

Triangle Community Foundation, Inc. and Affiliates

Consolidated Financial Report
June 30, 2015

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Independent Auditor's Report

To the Board of Directors
Triangle Community Foundation, Inc.
Durham, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Triangle Community Foundation, Inc. and Affiliates which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Triangle Community Foundation, Inc. and Affiliates as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "McGladrey LLP".

Raleigh, North Carolina
December 16, 2015

RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 1,833,805	\$ 1,236,136
Receivables and Prepaid Expenses	480,451	6,627,907
Investments (Notes 2 and 4)	183,945,201	167,063,900
Other Investments (Note 4)	6,182,100	3,353,200
Beneficial Interest in Split-Interest Agreements (Notes 4 and 5)	9,884,717	10,307,753
Rental Real Estate, net of Accumulated Depreciation (2015 - \$442,833; 2014 - \$426,388)	756,667	773,112
Office Furniture, Equipment and Software, net of Accumulated Depreciation (2015 - \$373,286; 2014 - \$365,085)	7,520	16,533
	<hr/>	<hr/>
Total assets	\$ 203,090,461	\$ 189,378,541
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 84,735	\$ 69,690
Grants payable (Note 3)	440,724	427,134
Assets held on behalf of other organizations (Note 7)	17,327,198	12,091,067
	<hr/>	<hr/>
Total liabilities	17,852,657	12,587,891
Commitments (Notes 4 and 8)		
Net Assets (Note 1)		
Unrestricted	174,605,462	165,702,790
Temporarily restricted (Note 5)	9,974,951	10,430,719
Permanently restricted (Note 6)	657,391	657,141
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Total net assets	185,237,804	176,790,650
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Total liabilities and net assets	\$ 203,090,461	\$ 189,378,541

See Notes to Consolidated Financial Statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
Contributions	\$ 31,358,526	\$ 254,937	\$ 250	\$ 31,613,713
Interest and dividend income	2,698,980	6,703	-	2,705,683
Net realized and unrealized gains (losses) on investments	(1,254,512)	(2,317)	-	(1,256,829)
Change in value of split-interest agreements	-	(412,855)	-	(412,855)
Other income	268,368	-	-	268,368
Net assets released from donor restrictions (Note 5)	302,236	(302,236)	-	-
	<u>33,373,598</u>	<u>(455,768)</u>	<u>250</u>	<u>32,918,080</u>
Less support and revenue from assets held on behalf of other organizations (Note 7)	(5,851,400)	-	-	(5,851,400)
Total support and revenue	<u>27,522,198</u>	<u>(455,768)</u>	<u>250</u>	<u>27,066,680</u>
Expenses				
Programs:				
Grantmaking	16,756,533	-	-	16,756,533
Philanthropic services	991,367	-	-	991,367
Special projects	436,920	-	-	436,920
Fund management	198,136	-	-	198,136
Administrative	723,663	-	-	723,663
Fundraising	330,346	-	-	330,346
	<u>19,436,965</u>	<u>-</u>	<u>-</u>	<u>19,436,965</u>
Less expenses from assets held on behalf of other organizations (Note 7)	(615,269)	-	-	(615,269)
Total expenses	<u>18,821,696</u>	<u>-</u>	<u>-</u>	<u>18,821,696</u>
Net Gain (Loss) on Other Investments (Note 4)	178,284	-	-	178,284
Other, Gain (Loss) on Sale of Gifted Assets	23,886	-	-	23,886
Change in net assets	<u>8,902,672</u>	<u>(455,768)</u>	<u>250</u>	<u>8,447,154</u>
Net Assets				
Beginning	165,702,790	10,430,719	657,141	176,790,650
Ending	<u>\$ 174,605,462</u>	<u>\$ 9,974,951</u>	<u>\$ 657,391</u>	<u>\$ 185,237,804</u>

See Notes to Consolidated Financial Statements.

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 25,198,857	\$ -	\$ -	\$ 25,198,857
2,797,955	6,881	-	2,804,836
17,748,774	101,883	-	17,850,657
-	553,533	-	553,533
229,235	-	-	229,235
291,502	(291,502)	-	-
46,266,323	370,795	-	46,637,118
(4,389,212)	-	-	(4,389,212)
41,877,111	370,795	-	42,247,906
15,491,355	-	-	15,491,355
879,255	-	-	879,255
129,628	-	-	129,628
155,127	-	-	155,127
758,928	-	-	758,928
431,143	-	-	431,143
17,845,436	-	-	17,845,436
(457,442)	-	-	(457,442)
17,387,994	-	-	17,387,994
(49,000)	-	-	(49,000)
(9,720)	-	-	(9,720)
24,430,397	370,795	-	24,801,192
141,272,393	10,059,924	657,141	151,989,458
\$ 165,702,790	\$ 10,430,719	\$ 657,141	\$ 176,790,650

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 8,447,154	\$ 24,801,192
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,458	37,141
Net realized and unrealized (gain) loss on investments	1,256,829	(17,850,657)
Net (gain) loss on other investments	(178,284)	49,000
Contributions of other investments	(2,992,000)	(171,121)
Contributions of split-interest agreements	(254,937)	-
Change in value of split-interest agreements	412,855	(553,533)
Contributions restricted for long-term investment	(250)	-
Payments received on charitable lead trusts	265,118	255,078
Changes in assets and liabilities:		
Receivables and prepaid expenses	6,147,456	(6,564,849)
Accounts payable and accrued expenses	15,045	(31,702)
Grants payable	13,590	47,197
Assets held on behalf of other organizations	5,236,131	3,931,770
Net cash provided by operating activities	18,394,165	3,949,516
Cash Flows From Investing Activities		
Proceeds from sale of other investments	341,384	171,121
Proceeds from sales and maturities of investments	59,128,469	70,962,195
Purchase of investments	(77,266,599)	(74,165,368)
Net cash used in investing activities	(17,796,746)	(3,032,052)
Cash Flows Provided by Financing Activities		
Proceeds from contributions restricted for long-term investment	250	-
Net increase in cash	597,669	917,464
Cash:		
Beginning	1,236,136	318,672
Ending	\$ 1,833,805	\$ 1,236,136

See Notes to Consolidated Financial Statements.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Triangle Community Foundation, Inc. (the Foundation) was incorporated in September 1983 as a nonprofit corporation. The Foundation's mission is to connect philanthropic resources with community needs, create opportunities for enlightened change, and encourage philanthropy as a way of life. The Foundation receives gifts, grants and bequests for the purpose of making charitable donations to approved organizations.

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

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and its affiliated supporting organizations, the Durham Arts Council Fund of the Triangle Community Foundation and the TCF Real Estate Foundation. The net assets of the Durham Arts Council Fund were \$747,625 and \$780,107 at June 30, 2015 and 2014, respectively. The net assets of the TCF Real Estate Foundation were \$6,371,742 and \$3,366,938 at June 30, 2015 and 2014, respectively. The supporting organizations were established effective July 1, 1993, and June 29, 2004, respectively, as tax-exempt organizations. The supporting organizations are consolidated with the Foundation in the accompanying consolidated financial statements because they are operated and controlled by the Foundation and because their charitable purposes are consistent with the Foundation's mission. Intercompany balances and transactions are eliminated in consolidation.

Basis of presentation: In preparing its consolidated financial statements, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. At June 30, 2015 and 2014, the Foundation's unrestricted net assets included approximately \$8.2 million and \$8.3 million of operating and undesignated funds. The remainder of unrestricted net assets consists of funds with donor-imposed stipulations that are subject to the Foundation's variance power as further described below.

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed restrictions that may or will be met either by actions of the Foundation and/or by the passage of time.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. At June 30, 2015 and 2014, all permanently restricted net assets were restricted for the Durham Arts Council.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of investments: Investments are presented in the financial statements at fair value in accordance with Topic 820, *Fair Value Measurement*, of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Investments in securities traded on a national securities exchange, or reported on the NASDAQ global market, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short sales positions and call options written, for which the last quoted asked price is used. Commercial paper is stated at cost plus accrued interest, which approximates fair value.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Valuation of investments (Continued): FASB ASC Topic 820 permits reporting entities, as a practical expedient, to estimate the fair value of their investments in certain entities that calculate net asset value (NAV) per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) by using NAV if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of FASB ASC Topic 946, *Financial Services – Investment Companies*, as of the reporting entity's measurement date. Examples of such investments, which are often referred to as alternative investments, include hedge funds, private equity funds, real estate funds, venture capital funds, commodity funds, offshore fund vehicles, and funds of funds, as well as some bank common/collective trust funds and other similar funds.

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

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

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk.

Concentrations of credit risk: The Foundation places deposits with financial institutions that may at times be in excess of federal insurance limits. The Foundation is also engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Foundation may be exposed to risk of loss. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Foundation's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators that contain a variety of representations and warranties and which provide general indemnifications and guarantees against specified potential losses in connection with their activities as an agent of, or providing services to, the Foundation. The Foundation's maximum exposure under these agreements is unknown, as this may involve future claims that could be made against the Foundation and have not yet occurred. The Foundation expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Concentrations of credit risk (continued): Within an alternative investment, the underlying fund managers may utilize derivative instruments with off-balance-sheet risk. The Foundation's exposure to risk is limited to the amount of its investment.

Securities transactions, interest and dividends: Securities transactions are recorded on a trade-date basis and are carried at fair value. 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 net realized and unrealized gains on investments in the accompanying consolidated statements of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Interest and dividends and net realized and unrealized gains are generally recorded as unrestricted revenue because the related investments on which the revenue is earned are classified as unrestricted assets. Interest and dividends and net realized and unrealized gains related to the Durham Arts Council Fund are recorded as temporarily restricted revenue due to donor restrictions.

Other investments: Other investments reflect the Foundation's direct ownership in real estate as well as the Foundation's membership interest in a limited liability company (LLC) that owns real estate. Other investments are recognized as contribution revenue in the year of donation. The foundation has elected to report other investments at fair value. Fair value estimates involve an analysis of various real estate market information, including the availability of contemporaneous appraisals. The fair value estimate of the membership interest in the LLC involves certain discounts for lack of marketability and lack of control.

Contributions from board members: Contributions from board members were \$1,493,404 and \$1,516,569 for the years ended June 30, 2015 and 2014, respectively.

Beneficial interest in split-interest agreements: The Foundation is the named charitable beneficiary for a number of known irrevocable charitable remainder unitrusts, charitable remainder annuity trusts, charitable lead unitrusts, and charitable lead annuity trusts (split-interest agreements). All such trusts are held and managed by independent third-party trustees. The assets held in charitable remainder trusts will remain in trust, paying income to the donors during their lifetime, and the remainder assets will become property of the Foundation upon the donors' deaths. The assets held in the charitable lead trusts will also remain in trust but will pay income to the Foundation during the trusts' terms, the remainder being distributed to one or more named beneficiaries when the trusts terminate. All such charitable trusts have been recorded in the accompanying consolidated financial statements as temporarily restricted net assets and as support of the Foundation at the present value of their estimated future benefit to the Foundation. The expected future benefit to the Foundation has been calculated based on the fair value of the trusts' assets and/or the stipulated income payout, as adjusted by actuarial assumptions and discounted at an appropriate risk-adjusted rate. At June 30, 2015, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 6.6%, payout rates as stated in the agreement between 3% and 10%, and a discount rate of 6.6%. At June 30, 2014, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 7.55%, payout rates as stated in the agreement between 3% and 10%, and a discount rate of 7.55%.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

The Foundation is also named as beneficiary of a number of other known trusts and wills which, by their nature, are conditional and, therefore, are not recorded in the accompanying consolidated financial statements. In certain circumstances, such as the death of a donor before year end but for which expected proceeds have yet to be received, the Foundation records a receivable for the expected proceeds from liquidated trusts or life insurance. There are no receivables attributable to such payments received after June 30, 2015. At June 30, 2014, the Foundation had recorded \$6,563,695 of receivables attributable to such payments received after June 30, 2014. These receivables are recorded in Receivables and Prepaid Expenses in the accompanying consolidated statements of financial position at June 30, 2014.

Rental real estate: Rental real estate represents land and a building that were contributed in 1987 and recorded at fair value at the date of donation. Depreciation on the building is computed using the straight-line method over the estimated useful life of 31 years. Including amounts resulting from in-kind rental activities, rental income was \$173,774 and \$161,686 for the years ended June 30, 2015 and 2014, respectively, and is included in other income in the consolidated statements of activities.

Office furniture, equipment and software: Office furniture, equipment and software is reflected at cost (or estimated fair value when donated), less accumulated depreciation. Purchased office furniture, equipment and software are capitalized when the cost exceeds \$1,500. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Office equipment is depreciated over five years, furniture is depreciated over five or seven years, computer equipment is depreciated over three years, and capitalized software is depreciated over five years.

Impairment of long-lived assets: The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When necessary, the Foundation records charges for impairments of long-lived assets for the amount by which the present value of future cash flows, or some other fair value measure, is less than the carrying value of these assets.

Grantmaking: The Foundation receives grant recommendations from donors on a regular basis. Only recommendations that have been fully approved by the Foundation as of the end of the year and not yet paid are recorded as grants payable. Grants are expensed in the year in which the award is fully approved, although the grant may be payable over several years. Recommendations that are not fully approved are not recorded.

Assets held on behalf of other organizations: The Foundation records a liability for agency funds that are reciprocal – funds provided by donors where the donors themselves are named as beneficiary.

Revenue recognition: Contributions are recognized as revenue when received or unconditionally promised. The Foundation reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated asset. Most contributions, including those with donor-imposed stipulations, are subject to the variance power described in the donor agreements and established by the Foundation's Resolution and Declaration of Trust. This variance power provides the Foundation's Board of Directors with the ability to modify donor stipulations that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of this variance power, most contributions are classified as unrestricted for financial statement purposes.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), the temporarily restricted net asset is reclassified to unrestricted net assets and reported as net assets released from restrictions. When the restriction is met in the same period in which the contribution is received, such contributions are reported as unrestricted support.

Investment expense: The Foundation reports investment income net of the related investment expense. Total investment expense was \$725,997 and \$664,066 for the years ended June 30, 2015 and 2014, respectively.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and, accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax status: The Foundation and its affiliated supporting organizations are each exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and are classified as nonprivate foundations. Therefore, no provision for income taxes has been reflected in the accompanying consolidated financial statements. Management evaluated the tax positions of the Foundation and its affiliated supporting organizations and concluded that the Foundation and its affiliated supporting organizations had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the FASB ASC. The Foundation files a Form 990-T in accordance with applicable U.S. federal regulations.

Fair value disclosures: The carrying amounts of receivables, accounts payable, grants payable, and assets held on behalf of other organizations approximate fair value. Investments and other investments are carried at fair value, except for certificates of deposit and cash surrender value of life insurance policies, for which the carrying value approximates fair value. Beneficial interests in split-interest agreements are carried at estimated fair value.

Recent accounting pronouncements: In May 2015, the FASB issued 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 this ASU 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. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. Management is currently evaluating the impact this update will have on the financial statements.

Reclassification: Certain accounts in the prior year financial statements have been reclassified, with no effect on net assets or change in net assets, for comparative purposes to conform to the presentation in the current year financial statements.

Subsequent events: The Foundation has evaluated its subsequent events (events occurring after June 30, 2015) through December 16, 2015, which represents the date the consolidated financial statements were available to be issued.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Investments

The carrying value of investments at June 30, 2015 and 2014, are comprised of the following:

	2015	2014
Money market funds	\$ 19,092,996	\$ 15,485,412
Equity securities and mutual funds	64,132,708	59,544,180
Fixed income securities and mutual funds	26,943,161	22,709,251
Alternative investments	71,985,679	66,892,790
Investments reported at fair value	182,154,544	164,631,633
Certificates of deposit	1,685,945	2,256,223
Cash surrender value of life insurance policy	104,712	176,044
Total investments	\$ 183,945,201	\$ 167,063,900

Investments are exposed to various risks, such as interest rate, credit, and market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the Foundation's investment balance reported in the consolidated statements of financial position. As of June 30, 2015, the Foundation's ownership in alternative investment funds ranged from 0.02% to 3.04% of the respective fund's net assets, except for Pagosa Investors (Cayman), Ltd., of which the Foundation held a 6.24% ownership interest. See Note 4 for further details of investments reported at fair value.

Note 3. Grants Payable

The Foundation recognizes grants expected to be paid in periods greater than one year at the discounted present value of the future cash flows. However, such discounted amounts are not material and are not recorded at June 30, 2015 and 2014. Amounts remaining unpaid at June 30, 2015 and 2014, are as follows:

	2015	2014
In one year or less	\$ 330,324	\$ 321,134
Between one year and five years	110,400	106,000
	\$ 440,724	\$ 427,134

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements

Accounting principles generally accepted in the United States of America (GAAP) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1	Financial instruments with unadjusted, quoted prices listed on active market exchanges.
Level 2	Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
Level 3	Financial instruments that are not actively traded on an active exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

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

Investments:

Money Market Funds: Money market funds are exchange traded in active markets and are classified within Level 1 of the valuation hierarchy. Proprietary money market funds that are not listed on national markets or exchanges are classified within Level 2 of the hierarchy using prices for money market funds of substantially similar composition for which quoted prices listed on an active market exchange are available.

Equity Securities and Mutual Funds: Equity securities and equity mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy. Equity securities that are not listed on national markets or exchanges are classified within Level 2 of the hierarchy using prices for equity securities of entities engaged in substantially comparable activities for which quoted prices listed on active market exchanges are available.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

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

Alternative Investments: Alternative investments are valued using the NAV as a practical expedient to determine fair value. The NAV is based on observable data such as ongoing redemption and/or subscription activity. In these cases, the NAV is considered a Level 2 input. However, certain funds may provide the manager with the ability to suspend or postpone redemption (a gate) or contain a lock-up period upon initial subscription, within which the Foundation may not redeem without incurring a penalty. In the case of the imposition of a gate, if a lock-up period of in excess of 3 months is remaining at the Foundation's financial statement date, or if the Foundation may not redeem its holding in the fund within 3 months or less, the Foundation's ability to validate or verify the NAV through redeeming is impaired, and the investment is generally classified as Level 3.

Split interest agreements: Beneficial interests in split-interest agreements are classified as Level 2 due to being measured using present value techniques based on terms of the agreements, risk-adjusted discount rates and, in some instances, life expectancy estimates.

Other investments: Other investments reflect direct ownership in real estate and membership interest in a limited liability company (LLC) that owns real estate and are classified as Level 3 based on various real estate market information, including the availability of contemporaneous appraisals.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis: The following tables summarize financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2015 and 2014:

	2015			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Investments:				
Money market funds	\$ 17,138,446	\$ 1,954,550	\$ -	\$ 19,092,996
Equity securities:				
U.S. large/mid cap	2,050,726	-	-	2,050,726
U.S. small cap	542,409	-	-	542,409
International developed	839,469	-	-	839,469
Emerging markets	166,172	-	-	166,172
Total equity securities	3,598,776	-	-	3,598,776
Equity mutual funds:				
U.S. large/mid cap	33,772,770	-	-	33,772,770
U.S. small cap	3,802,638	-	-	3,802,638
International developed	15,452,016	-	-	15,452,016
Emerging markets	7,506,508	-	-	7,506,508
Total equity mutual funds	60,533,932	-	-	60,533,932
Fixed income securities:				
U.S. government and agencies	-	998,570	-	998,570
Corporate	3,194,706	-	-	3,194,706
Global fixed	636,878	-	-	636,878
Total fixed income securities	3,831,584	998,570	-	4,830,154
Fixed income mutual funds:				
U.S. government and agencies	16,391,882	-	-	16,391,882
Corporate	4,824,776	-	-	4,824,776
Global fixed	896,349	-	-	896,349
Total fixed income mutual funds	22,113,007	-	-	22,113,007
Alternative investments:				
Multi-strategy	-	14,722,430	11,551,310	26,273,740
Global macro	-	31,737,033	7,432,173	39,169,206
Private equity	-	-	6,542,733	6,542,733
Total alternative investments	-	46,459,463	25,526,216	71,985,679
Total investments	107,215,745	49,412,583	25,526,216	182,154,544
Other investments	-	-	6,182,100	6,182,100
Beneficial interest in split-interest agreements	-	9,884,717	-	9,884,717
Total financial assets	\$ 107,215,745	\$ 59,297,300	\$ 31,708,316	\$ 198,221,361

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

	2014			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Investments:				
Money market funds	\$ 11,599,988	\$ 3,885,424	\$ -	\$ 15,485,412
Equity securities:				
U.S. large/mid cap	4,878,367	-	-	4,878,367
U.S. small cap	870,568	39,997	-	910,565
International developed	1,199,204	-	-	1,199,204
Emerging markets	155,630	-	-	155,630
Total equity securities	7,103,769	39,997	-	7,143,766
Equity mutual funds:				
U.S. large/mid cap	29,541,403	-	-	29,541,403
U.S. small cap	404,319	-	-	404,319
International developed	15,182,907	-	-	15,182,907
Emerging markets	7,271,785	-	-	7,271,785
Total equity mutual funds	52,400,414	-	-	52,400,414
Fixed income securities:				
U.S. government and agencies	-	1,230,597	-	1,230,597
Corporate	2,436,544	-	-	2,436,544
Global fixed	336,332	-	-	336,332
Total fixed income securities	2,772,876	1,230,597	-	4,003,473
Fixed income mutual funds:				
U.S. government and agencies	13,592,820	-	-	13,592,820
Corporate	4,335,241	-	-	4,335,241
Global fixed	777,717	-	-	777,717
Total fixed income mutual funds	18,705,778	-	-	18,705,778
Alternative investments:				
Multi-strategy	-	17,210,047	10,886,871	28,096,918
Global macro	-	26,389,344	6,855,281	33,244,625
Private equity	-	-	5,551,247	5,551,247
Total alternative investments	-	43,599,391	23,293,399	66,892,790
Total investments	92,582,825	48,755,409	23,293,399	164,631,633
Other investments			3,353,200	3,353,200
Beneficial interest in split-interest agreements	-	10,307,753	-	10,307,753
Total financial assets	\$ 92,582,825	\$ 59,063,162	\$ 26,646,599	\$ 178,292,586

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

The following table reconciles the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2015 and 2014:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Alternative Investments				Total
	Multi- Strategy	Global Macro	Private Equity	Other Investments	
Balance, June 30, 2013	\$ 11,396,354	\$ 6,319,323	\$ 3,593,958	\$ 3,402,200	\$ 24,711,835
Contributions	-	-	-	171,121	171,121
Purchases	5,500,000	-	1,628,229	-	7,128,229
Sales	(4,138,625)	-	(403,446)	(171,121)	(4,713,192)
Realized gains	339,446	-	243,151	-	582,597
Unrealized gains (losses)	601,024	535,958	489,355	(49,000)	1,577,337
Transfers out of Level 3	(2,811,328)	-	-	-	(2,811,328)
Balance, June 30, 2014	10,886,871	6,855,281	5,551,247	3,353,200	26,646,599
Contributions	-	-	-	2,992,000	2,992,000
Purchases	1,000,000	-	1,643,453	-	2,643,453
Sales	(150,000)	-	(1,265,552)	(341,384)	(1,756,936)
Realized gains	295,440	-	250,764	178,284	724,488
Unrealized gains (losses)	(481,001)	576,892	362,821	-	458,712
Balance, June 30, 2015	<u>\$ 11,551,310</u>	<u>\$ 7,432,173</u>	<u>\$ 6,542,733</u>	<u>\$ 6,182,100</u>	<u>\$ 31,708,316</u>

During the year ended June 30, 2014, transfers out of Level 3 were the result of restrictions on redemption expiring, such that the Foundation was able to redeem the respective investments within 90 days.

The amount of realized and unrealized gains (losses) included in change in net assets attributable to the change in unrealized gains (losses) relating to Level 3 investments held at June 30, 2015 and 2014, are as follows:

	2015	2014
Alternative investments		
Multi-Strategy	\$ (503,633)	\$ 324,033
Global Macro	479,331	535,958
Private Equity	43,288	489,355
Other Investments	-	(49,000)
	<u>\$ 18,986</u>	<u>\$ 1,300,346</u>

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

The following tables present the Foundation's alternative investments, which are reported at net asset value or its equivalent, and unfunded commitments at June 30, 2015 and 2014:

Alternative Investments Strategy Category	Fair Value	2015			Unfunded Commitments
		Current Lock-up Period Expiration	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (in Days)	
Multi-Strategy ^(a)					
Champlain Small Cap Fund, LLC	\$ 3,749,356	n/a	Monthly	15	\$ -
ACM Financial Trust, Inc.	3,000,000	December 2015	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	1,546,439	n/a	Quarterly	70	-
Mason Capital, Ltd.	1,203,269	December 2015	n/a	45	-
Pagosa Investors (Cayman), Ltd.	3,033,536	n/a	Quarterly	45	-
Sankaty Senior Loan Fund, LP	3,845,475	n/a	Annually	60	-
Luxor Capital Partners Offshore, Ltd.	1,956,127	March 2017	n/a	90	-
Focused Investors Fund, LP	7,939,538	n/a	Monthly	30	-
Multi-Strategy total	26,273,740				-
Global Macro ^(b)					
Forester Offshore, Ltd.	2,365,444	March 2016	n/a	95	-
Forester Offshore, Ltd.	1,966,026	March 2017	n/a	95	-
Forester Offshore, Ltd.	3,100,703	March 2018	n/a	95	-
Colchester Global Bond Fund	4,903,568	n/a	Monthly	10	-
Gryphon International EAFE Growth Group Fund	6,558,013	n/a	Monthly	10	-
Mondrian Emerging Markets Debt Fund, LP	1,660,688	n/a	Monthly	15	-
Oaktree High Yield Fund, LP	2,065,082	n/a	Monthly	10	-
Marathon-London International Investment Trust I	10,326,507	n/a	Monthly	5	-
Highclere International Investors					
Emerging Markets SMID Fund	2,383,742	n/a	Monthly	10	-
SummerHaven Commodity Offshore Fund, Ltd.	3,839,433	n/a	Monthly	5	-
Global Macro total	39,169,206				-
Private Equity ^(c)					
TIFF Private Equity Partners 2009, LLC	689,109	n/a	n/a	n/a	382,500
NorthGate IV, LP	811,278	n/a	n/a	n/a	100,000
Perennial Real Estate Fund II, LP	1,450,765	n/a	n/a	n/a	325,000
StepStone Capital III, LP	875,653	n/a	n/a	n/a	223,382
Denham Commodity Partners Fund VI, LP	401,659	n/a	n/a	n/a	573,031
CrossHarbor Capital Partners, LP	1,366,393	n/a	n/a	n/a	423,529
Aether Real Assets III, LP	197,541	n/a	n/a	n/a	1,068,079
GEM Realty Fund V, LP	577,907	n/a	n/a	n/a	1,400,000
Montauk Triguard Fund VI, LP	172,428	n/a	n/a	n/a	1,050,000
Lakestar II, LP	-	n/a	n/a	n/a	998,460
Patron Capital V, LP	-	n/a	n/a	n/a	2,000,000
Private Equity total	6,542,733				8,543,981
Alternative Investments total	\$ 71,985,679				\$ 8,543,981

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

Alternative Investments Strategy Category	Fair Value	2014			Unfunded Commitments
		Current Lock-up Period Expiration	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (in Days)	
Multi-Strategy (a)					
Advisory Research Small Cap Value Fund II, LP	\$ 3,786,503	n/a	Monthly	30	\$ -
Champlain Small Cap Fund, LLC	3,320,138	n/a	Monthly	15	-
ACM Financial Trust, Inc.	3,000,000	September 2015	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	1,483,403	n/a	Quarterly	70	-
Mason Capital, Ltd.	1,485,956	December 2014	n/a	45	-
Pagosa Investors (Cayman), Ltd.	2,935,367	n/a	Quarterly	45	-
Sankaty Senior Loan Fund, LP	3,805,421	n/a	Annually	60	-
Luxor Capital Partners Offshore, Ltd.	1,112,092	March 2015	n/a	90	-
Focused Investors Fund, LP	7,168,038	n/a	Monthly	30	-
Multi-Strategy total	28,096,918				-
Global Macro (b)					
Forester Offshore, Ltd.	2,860,024	March 2015	n/a	95	-
Forester Offshore, Ltd.	2,181,836	March 2016	n/a	95	-
Forester Offshore, Ltd.	1,813,421	March 2017	n/a	95	-
Colchester Global Bond Fund	4,335,102	n/a	Monthly	10	-
Gryphon International EAFE Growth Group Fund	9,175,817	n/a	Monthly	10	-
Mondrian Emerging Markets Debt Fund, LP	2,543,290	n/a	Monthly	15	-
Oaktree High Yield Fund, LP	2,044,562	n/a	Monthly	10	-
Marathon-London International Investment Trust I	5,584,803	n/a	Monthly	5	-
Highclere International Investors					
Emerging Markets SMID Fund	2,705,770	n/a	Monthly	10	-
SummerHaven Commodity Offshore Fund, Ltd.	-	n/a	Monthly	5	3,000,000
Global Macro total	33,244,625				3,000,000
Private Equity (c)					
TIFF Private Equity Partners 2009, LLC	662,686	n/a	n/a	n/a	488,750
NorthGate IV, LP	947,729	n/a	n/a	n/a	130,000
Perennial Real Estate Fund II, LP	1,199,666	n/a	n/a	n/a	745,000
StepStone Capital III, LP	656,065	n/a	n/a	n/a	359,872
Denham Commodity Partners Fund VI, LP	369,708	n/a	n/a	n/a	688,613
CrossHarbor Capital Partners, LP	1,436,581	n/a	n/a	n/a	611,765
Aether Real Assets III, LP	101,870	n/a	n/a	n/a	1,165,109
GEM Realty Fund V, LP	176,942	n/a	n/a	n/a	1,780,000
Montauk Triguard Fund VI, LP	-	n/a	n/a	n/a	1,250,000
Private Equity total	5,551,247				7,219,109
Alternative Investments total	\$ 66,892,790				\$ 10,219,109

- (a) This category includes a combination of some or all of the other strategies. Managers have the flexibility to invest across all asset classes, and to change their allocations to various strategies and instruments as they see fit. Instruments include equities, options, futures, bonds, loans, derivatives, and others. Multi-Strategy funds may go long or short and typically use leverage to help diversify their allocations.
- (b) This category includes investments in futures, equities, and debt. Managers try to predict global trends and will take more country or commodity specific views. Managers have the ability to go both long or short, and use leverage.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements (Continued)

- (c) This category includes investments made into companies that are not publicly traded on a stock exchange. Managers can make investments in companies to provide for expansion, new product development, and operational or capital restructuring. Private equity investees are generally structured as Limited Partnerships. The Foundation's rights and obligations as a limited partner are outlined in limited partnership agreements, including terms related to periodic capital calls and distributions. Private equity funds typically do not have redemption features. As a result, there is no determinable date for receipt of the proceeds from these investments.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014, are available in future years for the following purposes:

	2015	2014
Time restrictions related to beneficial interest in split-interest agreements	\$ 9,884,717	\$ 10,307,753
Restricted for Durham Arts Council	90,234	122,966
	<u>\$ 9,974,951</u>	<u>\$ 10,430,719</u>

During 2015 and 2014, net assets of \$302,236 and \$291,502, respectively, were released from donor restriction by meeting the restricted purpose or by the passage of time. See Note 6 for activity related to the Durham Arts Council Fund.

Note 6. Endowment Funds

The Foundation's endowment consists of one donor-restricted endowment fund with the Durham Arts Council Fund of the Triangle Community Foundation, an affiliated supporting organization included in the consolidated financial statements. As required by GAAP, net assets associated with endowment funds, including any funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has determined that no other individual fund meets the definition of an endowment under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Foundation's Board of Directors has interpreted the North Carolina enacted version of UPMIFA (NCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 by the Foundation in a manner consistent with the standard of prudence prescribed by NCUPMIFA.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6. Endowment Funds (Continued)

In accordance with NCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund.
- The purposes of the Foundation and the endowment fund.
- Price-level trends and general economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policy of the Foundation.

The Foundation's current general spending policy is to distribute an amount equal to 5% of a rolling 13-quarter average fund balance. This spending policy is consistent with the average long-term return expectation, providing ongoing support of donors' charitable interests and additional growth to the endowment funds. Appropriations from endowment funds are approved by the Foundation's Board.

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor or NCUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2015 or 2014.

The following table summarizes changes in endowment net assets for the years ended June 30, 2015 or 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2013	\$ -	\$ 50,626	\$ 657,141	\$ 707,767
Realized and unrealized gains net of interest, other investment income and fees	-	108,764	-	108,764
Appropriations of endowment assets	-	(36,424)	-	(36,424)
Endowment Net Assets, June 30, 2014	-	122,966	657,141	780,107
Contributions	-	-	250	250
Realized and unrealized losses net of interest, other investment income and fees	-	(4,640)	-	(4,640)
Appropriations of endowment assets	-	(28,092)	-	(28,092)
Endowment Net Assets, June 30, 2015	\$ -	\$ 90,234	\$ 657,391	\$ 747,625

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7. Assets Held on Behalf of Other Organizations

Activity for the years ended June 30, 2015 and 2014, related to assets held on behalf of other organizations is as follows:

	2015	2014
Contributions	\$ 5,778,405	\$ 3,254,965
Interest and dividend income	141,395	151,538
Net realized and unrealized gains	81,100	1,121,116
Other loss	(149,500)	(138,407)
Total increases	5,851,400	4,389,212
Less grantmaking	615,269	457,442
Change in assets held on behalf of other organizations	5,236,131	3,931,770
Assets held on behalf of other organizations:		
Beginning	12,091,067	8,159,297
Ending	<u>\$ 17,327,198</u>	<u>\$ 12,091,067</u>

Note 8. Operating Leases

The Foundation leases office space and equipment under non-cancelable operating leases. The leases generally are renewable and provide for the payment of real estate taxes and certain other occupancy expenses.

The future minimum annual rental commitments under these non-cancelable operating leases that have initial or remaining terms in excess of one year are as follows:

Year Ending June 30,

2016	109,611
2017	74,714
	<u>\$ 184,325</u>

Rent expense for the years ended June 30, 2015 and 2014, was \$110,518 and \$102,914, respectively.

Note 9. Retirement Plan

The Foundation adopted a defined contribution retirement plan effective October 1, 2006. All full-time employees are eligible to participate in the plan when they have completed six months of service and are vested 100% after one year of employment. The Foundation contributed 6% of each employee's salary during each of the years ended June 30, 2015 and 2014. The expense related to this plan was \$74,637 and \$69,385 for the years ended June 30, 2015 and 2014, respectively.