

# **Triangle Community Foundation, Inc. and Affiliates**

Consolidated Financial Report  
June 30, 2018

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Triangle Community Foundation, Inc.

### 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, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Triangle Community Foundation, Inc. and Affiliates as of June 30, 2018 and 2017, 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.

*RSM US LLP*

Raleigh, North Carolina  
October 24, 2018

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position  
June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash	\$ 3,515,675	\$ 3,290,994
Receivables and prepaid expenses	209,130	270,571
Investments	226,367,243	214,973,191
Other investments	2,984,200	2,940,100
Loans receivable	6,910,000	-
Beneficial interest in split-interest agreements	6,431,202	6,529,497
Rental real estate, net of accumulated depreciation (2018 – \$492,166; 2017 – \$475,722)	707,334	723,778
Office furniture, equipment and software, net of accumulated depreciation (2018 – \$181,864; 2017 – \$72,950)	816,315	850,552
<b>Total assets</b>	<b>\$ 247,941,099</b>	<b>\$ 229,578,683</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 73,533	\$ 63,153
Grants payable	822,671	790,521
Deferred rent liability	457,105	494,084
Assets held on behalf of other organizations	15,457,333	17,948,216
<b>Total liabilities</b>	<b>16,810,642</b>	<b>19,295,974</b>
Commitments		
Net assets:		
Unrestricted	223,916,712	203,004,019
Temporarily restricted	6,556,233	6,621,299
Permanently restricted	657,512	657,391
<b>Total net assets</b>	<b>231,130,457</b>	<b>210,282,709</b>
<b>Total liabilities and net assets</b>	<b>\$ 247,941,099</b>	<b>\$ 229,578,683</b>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities  
Years Ended June 30, 2018 and 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 36,444,197	\$ -	\$ 121	\$ 36,444,318
Interest and dividend income	3,858,008	11,692	-	3,869,700
Net realized and unrealized gains on investments	10,456,298	52,989	-	10,509,287
Change in value of split-interest agreements	-	191,675	-	191,675
Other income	147,765	-	-	147,765
Net assets released from donor restrictions	321,422	(321,422)	-	-
	<u>51,227,690</u>	<u>(65,066)</u>	<u>121</u>	<u>51,162,745</u>
Less support and revenue from assets held on behalf of other organizations	(1,654,009)	-	-	(1,654,009)
<b>Total support and revenue</b>	<u>49,573,681</u>	<u>(65,066)</u>	<u>121</u>	<u>49,508,736</u>
Expenses:				
Programs:				
Grantmaking	29,791,136	-	-	29,791,136
Philanthropic services	892,352	-	-	892,352
Special projects	828,874	-	-	828,874
Fund management	226,379	-	-	226,379
Administrative	805,028	-	-	805,028
Fundraising	309,077	-	-	309,077
	<u>32,852,846</u>	<u>-</u>	<u>-</u>	<u>32,852,846</u>
Less expenses from assets held on behalf of other organizations	(4,144,892)	-	-	(4,144,892)
<b>Total expenses</b>	<u>28,707,954</u>	<u>-</u>	<u>-</u>	<u>28,707,954</u>
Net gain (loss) on other investments	41,312	-	-	41,312
Other, gain on sale of gifted assets	5,654	-	-	5,654
	<u>46,966</u>	<u>-</u>	<u>-</u>	<u>46,966</u>
<b>Change in net assets</b>	<u>20,912,693</u>	<u>(65,066)</u>	<u>121</u>	<u>20,847,748</u>
Net assets:				
Beginning	<u>203,004,019</u>	<u>6,621,299</u>	<u>657,391</u>	<u>210,282,709</u>
Ending	<u>\$ 223,916,712</u>	<u>\$ 6,556,233</u>	<u>\$ 657,512</u>	<u>\$ 231,130,457</u>

See notes to consolidated financial statements.

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 26,213,114	\$ -	\$ -	\$ 26,213,114
3,231,698	9,077	-	3,240,775
19,974,345	86,494	-	20,060,839
-	343,416	-	343,416
203,335	-	-	203,335
326,115	(326,115)	-	-
49,948,607	112,872	-	50,061,479
(2,350,068)	-	-	(2,350,068)
47,598,539	112,872	-	47,711,411
26,899,724	-	-	26,899,724
869,101	-	-	869,101
633,891	-	-	633,891
187,141	-	-	187,141
648,861	-	-	648,861
383,265	-	-	383,265
29,621,983	-	-	29,621,983
(998,098)	-	-	(998,098)
28,623,885	-	-	28,623,885
(378,077)	-	-	(378,077)
13,243	-	-	13,243
18,609,820	112,872	-	18,722,692
184,394,199	6,508,427	657,391	191,560,017
\$ 203,004,019	\$ 6,621,299	\$ 657,391	\$ 210,282,709

**Triangle Community Foundation, Inc. and Affiliates**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 20,847,748	\$ 18,722,692
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	125,358	88,037
Net realized and unrealized gain on investments	(10,509,287)	(20,060,839)
Net loss on other investments	8,219	378,077
Contributions of other investments	(60,000)	(1,750,000)
Change in value of split-interest agreements	(191,675)	(343,416)
Payments received on charitable lead trusts	289,970	289,656
Changes in assets and liabilities:		
Receivables and prepaid expenses	61,441	(60,541)
Accounts payable and accrued expenses	10,380	(19,244)
Grants payable	32,150	333,415
Deferred rent liability	(36,979)	494,084
Assets held on behalf of other organizations	(2,490,883)	1,351,970
<b>Net cash provided by (used in) operating activities</b>	<b>8,086,442</b>	<b>(576,109)</b>
Cash flows from investing activities:		
Loans receivable originated	(6,910,000)	-
Purchases of office furniture, equipment and software	(74,677)	(920,819)
Proceeds from sale of other investments	7,681	2,867,923
Proceeds from sales and maturities of investments	128,472,518	118,034,892
Purchase of investments	(129,357,283)	(117,150,252)
<b>Net cash (used in) provided by investing activities</b>	<b>(7,861,761)</b>	<b>2,831,744</b>
<b>Net increase in cash</b>	<b>224,681</b>	<b>2,255,635</b>
Cash:		
Beginning	3,290,994	1,035,359
Ending	<u>\$ 3,515,675</u>	<u>\$ 3,290,994</u>

See notes to consolidated financial statements.



## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 \$782,543 and \$749,193 at June 30, 2018 and 2017, respectively. The net assets of the TCF Real Estate Foundation were \$3,874,547 and \$3,867,071 at June 30, 2018 and 2017, 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, 2018 and 2017, the Foundation's unrestricted net assets included approximately \$12.6 million and \$8.0 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, 2018 and 2017, 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.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 NAV 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

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#### 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.

**Loans receivable:** In September 2017, the Foundation entered into a loan receivable agreement consisting of two promissory notes. Interest on notes is recognized over the term of notes and is calculated using the interest method on principal amounts outstanding. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses. The amount of the allowance is based on management's evaluation of the collectability of the notes. An allowance for loan losses is not considered necessary as of June 30, 2018, as note amounts outstanding are deemed current and collectible by management. Additionally, the notes are collateralized by a Security Agreement with the Borrower.

**Related party transactions:** Contributions from board members were approximately \$153,000 and \$809,000 for the years ended June 30, 2018 and 2017, respectively.

During the year ended June 30, 2017, the Foundation made an investment in a private equity fund, which was founded by a member of the Foundation's Leadership Council. A member of the Foundation's Investment Committee is also an investor in the fund through an affiliation with another Company. The Foundation has a formal Conflict of Interest Policy and an Investment Policy Statement, both of which were followed with respect to this investment.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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

**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, 2018, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 5.6%, payout rates as stated in the agreement between 3% and 10%, and a discount rate of 5.6%. At June 30, 2017, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 6.5%, payout rates as stated in the agreement between 3% and 10%, and a discount rate of 6.5%.

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, 2018 and 2017.

**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 \$78,400 and \$115,533 for the years ended June 30, 2018 and 2017, 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.

**Deferred rent:** The Foundation records rent expense on a straight-line basis on its office lease which contains fixed annual rental increases. The difference between rent expense and payments made under the lease and any tenant allowances granted under the lease are reflected as deferred rent.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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

**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.

**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 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.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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

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, with early adoption permitted. 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. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an additional transition method under which an entity would initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. 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. 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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Receivable and Contributions Made*, which provides guidance on whether transactions should be accounted for as contributions within the scope of ASC 958, or as exchange transactions subject to other guidance (generally ASC 606). ASU 2018-08 will be effective for fiscal years beginning after December 15, 2018 (the Foundation's fiscal year 2020) with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis whereby it is applied to agreements that are not completed as of the effective date, or entered into after the effective date. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

**Subsequent events:** The Foundation has evaluated its subsequent events (events occurring after June 30, 2018) through October 24, 2018, which represents the date the consolidated financial statements were available to be issued.

#### Note 2. Investments

The carrying value of investments at June 30, 2018 and 2017, is comprised of the following:

	2018	2017
Money market funds	\$ 10,199,443	\$ 26,014,190
Equity securities and mutual funds	96,158,823	85,354,098
Fixed income securities and mutual funds	41,099,162	34,298,465
Alternative investments	76,476,177	67,742,401
Investments reported at fair value	223,933,605	213,409,154
Certificates of deposit	2,319,635	1,460,343
Cash surrender value of life insurance policy	114,003	103,694
Total investments	<u>\$ 226,367,243</u>	<u>\$ 214,973,191</u>

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Investments (Continued)

Investments are exposed to various risks, such as interest rate, credit and market volatility risks. 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, 2018, the Foundation's ownership in alternative investment funds ranged from 0.01% to 3.33% of the respective fund's net assets. 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, 2018 and 2017. Amounts remaining unpaid at June 30, 2018 and 2017, are as follows:

	2018	2017
In one year or less	\$ 663,046	\$ 488,771
Between one year and five years	159,625	301,750
	<u>\$ 822,671</u>	<u>\$ 790,521</u>

#### 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.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

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.

**Split interest agreements:** Beneficial interests in split-interest agreements are classified as Level 3 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 an 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, 2018 and 2017:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2018	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	\$ 10,199,443	\$ 5,918,228	\$ 4,281,215	\$ -
Equity securities:				
U.S. large/mid cap	12,773,495	12,773,495	-	-
U.S. small cap	1,845,466	1,845,466	-	-
International developed	2,159,400	2,159,400	-	-
Emerging markets	162,308	162,308	-	-
Total equity securities	16,940,669	16,940,669	-	-
Equity mutual funds:				
U.S. large/mid cap	35,479,879	35,479,879	-	-
U.S. small cap	5,906,933	5,906,933	-	-
International developed	28,654,198	22,419,262	6,234,936	-
Emerging markets	9,177,144	9,177,144	-	-
Total equity mutual funds	79,218,154	72,983,218	6,234,936	-
Fixed income securities:				
U.S. government and agencies	795,864	-	795,864	-
Corporate	3,072,487	3,072,487	-	-
Global fixed	329,434	329,434	-	-
Total fixed income securities	4,197,785	3,401,921	795,864	-
Fixed income mutual funds:				
U.S. government and agencies	34,191,695	34,191,695	-	-
Corporate	2,377,397	2,377,397	-	-
Global fixed	332,285	332,285	-	-
Total fixed income mutual funds	36,901,377	36,901,377	-	-
	147,457,428	\$ 136,145,413	\$ 11,312,015	\$ -
Alternative investments: <sup>(a)</sup>				
Multi-strategy	30,784,061			
Global macro	33,756,866			
Private equity	11,935,250			
Total alternative investments	76,476,177			
Total investments reported at fair value	\$ 223,933,605			
Other investments	\$ 2,984,200	\$ -	\$ -	\$ 2,984,200
Beneficial interest in split-interest agreements	\$ 6,431,202	\$ -	\$ -	\$ 6,431,202

**Triangle Community Foundation, Inc. and Affiliates**

**Notes to Consolidated Financial Statements**

**Note 4. Fair Value Measurements (Continued)**

	Fair Value Measurements at Reporting Date Using			
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
<b>Investments:</b>				
Money market funds	\$ 26,014,190	\$ 16,522,449	\$ 9,491,741	\$ -
<b>Equity securities:</b>				
U.S. large/mid cap	11,126,002	11,126,002	-	-
U.S. small cap	1,744,535	1,744,535	-	-
International developed	2,113,287	2,113,287	-	-
Emerging markets	189,782	189,782	-	-
Total equity securities	15,173,606	15,173,606	-	-
<b>Equity mutual funds:</b>				
U.S. large/mid cap	29,632,402	29,632,402	-	-
U.S. small cap	4,976,879	4,976,879	-	-
International developed	26,635,788	20,824,308	5,811,480	-
Emerging markets	8,935,423	8,935,423	-	-
Total equity mutual funds	70,180,492	64,369,012	5,811,480	-
<b>Fixed income securities:</b>				
U.S. government and agencies	652,281	-	652,281	-
Corporate	3,422,217	3,422,217	-	-
Global fixed	461,641	461,641	-	-
Total fixed income securities	4,536,139	3,883,858	652,281	-
<b>Fixed income mutual funds:</b>				
U.S. government and agencies	23,397,772	23,397,772	-	-
Corporate	6,149,652	6,149,652	-	-
Global fixed	214,902	214,902	-	-
Total fixed income mutual funds	29,762,326	29,762,326	-	-
	145,666,753	\$ 129,711,251	\$ 15,955,502	\$ -
<b>Alternative investments: <sup>(a)</sup></b>				
Multi-strategy	21,916,773			
Global macro	35,458,053			
Private equity	10,367,575			
Total alternative investments	67,742,401			
Total investments reported at fair value	\$ 213,409,154			
Other investments	\$ 2,940,100	\$ -	\$ -	\$ 2,940,100
Beneficial interest in split-interest agreements	\$ 6,529,497	\$ -	\$ -	\$ 6,529,497

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

**Triangle Community Foundation, Inc. and Affiliates**

**Notes to Consolidated Financial Statements**

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**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, 2018 and 2017:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Other Investments	Split-Interest Agreements
Balance, June 30, 2016	\$ 4,436,100	\$ 6,475,737
Contributions	1,750,000	-
Sales	(2,867,923)	-
Realized losses	(378,077)	-
Payments received	-	(289,657)
Change in value	-	343,417
Balance, June 30, 2017	2,940,100	6,529,497
Contributions	60,000	-
Sales	(7,681)	-
Realized losses	(8,219)	-
Payments received	-	(289,970)
Change in value	-	191,675
Balance, June 30, 2018	<u>\$ 2,984,200</u>	<u>\$ 6,431,202</u>

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

#### Note 5. Investments Reported at Net Asset Value

The following tables present the Foundation's alternative investments, which are reported at NAV or its equivalent, and unfunded commitments at June 30, 2018 and 2017:

Alternative Investments Strategy Category	Fair Value	2018			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	\$ 6,639,347	n/a	Monthly	15	\$ -
ACM Financial Trust, Inc.	3,000,000	n/a	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	2,535,025	n/a	Quarterly	70	-
Pagosa Investors (Cayman), Ltd.	3,374,856	n/a	Quarterly	45	-
Luxor Capital Partners Offshore, Ltd.	1,286,148	September 2018	n/a	90	-
Focused Investors Fund, LP	4,299,005	n/a	Monthly	30	-
Gobi Concentrated Fund Ltd.	1,979,853	n/a	Monthly	60	-
OHA Diversified Credit Strategies Fund (Offshore), Ltd.	7,669,827	n/a	Monthly	45	-
Multi-Strategy total	<u>30,784,061</u>				<u>-</u>
Global macro (b):					
Forester Offshore, Ltd.	327,273	n/a	n/a	95	-
Colchester Global Bond Fund	6,163,954	n/a	Monthly	10	-
Marathon-London International Investment Trust I	14,720,234	n/a	Monthly	5	-
Highclere International Investors					
Emerging Markets SMID Fund	2,686,930	n/a	Monthly	10	-
The Children's Investment Fund	1,804,200	April 2020	n/a	120	-
Permian Fund, Ltd.	1,229,748	n/a	Quarterly	60	-
Cat Rock Capital Partners Cayman Ltd.	2,447,924	n/a	Quarterly	60	-
Tybourne Long Opportunities (Offshore) Fund	2,023,194	December 2018	Annually	60	-
Soapstone Capital LP	2,353,409	December 2019	Annually	75	-
Global Macro total	<u>33,756,866</u>				<u>-</u>
Private equity (c):					
TIFF Private Equity Partners 2009, LLC	401,007	n/a	n/a	n/a	182,538
NorthGate IV, LP	619,348	n/a	n/a	n/a	30,000
Perennial Real Estate Fund II, LP	1,263,344	n/a	n/a	n/a	183,000
StepStone Capital III, LP	932,788	n/a	n/a	n/a	141,417
Denham Commodity Partners Fund VI, LP	734,052	n/a	n/a	n/a	206,350
CrossHarbor Capital Partners, LP	1,053,854	n/a	n/a	n/a	117,647
Aether Real Assets III, LP	1,218,647	n/a	n/a	n/a	345,215
GEM Realty Fund V, LP	1,791,865	n/a	n/a	n/a	382,673
Montauk Triguard Fund VI, LP	616,861	n/a	n/a	n/a	437,500
Lakestar II, LP	772,195	n/a	n/a	n/a	250,171
Patron Capital V, LP	974,691	n/a	n/a	n/a	1,415,727
Blue Heron Real Estate Opportunity Fund II, LP	928,861	n/a	n/a	n/a	179,689
Ecosystem Integrity Fund III, LP	372,015	n/a	n/a	n/a	875,000
Eightfold Real Estate Capital Fund V, LP	236,450	n/a	n/a	n/a	1,026,207
Juniper Capital III, LP	19,272	n/a	n/a	n/a	1,968,459
Private equity total	<u>11,935,250</u>				<u>7,741,593</u>
Alternative investments total	<u>\$ 76,476,177</u>				<u>\$ 7,741,593</u>

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Alternative Investments Strategy Category	Fair Value	2017			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	\$ 4,823,642	n/a	Monthly	15	\$ -
ACM Financial Trust, Inc.	3,000,000	n/a	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	1,672,633	n/a	Quarterly	70	-
Pagosa Investors (Cayman), Ltd.	3,206,718	n/a	Quarterly	45	-
Sankaty Senior Loan Fund, LP	3,593,975	n/a	Annually	60	-
Luxor Capital Partners Offshore, Ltd.	1,125,965	March 2018	n/a	90	-
Focused Investors Fund, LP	4,493,840	n/a	Monthly	30	-
Multi-Strategy total	<u>21,916,773</u>				<u>-</u>
Global macro (b):					
Forester Offshore, Ltd.	3,113,506	March 2018	n/a	95	-
Colchester Global Bond Fund	4,408,222	n/a	Monthly	10	-
Gryphon International EAFE Growth Group Fund	977,675	n/a	Monthly	10	-
Mondrian Emerging Markets Debt Fund, LP	1,263,965	n/a	Monthly	15	-
Oaktree High Yield Fund, LP	2,261,929	n/a	Monthly	10	-
Marathon-London International Investment Trust I	14,388,651	n/a	Monthly	5	-
Highclere International Investors					
Emerging Markets SMID Fund	2,718,652	n/a	Monthly	10	-
The Children's Investment Fund	1,543,800	May 2018	n/a	120	-
Permian Fund, Ltd.	1,151,628	n/a	Quarterly	60	-
	1,951,612	n/a	Quarterly	60	-
	1,678,413	December 2018	Annually	60	-
Global Macro total	<u>35,458,053</u>				<u>-</u>
Private equity (c):					
TIFF Private Equity Partners 2009, LLC	456,652	n/a	n/a	n/a	186,894
NorthGate IV, LP	695,187	n/a	n/a	n/a	40,000
Perennial Real Estate Fund II, LP	1,396,050	n/a	n/a	n/a	195,000
StepStone Capital III, LP	932,003	n/a	n/a	n/a	136,796
Denham Commodity Partners Fund VI, LP	710,964	n/a	n/a	n/a	231,057
CrossHarbor Capital Partners, LP	1,179,572	n/a	n/a	n/a	117,647
Aether Real Assets III, LP	1,071,448	n/a	n/a	n/a	451,973
GEM Realty Fund V, LP	1,655,530	n/a	n/a	n/a	522,673
Montauk Triguard Fund VI, LP	443,197	n/a	n/a	n/a	737,500
Lakestar II, LP	455,776	n/a	n/a	n/a	513,313
Patron Capital V, LP	215,360	n/a	n/a	n/a	1,827,801
	657,701	n/a	n/a	n/a	303,878
	375,000	n/a	n/a	n/a	875,000
	123,135	n/a	n/a	n/a	1,126,865
Private equity total	<u>10,367,575</u>				<u>7,266,397</u>
Alternative investments total	<u>\$ 67,742,401</u>				<u>\$ 7,266,397</u>

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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

- (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.
- (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. Loans Receivable

In September 2017, the Foundation entered into a loan receivable agreement consisting of two promissory notes. The first note is for \$4,910,000 and bears interest of 0.8%. The second note is for \$2,000,000 and bears interest of 1.5%. The notes require quarterly interest payments commencing in October 2017, with a principal payment of \$4,960,000 due in December 2018. The notes mature in August 2020, with the remaining principal due at that time. At June 30, 2018, the outstanding balance on the loans is as follows:

Loan A	\$	4,910,000
Loan B		2,000,000
Total loans receivable	\$	<u>6,910,000</u>

#### Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017, are available in future years for the following purposes:

	2018	2017
Time restrictions related to beneficial interest in split-interest agreements	\$ 6,431,202	\$ 6,529,497
Restricted for Durham Arts Council	125,031	91,802
	<u>\$ 6,556,233</u>	<u>\$ 6,621,299</u>

During 2018 and 2017, net assets of \$321,422 and \$326,115, respectively, were released from donor restriction by meeting the restricted purpose or by the passage of time. See Note 8 for activity related to the Durham Arts Council Fund.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 8. 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.

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, 2018 or 2017.

**Triangle Community Foundation, Inc. and Affiliates**

**Notes to Consolidated Financial Statements**

**Note 8. Endowment Funds (Continued)**

The following table summarizes changes in endowment net assets for the years ended June 30, 2018 or 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ -	\$ 32,690	\$ 657,391	\$ 690,081
Contributions	-	-	-	-
Realized and unrealized gains net of interest, other investment income and fees	-	88,369	-	88,369
Appropriations of endowment assets	-	(29,257)	-	(29,257)
Endowment net assets, June 30, 2017	-	91,802	657,391	749,193
Contributions	-	-	121	121
Realized and unrealized gains net of interest, other investment income and fees	-	56,864	-	56,864
Appropriations of endowment assets	-	(23,635)	-	(23,635)
Endowment net assets, June 30, 2018	\$ -	\$ 125,031	\$ 657,512	\$ 782,543

**Note 9. Assets Held on Behalf of Other Organizations**

Activity for the years ended June 30, 2018 and 2017, related to assets held on behalf of other organizations is as follows:

	2018	2017
Contributions	\$ 720,008	\$ 570,265
Interest and dividend income	278,038	260,678
Net realized and unrealized gains	876,114	1,747,571
Other loss	(220,151)	(228,446)
Total increases	1,654,009	2,350,068
Less grantmaking	4,144,892	998,098
Change in assets held on behalf of other organizations	(2,490,883)	1,351,970
Assets held on behalf of other organizations:		
Beginning	17,948,216	16,596,246
Ending	\$ 15,457,333	\$ 17,948,216



## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 10. Operating Leases

The Foundation leases office space under non-cancelable operating leases. The leases generally are renewable and provide for 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:	
2019	\$ 199,133
2020	204,112
2021	209,214
2022	214,445
2023	219,806
Thereafter	1,830,258
	<u>\$ 2,876,968</u>

Rent expense for the years ended June 30, 2018 and 2017, was \$163,968 and \$137,862, respectively. The Foundation recognizes rent expense on a straight-line basis and thus has recognized a straight-line lease obligation totaling \$457,105 at June 30, 2018 related to escalating lease payments and tenant allowances.

#### Note 11. 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, 2018 and 2017. The expense related to this plan was \$82,207 and \$81,013 for the years ended June 30, 2018 and 2017, respectively.