Triangle Community Foundation, Inc. and Affiliates

Consolidated Financial Report
June 30, 2016

Contents

RSM US LLP

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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Raleigh, North Carolina
December 9, 2016

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash	**$ 1,035,359**	$ 1,833,805
Receivables and prepaid expenses	**210,030**	480,451
Investments	**195,796,992**	183,945,201
Other investments	**4,436,100**	6,182,100
Beneficial interest in split-interest agreements	**6,475,737**	9,884,717
Rental real estate, net of accumulated depreciation (2016 – $459,277; 2015 – $442,833)	**740,223**	756,667
Office furniture, equipment and software, net of accumulated depreciation (2016 – $379,480; 2015 – $373,286)	**1,325**	7,520
Total assets	**$ 208,695,766**	$ 203,090,461
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 82,397**	$ 84,735
Grants payable	**457,106**	440,724
Assets held on behalf of other organizations	**16,596,246**	17,327,198
Total liabilities	**17,135,749**	17,852,657
Commitments		
Net assets:		
Unrestricted	**184,394,199**	174,605,462
Temporarily restricted	**6,508,427**	9,974,951
Permanently restricted	**657,391**	657,391
Total net assets	**191,560,017**	185,237,804
Total liabilities and net assets	**$ 208,695,766**	$ 203,090,461

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	$ 32,356,387	$ -	$ -	$ 32,356,387
Interest and dividend income	2,667,188	8,463	-	2,675,651
Net realized and unrealized losses on investments	(5,765,509)	(30,978)	-	(5,796,487)
Change in value of split-interest agreements	-	260,843	-	260,843
Other income	242,417	-	-	242,417
Net assets released from donor restrictions	3,704,852	(3,704,852)	-	-
	33,205,335	(3,466,524)	-	29,738,811
Less support and revenue from assets held on behalf of other organizations	(666,337)	-	-	(666,337)
Total support and revenue	32,538,998	(3,466,524)	-	29,072,474
Expenses:				
Programs:				
Grantmaking	21,283,632	-	-	21,283,632
Philanthropic services	884,520	-	-	884,520
Special projects	639,373	-	-	639,373
Fund management	199,056	-	-	199,056
Administrative	649,329	-	-	649,329
Fundraising	400,677	-	-	400,677
	24,056,587	-	-	24,056,587
Less expenses from assets held on behalf of other organizations	(1,397,289)	-	-	(1,397,289)
Total expenses	22,659,298	-	-	22,659,298
Net gain (loss) on other investments	(109,812)	-	-	(109,812)
Other, gain on sale of gifted assets	18,849	-	-	18,849
Change in net assets	9,788,737	(3,466,524)	-	6,322,213
Net assets:				
Beginning	174,605,462	9,974,951	657,391	185,237,804
Ending	$ 184,394,199	$ 6,508,427	$ 657,391	$ 191,560,017

See notes to consolidated financial statements.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 31,358,526	$ 254,937	$ 250	$ 31,613,713
2,698,980	6,703	-	2,705,683
(1,254,512)	(2,317)	-	(1,256,829)
-	(412,855)	-	(412,855)
268,368	-	-	268,368
302,236	(302,236)	-	-
33,373,598	(455,768)	250	32,918,080
(5,851,400)	-	-	(5,851,400)
27,522,198	(455,768)	250	27,066,680
16,756,533	-	-	16,756,533
991,367	-	-	991,367
436,920	-	-	436,920
198,136	-	-	198,136
723,663	-	-	723,663
330,346	-	-	330,346
19,436,965	-	-	19,436,965
(615,269)	-	-	(615,269)
18,821,696	-	-	18,821,696
178,284	-	-	178,284
23,886	-	-	23,886
8,902,672	(455,768)	250	8,447,154
165,702,790	10,430,719	657,141	176,790,650
$ 174,605,462	$ 9,974,951	$ 657,391	$ 185,237,804

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 6,322,213**	$ 8,447,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**22,639**	25,458
Net realized and unrealized (gain) loss on investments	**5,796,487**	1,256,829
Net (gain) loss on other investments	**109,812**	(178,284)
Contributions of other investments	**-**	(2,992,000)
Contributions of split-interest agreements	**-**	(254,937)
Change in value of split-interest agreements	**(260,843)**	412,855
Contributions restricted for long-term investment	**-**	(250)
Payments received on charitable lead trusts	**3,669,823**	265,118
Changes in assets and liabilities:		
Receivables and prepaid expenses	**270,421**	6,147,456
Accounts payable and accrued expenses	**(2,338)**	15,045
Grants payable	**16,382**	13,590
Assets held on behalf of other organizations	**(730,952)**	5,236,131
Net cash provided by operating activities	**15,213,644**	18,394,165
Cash flows from investing activities:		
Proceeds from sale of other investments	**1,636,188**	341,384
Proceeds from sales and maturities of investments	**44,118,119**	59,128,469
Purchase of investments	**(61,766,397)**	(77,266,599)
Net cash used in investing activities	**(16,012,090)**	(17,796,746)
Cash flows provided by financing activities:		
Proceeds from contributions restricted for long-term investment	**-**	250
Net increase (decrease) in cash	**(798,446)**	597,669
Cash:		
Beginning	**1,833,805**	1,236,136
Ending	**$ 1,035,359**	$ 1,833,805

See 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 $690,081 and $747,625 at June 30, 2016 and 2015, respectively. The net assets of the TCF Real Estate Foundation were $5,373,850 and $6,371,742 at June 30, 2016 and 2015, 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, 2016 and 2015, the Foundation's unrestricted net assets included approximately $7.6 million and $8.2 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, 2016 and 2015, 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 consolidated 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.

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

Note 1. Nature of Organization and Significant Accounting Policies (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 $934,726 and $1,493,404 for the years ended June 30, 2016 and 2015, 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, 2016, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 7.1%, payout rates as stated in the agreement between 3% and 10%, and a discount rate of 7.1%. 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%.

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, 2016 and 2015.

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

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 $182,994 and $173,774 for the years ended June 30, 2016 and 2015, 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.

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 $655,368 and $725,997 for the years ended June 30, 2016 and 2015, 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.

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

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 consolidated 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.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09. The amendments in this Update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition guidance throughout the Industry Topics of Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition – Construction-Type* and *Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The amendments in this Update will be effective for the Foundation's fiscal year 2020 with early adoption permitted with certain restrictions. Management is currently evaluating the impact of this standard on the Foundation's consolidated financial statements.

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. The Foundation early adopted this standard in fiscal 2016.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU superseded the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact the pending adoption of the new standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted.

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

The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not yet evaluated the impact of this ASU on the consolidated financial statements.

Reclassifications: Certain accounts in the prior year consolidated 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 consolidated financial statements.

Subsequent events: The Foundation has evaluated its subsequent events (events occurring after June 30, 2016) through December 9, 2016, which represents the date the consolidated financial statements were available to be issued.

Note 2. Investments

The carrying value of investments at June 30, 2016 and 2015, is comprised of the following:

	2016	2015
Money market funds	$ 27,531,118	$ 19,092,996
Equity securities and mutual funds	73,949,286	64,132,708
Fixed income securities and mutual funds	29,057,400	26,943,161
Alternative investments	63,710,477	71,985,679
Investments reported at fair value	194,248,281	182,154,544
Certificates of deposit	1,451,976	1,685,945
Cash surrender value of life insurance policy	96,735	104,712
Total investments	$ 195,796,992	$ 183,945,201

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, 2016, the Foundation's ownership in alternative investment funds ranged from 0.02% to 2.89% of the respective fund's net assets, except for Pagosa Investors (Cayman), Ltd., of which the Foundation held a 6.12% 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. Such discounted amounts, however, are not material and are not recorded at June 30, 2016 and 2015. Amounts remaining unpaid at June 30, 2016 and 2015, are as follows:

	2016	2015
In one year or less	$ 350,106	$ 330,324
Between one year and five years	107,000	110,400
	$ 457,106	$ 440,724

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.

***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.

Note 4. Fair Value Measurements (Continued)

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.

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, 2016 and 2015:

		Fair Value Measurements at Reporting Date Using		
	June 30, 2016	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	$ 27,531,118	$ 20,334,071	$ 7,197,047	$ -
Equity securities:				
U.S. large/mid cap	10,994,522	10,994,522	-	-
U.S. small cap	1,548,018	1,548,018	-	-
International developed	1,432,860	1,432,860	-	-
Emerging markets	195,514	195,514	-	-
Total equity securities	14,170,914	14,170,914	-	-
Equity mutual funds:				
U.S. large/mid cap	35,236,313	35,236,313	-	-
U.S. small cap	3,199,987	3,199,987	-	-
International developed	13,329,836	13,329,836	-	-
Emerging markets	8,012,236	8,012,236	-	-
Total equity mutual funds	59,778,372	59,778,372	-	-
Fixed income securities:				
U.S. government and agencies	573,098	-	573,098	-
Corporate	3,457,554	3,457,554	-	-
Global fixed	725,983	725,983	-	-
Total fixed income securities	4,756,635	4,183,537	573,098	-
Fixed income mutual funds:				
U.S. government and agencies	18,238,635	18,238,635	-	-
Corporate	5,717,159	5,717,159	-	-
Global fixed	344,971	344,971	-	-
Total fixed income mutual funds	24,300,765	24,300,765	-	-
	130,537,804	$ 122,767,659	$ 7,770,145	$ -
Alternative investments:				
Multi-strategy	23,913,789			
Global macro	32,205,348			
Private equity	7,591,340			
Total alternative investments	63,710,477			
Total investments reported at fair value	$ 194,248,281			
Other investments	$ 4,436,100	$ -	$ -	$ 4,436,100
Beneficial interest in split-interest agreements	$ 6,475,737	$ -	$ 6,475,737	$ -

Note 4. Fair Value Measurements (Continued)

		Fair Value Measurements at Reporting Date Using		
	June 30, 2015	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	$ 19,092,996	$ 17,138,446	$ 1,954,550	$ -
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	4,830,154	3,831,584	998,570	-
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	-	-
	110,168,865	$ 107,215,745	$ 2,953,120	$ -
Alternative investments:				
Multi-strategy	26,273,740			
Global macro	39,169,206			
Private equity	6,542,733			
Total alternative investments	71,985,679			
Total investments reported at fair value	$ 182,154,544			
Other investments	$ 6,182,100	$ -	$ -	$ 6,182,100
Beneficial interest in split-interest agreements	$ 9,884,717	$ -	$ 9,884,717	$ -

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, 2016 and 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Other Investments
Balance, June 30, 2014	$ 3,353,200
Contributions	2,992,000
Purchases	-
Sales	(341,384)
Realized gains	178,284
Balance, June 30, 2015	6,182,100
Contributions	-
Purchases	-
Sales	(1,636,188)
Realized losses	(109,812)
Balance, June 30, 2016	$ 4,436,100

Note 5. Investments Reported at Net Asset Value

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, 2016 and 2015:

	2016				
Alternative Investments Strategy Category	Fair Value	Current Lock-up Period Expiration	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (in Days)	Unfunded Commitments
Multi-strategy (a):					
Champlain Small Cap Fund, LLC	$ 3,803,034	n/a	Monthly	15	$ -
ACM Financial Trust, Inc.	3,000,000	December 2015	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	1,492,031	n/a	Quarterly	70	-
Mason Capital, Ltd.	-	December 2015	n/a	45	-
Pagosa Investors (Cayman), Ltd.	3,010,930	n/a	Quarterly	45	-
Sankaty Senior Loan Fund, LP	3,335,425	n/a	Annually	60	-
Luxor Capital Partners Offshore, Ltd.	1,387,079	March 2017	n/a	90	-
Focused Investors Fund, LP	7,885,290	n/a	Monthly	30	-
Multi-Strategy total	23,913,789				-
Global macro (b):					
Forester Offshore, Ltd.	-	March 2016	n/a	95	-
Forester Offshore, Ltd.	1,844,816	March 2017	n/a	95	-
Forester Offshore, Ltd.	2,909,538	March 2018	n/a	95	-
Colchester Global Bond Fund	4,470,845	n/a	Monthly	10	-
Gryphon International EAFE Growth Group Fund	5,908,879	n/a	Monthly	10	-
Mondrian Emerging Markets Debt Fund, LP	1,178,564	n/a	Monthly	15	-
Oaktree High Yield Fund, LP	2,015,425	n/a	Monthly	10	-
Marathon-London International Investment Trust I	9,390,064	n/a	Monthly	5	-
Highclere International Investors Emerging Markets SMID Fund	2,277,443	n/a	Monthly	10	-
SummerHaven Commodity Offshore Fund, Ltd.	-	n/a	Monthly	5	-
The Children's Investment Fund	1,200,000	May 2018	n/a	120	-
Permian Fund, Ltd.	1,009,774	June 2017	Quarterly	60	-
Global Macro total	32,205,348				-
Private equity (c):					
TIFF Private Equity Partners 2009, LLC	616,629	n/a	n/a	n/a	191,250
NorthGate IV, LP	785,091	n/a	n/a	n/a	70,000
Perennial Real Estate Fund II, LP	1,465,351	n/a	n/a	n/a	215,000
StepStone Capital III, LP	941,288	n/a	n/a	n/a	122,478
Denham Commodity Partners Fund VI, LP	435,389	n/a	n/a	n/a	354,812
CrossHarbor Capital Partners, LP	1,083,138	n/a	n/a	n/a	329,412
Aether Real Assets III, LP	640,128	n/a	n/a	n/a	669,871
GEM Realty Fund V, LP	1,002,382	n/a	n/a	n/a	1,032,610
Montauk Triguard Fund VI, LP	396,367	n/a	n/a	n/a	862,500
Lakestar II, LP	225,577	n/a	n/a	n/a	728,329
Patron Capital V, LP	-	n/a	n/a	n/a	2,000,000
Private equity total	7,591,340				6,576,262
Alternative investments total	$ 63,710,477				$ 6,576,262

Note 5. Investments Reported at Net Asset Value (Continued)

	2015				
Alternative Investments Strategy Category	Fair Value	Current Lock-up Period Expiration	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (in Days)	Unfunded Commitments
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

(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.

Note 5. Investments Reported at Net Asset Value (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 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015, are available in future years for the following purposes:

	2016	2015
Time restrictions related to beneficial interest in split-interest agreements	$ 6,475,737	$ 9,884,717
Restricted for Durham Arts Council	32,690	90,234
	$ 6,508,427	$ 9,974,951

During 2016 and 2015, net assets of $3,704,852 and $302,236, respectively, were released from donor restriction by meeting the restricted purpose or by the passage of time. See Note 7 for activity related to the Durham Arts Council Fund.

Note 7. 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.

Note 7. 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, 2016 or 2015.

The following table summarizes changes in endowment net assets for the years ended June 30, 2016 or 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Contributions	-	-	-	-
Realized and unrealized losses net of interest, other investment income and fees	-	(22,515)	-	(22,515)
Appropriations of endowment assets	-	(35,029)	-	(35,029)
Endowment net assets, June 30, 2016	$ -	$ 32,690	$ 657,391	$ 690,081

Note 8. Assets Held on Behalf of Other Organizations

Activity for the years ended June 30, 2016 and 2015, related to assets held on behalf of other organizations is as follows:

	2016	2015
Contributions	$ 1,097,577	$ 5,778,405
Interest and dividend income	201,837	141,395
Net realized and unrealized gains (losses)	(416,871)	81,100
Other loss	(216,206)	(149,500)
Total increases	666,337	5,851,400
Less grantmaking	1,397,289	615,269
Change in assets held on behalf of other organizations	(730,952)	5,236,131
Assets held on behalf of other organizations:		
Beginning	17,327,198	12,091,067
Ending	$ 16,596,246	$ 17,327,198

Note 9. 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:	
2017	$ 74,714
	$ 74,714

Rent expense for the years ended June 30, 2016 and 2015, was $123,760 and $110,518, respectively.

On July 12, 2016, the Foundation signed a lease for office space and will relocate its headquarters to this location in Research Triangle Park, North Carolina.

Note 10. 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, 2016 and 2015. The expense related to this plan was $81,598 and $74,637 for the years ended June 30, 2016 and 2015, respectively.