 |
| Civic and community | 2,086,043 | - | - | - | 2,086,043 |
| Education and workforce development | 3,957,809 | - | - | - | 3,957,809 |
| Environment | 132,142 | - | - | - | 132,142 |
| Health and human services | 2,362,596 | - | - | - | 2,362,596 |
| Housing | 874,910 | - | - | - | 874,910 |
| Performing arts center | 1,044,796 | - | - | - | 1,044,796 |
| Religious | 3,014,305 | - | - | - | 3,014,305 |
| Alamance Community Foundation (net of \$3,564,219 in organizational endowments) | 9,413,944 | - | - | - | 9,413,944 |
| Other | 1,033,122 | - | - | - | 1,033,122 |
| Salaries and wages | - | 1,120,379 | 575,770 | 120,910 | 1,817,059 |
| Payroll taxes and employee benefits | - | 243,422 | 135,778 | 28,513 | 407,713 |
| Fees for services | - | 123,000 | 51,449 | 1,590 | 176,039 |
| Advertising and promotions | - | 245,712 | 26,619 | 4,806 | 277,137 |
| Office expenses | - | 21,087 | 12,755 | 2,366 | 36,208 |
| Staff development and meetings | - | 68,811 | 30,022 | 6,137 | 104,970 |
| Occupancy | - | 102,973 | 50,274 | 9,077 | 162,324 |
| Information technology | - | 73,120 | 37,751 | 6,817 | 117,688 |
| Travel | - | 6,376 | 1,186 | 214 | 7,776 |
| Depreciation | - | 48,698 | 46,277 | - | 94,975 |
| Insurance | - | 432 | 16,608 | - | 17,040 |
| Community engagement | - | 12,063 | 6,765 | 1,221 | 20,049 |
| Event expenses | - | 73,287 | 1,460 | 264 | 75,011 |
| Other expenses | - | 8,009 | 38,745 | 603 | 47,357 |
| Total Functional Expenses | \$ 24,756,170 | \$ 2,147,369 | \$ 1,031,459 | \$ 182,518 | \$ 28,117,516 |

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 CASH FLOWS**

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 21,223,036 | \$ (22,868,464) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Contributions restricted for endowments | (22,761,619) | (739,665) |
| Depreciation | 91,588 | 94,975 |
| Realized (gain) loss on disposal of investments | 1,331,906 | (6,093,286) |
| Unrealized (gain) loss on investments | (22,615,563) | 20,150,466 |
| Reinvested earnings on investments | (3,150,989) | (2,976,018) |
| Loss on disposal of fixed assets | - | 2,083 |
| Change in value of unitrusts, split interest agreements and donated insurance policies | 32,885 | (227,786) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Pledges receivable, net | (25,645,088) | 3,384,772 |
| Pledges restricted for performing art center, net | 2,835,137 | 3,371,232 |
| Prepaid and other current assets | 21,937 | (1,555) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 1,444,516 | 313,987 |
| Grants payable | 4,512,743 | (188,500) |
| Deferred rent | (10,715) | (10,714) |
| Funds held as organizational funds | 1,460,747 | (5,578,267) |
| Net cash flows from operating activities | <u>(41,229,479)</u> | <u>(11,366,740)</u> |
| Cash flows from investing activities: | | |
| Sale and maturity of investments | 11,505,700 | 7,598,042 |
| Sale and maturity of investments - Alamance Community Foundation | - | 12,612,162 |
| Purchase of investments | (11,688,282) | (5,078,905) |
| Purchase of property and equipment | (17,575) | (20,231) |
| Proceeds from notes receivable | 12,616 | 10,499 |
| Net cash flows from investing activities | <u>(187,541)</u> | <u>15,121,567</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for endowments | <u>22,761,619</u> | <u>739,665</u> |
| Net cash flows from financing activities | <u>22,761,619</u> | <u>739,665</u> |
| Net change in cash | (18,655,401) | 4,494,492 |
| Cash and cash equivalents, beginning of year | <u>30,251,357</u> | <u>25,756,865</u> |
| Cash and cash equivalents, end of year | <u>\$ 11,595,956</u> | <u>\$ 30,251,357</u> |

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

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

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.

The Community Foundation has three active supporting organizations: The Community Foundation Real Estate Management Fund, Inc.; The Stanley and Dorothy Frank Family Foundation; and TPAC, 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.

The Board of Directors of the Community Foundation appoints the entire Board of Directors of the Community Foundation Real Estate Management Fund, Inc. and TPAC, LLC, and a majority of the Board of Directors of the Stanley and Dorothy Frank Family Foundation.

The Community Foundation had an agreement to administer charitable funds (“affiliated funds”), on behalf of The Alamance Foundation, an incorporated nonprofit organization located in a surrounding geographic area. As of September 30, 2018, The Alamance Foundation formed the qualifying charitable organization, Alamance Community Foundation, and its Board requested and the Community Foundation granted a distribution of the affiliated funds, which comprised approximately \$12,978,000 of the Community Foundation’s assets at September 30, 2018.

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 hereinafter, 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 is as 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 insured limits.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

**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 (“NAV”) 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 or private capital invested in real estate and natural resources. Mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, then at the mean of the last bid and asked prices on such exchange. The fair value of private capital has been estimated using the net asset value (“NAV”) as provided by the general partner.

Annuity Contracts – 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 72% is invested in equities and 28% invested in fixed income securities for the year ended December 31, 2019. Approximately 69% was invested in equities and 31% invested in fixed income securities for the year ended December 31, 2018. The fair value of these investments has been estimated using the NAV as provided by the annuity holder. There are no restrictions on redemptions.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

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

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

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. 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, 2018. The investment was liquidated in 2019.

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 a provision for losses on uncollectible pledges 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. 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, Real Estate Held, Equipment, Furniture, and Leasehold Improvements – The Community Foundation generally capitalizes expenditures of \$750 or more for artwork, 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 is not depreciated.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

**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 3.6% to 5.6%.

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 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 Community Foundation, at the discretion of the Community Foundation's management and the Board of Directors.

Designated for Donor Advised Grants – Funds designated for donor-advised grants are available for distribution to eligible organizations upon recommendation by the donor.

Designated for Operations – Reserves designated for future needs such as technology, capital purchases, and other operating needs.

Designated for Discretionary Grants – Gifts without donor restrictions designated to provide support for community grant-making and strategic initiatives.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Community Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated an endowment be maintained in perpetuity.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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DECEMBER 31, 2019 AND 2018

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

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are released from restriction and reclassified between the applicable classes of net assets. 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 net assets without donor restrictions when the restrictions are met in the same reporting period as the income recognized. The Community Foundation also has administrative fee revenue earned from funds held as agency funds and its policy is to recognize this revenue over time as it is earned.

Contributions and unconditional promises to give are recognized as revenue 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 have time or purpose restrictions are reported as revenue with donor restrictions. When the use or time restriction is met, the amount is reported as revenue without donor restrictions and a reduction in revenue with donor restrictions. Contributions of specialized services are recognized at the fair market value of those services.

The Community Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At December 31, 2019, the Community Foundation did not have any conditional promises to give.

A portion of the Community Foundation's revenue is derived from a cost-reimbursable state grant, which is conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Community Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue and included in accounts payable and accrued expenses in the statements of financial position. The Community Foundation has one cost-reimbursable grant that has not been fully recognized at December 31, 2019 because qualifying expenditures have not yet been incurred. An advance payment of \$65,315 was recognized in the statement of financial position as deferred revenue.

Endowments – The Community Foundation has adopted investment and spending policies for endowment assets that aim 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.

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.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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DECEMBER 31, 2019 AND 2018

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

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.

Investment Return – Securities transactions are recorded on a trade-date basis. Interest and other investment income are recognized on the accrual basis. Investment income is reported net of related investment expenses in investment return in combined statements of activities and changes in net assets, and includes unrealized and realized gains and losses on investments. Investment and other asset management fees for the years ended December 31, 2019 and 2018, totaled \$987,857 and \$1,006,202, respectively.

Functional Classification of Expenses – The costs of providing the various programs and supporting activities of the Community Foundation have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. The combined financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Most expenses, excluding depreciation and grant disbursements, are allocated on the basis of estimates of time and effort. All other expenses are allocated on a direct basis.

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, of the effect of the uncertain tax position may have on the combined financial statements.

No material uncertain tax positions were identified during 2019 and 2018.

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.

Current Pronouncements – The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. During the year ended December 31, 2019, the Community Foundation fully adopted this standard.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS**
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Liquidity and availability of resources

The Community Foundation manages its cash available to meet general expenditures and grants following two guiding principle:

- Operating within a prudent range of financial soundness and stability, and
- Maintaining adequate liquid assets.

General expenditures include grants, management and general expenses, fundraising expenses, and some program expenses. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, comprise the following:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 3,194,509 | \$ 3,310,185 |
| Other assets | 40,628 | 43,439 |
| Investments | <u>75,635,625</u> | <u>54,971,890</u> |
| | <u>\$ 78,870,762</u> | <u>\$ 58,325,514</u> |

The assets above include \$63,459,387 and \$49,797,025 in donor-advised funds as of December 31, 2019 and 2018, respectively. The Community Foundation generally uses these assets for grantmaking based on donor recommendations.

Endowment funds consist of donor-restricted endowments and funds designated by management as endowments. For 2019 and 2018, endowments are subject to an annual spending rate of 4% of the most recent 12 quarter market value average. Only the funds available for distribution in accordance with the Community Foundation's spending rate policy are included above.

As part of the Community Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Community Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 3—Investments

Investments consist of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-----------------------|-----------------------|
| Cash and equivalents: | | |
| Cash held for short-term investments | \$ 6,147,819 | \$ 6,518,390 |
| Certificate of deposit | 319,676 | 313,973 |
| Subtotal of cash and equivalents | <u>6,467,495</u> | <u>6,832,363</u> |
| Investments: | | |
| Equities and private equity | 91,051,162 | 72,459,633 |
| Fixed income | 30,059,615 | 27,555,476 |
| Real asset funds | 6,634,986 | 6,236,165 |
| Annuity contract | 639,797 | 572,251 |
| Alternative assets | 28,707,421 | 24,694,604 |
| Subtotal of investments | <u>157,092,981</u> | <u>131,518,129</u> |
| Donated Investments: | | |
| Limited partnership interests | - | 592,757 |
| Total investments | <u>\$ 163,560,476</u> | <u>\$ 138,943,249</u> |

Investments are allocated as follows at December 31:

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|
| Investments | \$ 160,474,505 | \$ 136,158,205 |
| Charitable remainder trusts and gift annuities held as trustee | 3,085,971 | 2,785,044 |
| | <u>\$ 163,560,476</u> | <u>\$ 138,943,249</u> |

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 as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Charitable remainder trusts and gift annuities assets | \$ 3,085,971 | \$ 2,785,044 |
| Liabilities under unitrust and annuity agreements | (2,315,879) | (2,111,020) |
| Other assets of the trusts | 51,274 | 47,385 |
| Split-interest agreements, net | <u>\$ 821,366</u> | <u>\$ 721,409</u> |

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4—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, 2019:

| | 2019 | | | |
|---|--|---|---|--|
| | 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 | \$ 6,467,495 | \$ 6,467,495 | \$ - | \$ - |
| Equities: | | | | |
| Equity securities – U.S. | 51,583,139 | 51,583,139 | - | - |
| Equity securities – Non- U.S. | 38,534,646 | 38,534,646 | - | - |
| Fixed income: | | | | |
| Corporate debt securities | 22,878,736 | 22,878,736 | - | - |
| U.S. government obligations | 3,526,753 | 3,526,753 | - | - |
| High yield/credit | 3,654,126 | 3,654,126 | - | - |
| Real asset funds | 6,634,986 | 6,634,986 | - | - |
| Alternative assets: | | | | |
| Absolute return | 3,462,604 | 3,462,604 | - | - |
| Directional/hedged equity | 39,679 | 39,679 | - | - |
| Investments measured at net asset value ⁽¹⁾ | 26,778,312 | - | - | - |
| | <u>157,092,981</u> | <u>130,314,669</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 163,560,476</u> | <u>\$ 136,782,164</u> | <u>\$ -</u> | <u>\$ -</u> |

⁽¹⁾ In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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Note 4—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, 2018:

| | 2018 | | | |
|--|---|---|--|--|
| | 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 | \$ 6,832,363 | \$ 6,832,363 | \$ - | \$ - |
| Equities: | | | | |
| Equity securities – U.S. | 38,296,051 | 38,296,051 | - | - |
| Equity securities – Non-U.S. | 33,339,640 | 33,339,640 | - | - |
| Fixed income: | | | | |
| Corporate debt securities | 18,803,376 | 18,803,376 | - | - |
| U.S. government obligations | 3,257,382 | 3,257,382 | - | - |
| High yield/credit | 5,494,718 | 5,494,718 | - | - |
| Real asset funds | 6,236,165 | 6,236,165 | - | - |
| Alternative assets: | | | | |
| Absolute return | 3,249,569 | 3,249,569 | - | - |
| Directional/hedged equity | 293,653 | 293,653 | - | - |
| Investments measured at net asset value ⁽¹⁾ | 22,547,575 | - | - | - |
| | <u>131,518,129</u> | <u>108,970,554</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 138,350,492</u> | <u>\$ 115,802,917</u> | <u>\$ -</u> | <u>\$ -</u> |

⁽¹⁾ In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no changes in the valuation techniques during 2019 or 2018. Unrealized gains (losses) are included in investment income, net, on the combined statements of activities and changes in net assets. Transfers between levels, if any, are recognized at the end of the year.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 4—Valuation of investments (continued)

For investments that calculate 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, 2019:

| <u>Investment/Strategy</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|------------------------------|----------------------|-----------------------------|--------------------------------------|---------------------------------|
| Private equity | \$ 933,377 | \$88,733 | n/a until 2025 | n/a until 2025 |
| Private real estate | 50,000 | 1,950,000 | n/a until 2027 | n/a until 2027 |
| Absolute return | 6,664,132 | n/a | Semi-annual | 95 days |
| Absolute return | 4,917,406 | n/a | Monthly | 91 days |
| Directional/hedged equity | 2,536,971 | n/a | Quarterly | 45 days |
| Directional/hedged equity | 4,436,181 | n/a | Semi-annual, up to 50% of investment | 95 days |
| Energy and infrastructure | 3,356,786 | n/a | Monthly, subject to 5% holdback | 30 days |
| Energy and infrastructure | 756,034 | 370,000 | n/a until 2034 | n/a until 2034 |
| Energy and infrastructure | 307,849 | 1,699,919 | n/a until 2029 | n/a until 2029 |
| Global, equity-oriented fund | 2,179,779 | n/a | Monthly | 90 days |
| Annuity contract | <u>639,797</u> | n/a | n/a | n/a |
| | <u>\$ 26,778,312</u> | | | |

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 4—Valuation of investments (continued)

For investments that calculate 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, 2018:

| <u>Investment/Strategy</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|------------------------------|----------------------|-----------------------------|--------------------------------------|---------------------------------|
| Private equity | \$ 823,942 | \$194,024 | n/a until 2025 | n/a until 2025 |
| Absolute return | 5,186,561 | n/a | Semi-annual | 95 days |
| Absolute return | 3,622,255 | n/a | Monthly | 91 days |
| Directional/hedged equity | 2,201,814 | n/a | Quarterly | 45 days |
| Directional/hedged equity | 3,737,108 | n/a | Semi-annual, up to 50% of investment | 95 days |
| Energy and infrastructure | 3,000,238 | n/a | Monthly, subject to 5% holdback | 30 days |
| Energy and infrastructure | 135,000 | 865,000 | n/a until 2034 | n/a until 2034 |
| Global, equity-oriented fund | 3,268,406 | n/a | Monthly | 90 days |
| Annuity contract | <u>572,251</u> | n/a | n/a | n/a |
| | <u>\$ 22,547,575</u> | | | |

Note 5—Pledges receivable

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

Pledges receivable at December 31 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|---------------------|
| Amount receivable in one year | \$ 30,447,300 | \$ 4,336,151 |
| Amount receivable in two to five years | 895,458 | 2,288,058 |
| Total unconditional promises to give | <u>31,342,758</u> | <u>6,624,209</u> |
| Discount to present value for future pledges, at 4.0% | (248,292) | (357,897) |
| Provision for losses on uncollectible pledges | <u>(122,732)</u> | <u>(939,666)</u> |
| Pledges receivable, net | <u>\$ 30,971,734</u> | <u>\$ 5,326,646</u> |

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
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Note 6—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 will be used for the acquisition of land, building, and equipment for the center.

Pledges restricted for the performing arts center at December 31 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|----------------------|
| Amount receivable in one year | \$ 2,718,528 | \$ 4,303,771 |
| Amount receivable in two to five years | 6,210,709 | 7,827,002 |
| Total unconditional promises to give | 8,929,237 | 12,130,773 |
| Discount to present value for future pledges, at 4.0% | (761,688) | (1,110,291) |
| Provision for losses on uncollectible pledges | (104,272) | (122,068) |
| Pledges receivable, net | <u>\$ 8,063,277</u> | <u>\$ 10,898,414</u> |

For the years ended December 31, 2019 and 2018, the Community Foundation incurred \$77,605 and \$48,397, respectively, of costs related to the performing arts center, which are included in program expenses on the combined statements 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 and then will begin reimbursing for construction costs up to \$36,826,000; through December 31, 2019, reimbursements totaling \$29,298,768 have been paid or accrued. Reimbursements for pre-construction design costs totaling \$39,071 and \$573,156, respectively, were made for the years ended December 31, 2019 and 2018. Construction for the performing arts center began in 2018. Reimbursement for construction costs totaling \$24,414,486 and \$458,775 were made for the years ending December 31, 2019 and 2018. Pre-construction and construction costs are included in grants for the performing arts center on the combined statements of activities and changes in net assets.

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. An updated financing commitment letter was executed in April 2017 with substantially the same terms over a period of 7.5 years. Additionally the Community Foundation, as approved by its Board of Directors, placed \$5,000,000 of unrestricted funds subject to an Account Control Agreement as further collateral of the bank financing. The loan closed in July 2017 with the first draw expected in 2020.

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Note 7—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. The outstanding note is non-interest bearing and is fully reserved.

Note 8—Real estate held

In October 2010, a real estate limited liability corporation which is included in the Community Foundation’s combined financial statements as a supporting organization, 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 lease requires a nominal monthly repair reserve payment and ends October 31, 2025.

Depreciation expense related to real estate held was \$48,698 for the years ended December 31, 2019 and 2018.

Note 9—Equipment and furniture

Equipment and furniture at December 31 consists of the following:

| | 2019 | 2018 |
|-------------------------------|-------------------|-------------------|
| Equipment | \$ 258,063 | \$ 253,670 |
| Furniture | 183,845 | 178,983 |
| Leasehold improvements | 164,241 | 164,241 |
| | 606,149 | 596,894 |
| Less accumulated depreciation | (496,618) | (462,049) |
| | <u>\$ 109,531</u> | <u>\$ 134,845</u> |

Depreciation and amortization expense related to equipment, furniture, and leasehold improvements was \$42,891 and \$46,277 for the years ended December 31, 2019 and 2018, respectively.

Note 10—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 Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The Board of Directors of the Community Foundation has interpreted UPMIFA 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 retains in perpetuity (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.

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Note 10—Endowments (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Community Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 UPMIFA 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 net assets with donor restrictions. Endowment assets are below the level required by donor stipulations by approximately \$11,419 and \$518,490 as of December 31, 2019 and 2018, 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.

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|---------------------|
| Fair value of underwater endowment funds | \$ 358,603 | \$ 16,993,856 |
| Original endowment gift amount | 370,022 | 17,512,346 |
| Deficiencies of underwater endowment funds | <u>\$ (11,419)</u> | <u>\$ (518,490)</u> |

The Community Foundation had the following activity in endowment net assets for 2019:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Beginning of the year | \$ - | \$ 45,752,864 | \$ 45,752,864 |
| Contributions and pledge collections | - | 1,896,369 | 1,896,369 |
| Investment return | - | 7,321,187 | 7,321,187 |
| Transfers to endowments | - | 1,653,005 | 1,653,005 |
| Appropriations and transfers from endowments | - | (3,202,459) | (3,202,459) |
| End of the year | <u>\$ -</u> | <u>\$ 53,420,966</u> | <u>\$ 53,420,966</u> |

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 10—Endowments (continued)

The Community Foundation had the following activity in endowment net assets for 2018:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Beginning of the year | \$ - | \$ 53,894,481 | \$ 53,894,481 |
| Contributions and pledge collections | - | 739,665 | 739,665 |
| Investment return | - | (4,464,555) | (4,464,555) |
| Transfers to endowments | - | 85,232 | 85,232 |
| Appropriations and transfers to endowments | - | (4,501,959) | (4,501,959) |
| End of the year | <u>\$ -</u> | <u>\$ 45,752,864</u> | <u>\$ 45,752,864</u> |

Note 11—Net assets

Net assets without donor restrictions were comprised as follows at December 31:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|----------------------|----------------------|
| Designated for donor-advised grants | \$ 63,459,389 | \$ 49,797,025 |
| Board designated: | | |
| Designated for operations | 2,324,655 | 2,288,764 |
| Designated for grants | | |
| Field of interest | 10,973,317 | 9,847,836 |
| Initiatives | 107,411 | 125,596 |
| Invested in property and equipment | 109,531 | 134,845 |
| Undesignated | 8,410,837 | 7,571,703 |
| | <u>\$ 85,385,140</u> | <u>\$ 69,765,769</u> |

Net assets with donor restrictions were comprised as follows at December 31:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Remainder interest from split-interest agreements | \$ 1,815,697 | \$ 1,565,851 |
| Purpose restrictions | 16,958,894 | 40,142,334 |
| Restricted for the passage of time | 1,176,772 | 1,255,235 |
| Endowments: | | |
| Endowed donor advised | 10,114,623 | 11,533,830 |
| Field of interest | 10,644,076 | 8,801,813 |
| Special interest | 19,459,164 | 17,882,518 |
| Scholarships | 1,581,001 | 1,579,926 |
| Accumulated investment gains - endowments | 11,633,521 | 6,473,267 |
| Underwater endowments | (11,419) | (518,490) |
| Total Endowments | <u>53,420,966</u> | <u>45,752,864</u> |
| Total net assets with donor restrictions, before pledges | 73,372,329 | 88,716,284 |
| Endowed pledges and testamentary gifts outstanding | 23,578,159 | 2,630,539 |
| Total net assets with donor restrictions | <u>\$ 96,950,488</u> | <u>\$ 91,346,823</u> |

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 12—Retirement expenses

The Community Foundation provides a defined contribution retirement plan covering substantially all its employees. Employees covered under the plan are eligible to receive a retirement contribution from the Community Foundation of 7% of their gross earnings after one year of service. Total expense related to the plan was \$113,852 and \$103,393 for the years ended December 31, 2019 and 2018, respectively.

Note 13—Operating leases

The Community Foundation leases office equipment and space under noncancelable operating leases which expire at various dates through 2023. Rental expense for each of the years ended December 31, 2019 and 2018, was \$174,988 and \$172,179, respectively.

Future minimum lease payments under the noncancelable operating leases as of December 31, 2019 are as follows:

| <u>Year Ending</u> | |
|--------------------|-------------------|
| 2020 | \$ 188,078 |
| 2021 | 98,324 |
| 2022 | 7,956 |
| 2023 | 7,956 |
| | <u>\$ 302,314</u> |

Note 14—Subsequent events

Management has performed an evaluation of subsequent events through May 19, 2020, which is the date the combined financial statements were available to be issued.

Subsequent to December 31, 2019, the Community Foundation initiated draws on the loan related to the construction of the Steven B. Tanger Center for the Performing Arts. As of May 19, 2020, the outstanding balance on the loan was \$9,417,361.

As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which are likely to negatively impact operating results including investment balances due to related market volatility, an expected decrease in contributions, and pledge collectability. Other financial impacts could occur though such potential impact is unknown at this time.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.
AND COMBINED SUPPORTING ORGANIZATIONS
SCHEDULE OF EXPENDITURES OF STATE AWARDS**

YEAR ENDED DECEMBER 31, 2019

| Grantor/Pass-Through Grantor/Program Title | State/Pass-Through Grantor's Number | Expenditures | |
|---|--|---------------------|---|
| | | State | Pass-Through to Sub-Recipients |
| STATE GRANTS | | | |
| Office of State Budget and Management | | | |
| Eastern Triad Workforce Development | 5761 | \$ 2,392,004 | \$ 1,394,514 |
| TOTAL ASSISTANCE-STATE PROGRAMS | | <u>\$ 2,392,004</u> | <u>\$ 1,394,514</u> |

Notes to the Schedule of Expenditures of State Awards

Note 1—Basis of presentation

The foregoing schedule of expenditures of state awards includes the state grant activity of the Community Foundation under the programs of the State of North Carolina for the year ended December 31, 2019. Due to the schedule representing only a selected portion of the operations of the Community Foundation, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Community Foundation.

Note 2—Summary of significant accounting policies

Expenditures reported in the schedule of expenditures of state awards are reported on the accrual basis.

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors
Community Foundation of Greater Greensboro
Greensboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying combined financial statements of the Community Foundation of Greater Greensboro and Combined Supporting Organizations, (collectively the “Community Foundation”), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements, and have issued our report thereon dated May 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Community Foundation’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Foundation’s internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation’s combined financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community Foundation’s combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Community Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheryl Behrnt LLP

Raleigh, North Carolina
May 19, 2020