

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

Consolidated Financial Report  
June 30, 2019

## Contents

---

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of cash flows	6
Consolidated statements of functional expenses	7-8
Notes to consolidated financial statements	9-27

---

## **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, 2019 and 2018, the related consolidated statements of activities, cash flows and functional expense 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 Company as of June 30, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note 1 to the accompanying financial statement, the Company adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during 2019. The adoption of the standard resulted in changes to the classification of net assets and additional footnote disclosures. The adoption was retrospectively applied to the prior year, and the effects of the adoption are disclosed in Note 1 of the consolidated financial statements.

*RSM US LLP*

Raleigh, North Carolina  
October 30, 2019

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position  
June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash & Cash Equivalents	\$ 7,439,335	\$ 3,515,675
Receivables and prepaid expenses	234,848	209,130
Investments	222,352,278	226,367,243
Other investments	1,704,200	2,984,200
Loans receivable	1,949,318	6,910,000
Beneficial interest in split-interest agreements	6,391,938	6,431,202
Rental real estate, net of accumulated depreciation (2019 – \$504,500; 2018 – \$492,166)	695,000	707,334
Office furniture, equipment and software, net of accumulated depreciation (2019 – \$294,411; 2018 – \$181,864)	709,193	816,315
<b>Total assets</b>	<b>\$ 241,476,110</b>	<b>\$ 247,941,099</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 212,354	\$ 73,533
Grants payable	573,885	822,671
Deferred rent liability	415,269	457,105
Assets held on behalf of other organizations	15,952,272	15,457,333
<b>Total liabilities</b>	<b>17,153,780</b>	<b>16,810,642</b>
Commitments		
Net assets:		
Net assets without donor restrictions	217,164,604	223,916,712
Net assets with donor restrictions	7,157,726	7,213,745
<b>Total net assets</b>	<b>224,322,330</b>	<b>231,130,457</b>
<b>Total liabilities and net assets</b>	<b>\$ 241,476,110</b>	<b>\$ 247,941,099</b>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities  
Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 14,506,917	\$ 201,273	\$ 14,708,190
Interest and dividend income	4,224,267	10,872	4,235,139
Net realized and unrealized gains on investments	6,559,441	22,731	6,582,172
Change in value of split-interest agreements	-	60,045	60,045
Other income	161,323	-	161,323
Net assets released from donor restrictions	350,940	(350,940)	-
	<u>25,802,888</u>	<u>(56,019)</u>	<u>25,746,869</u>
Less support and revenue from assets held on behalf of other organizations	(2,367,311)	-	(2,367,311)
<b>Total support and revenue</b>	<u>23,435,577</u>	<u>(56,019)</u>	<u>23,379,558</u>
Expenses:			
Programs:			
Grantmaking	27,663,647	-	27,663,647
Philanthropic services	646,115	-	646,115
Special projects	991,610	-	991,610
Fund management	197,831	-	197,831
Administrative	814,318	-	814,318
Fundraising	499,516	-	499,516
	<u>30,813,037</u>	<u>-</u>	<u>30,813,037</u>
Less expenses from assets held on behalf of other organizations	(1,872,372)	-	(1,872,372)
<b>Total expenses</b>	<u>28,940,665</u>	<u>-</u>	<u>28,940,665</u>
Net (loss) gain on other investments	(1,226,420)	-	(1,226,420)
Other, (loss) gain on sale of gifted assets	(20,600)	-	(20,600)
<b>Change in net assets</b>	<u>(6,752,108)</u>	<u>(56,019)</u>	<u>(6,808,127)</u>
Net assets:			
Beginning	<u>223,916,712</u>	<u>7,213,745</u>	<u>231,130,457</u>
Ending	<u>\$ 217,164,604</u>	<u>\$ 7,157,726</u>	<u>\$ 224,322,330</u>

See notes to consolidated financial statements.

2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 36,444,197	\$ 121	\$ 36,444,318
3,858,008	11,692	3,869,700
10,456,298	52,989	10,509,287
-	191,675	191,675
147,765	-	147,765
321,422	(321,422)	-
51,227,690	(64,945)	51,162,745
(1,654,009)	-	(1,654,009)
49,573,681	(64,945)	49,508,736
29,791,136	-	29,791,136
892,352	-	892,352
828,874	-	828,874
226,379	-	226,379
805,028	-	805,028
309,077	-	309,077
32,852,846	-	32,852,846
(4,144,892)	-	(4,144,892)
28,707,954	-	28,707,954
41,312	-	41,312
5,654	-	5,654
20,912,693	(64,945)	20,847,748
203,004,019	7,278,690	210,282,709
<u>\$ 223,916,712</u>	<u>\$ 7,213,745</u>	<u>\$ 231,130,457</u>

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

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (6,808,127)	\$ 20,847,748
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	124,880	125,358
Net realized and unrealized gains on investments	(6,582,172)	(10,509,287)
Net realized and unrealized losses on other investments	1,226,420	8,219
Contributions of split interest investments	(201,273)	(60,000)
Change in value of split-interest agreements	(60,045)	(191,675)
Payments received on charitable lead trusts	300,582	289,970
Changes in assets and liabilities:		
Receivables and prepaid expenses	(25,718)	61,441
Accounts payable and accrued expenses	138,821	10,380
Grants payable	(248,786)	32,150
Deferred rent liability	(41,836)	(36,979)
Assets held on behalf of other organizations	494,939	(2,490,883)
<b>Net cash (used in) provided by operating activities</b>	<b>(11,682,315)</b>	<b>8,086,442</b>
Cash flows from investing activities:		
Loans receivable originated	-	(6,910,000)
Payments received on loans receivable	4,960,682	-
Purchases of office furniture, equipment and software	(5,424)	(74,677)
Proceeds from sale of other investments	53,580	7,681
Proceeds from sales and maturities of investments	216,256,356	128,472,518
Purchase of investments	(205,659,219)	(129,357,283)
<b>Net cash provided by (used in) investing activities</b>	<b>15,605,975</b>	<b>(7,861,761)</b>
<b>Net increase in cash</b>	<b>3,923,660</b>	<b>224,681</b>
Cash:		
Beginning	3,515,675	3,290,994
Ending	<b>\$ 7,439,335</b>	<b>\$ 3,515,675</b>

See notes to consolidated financial statements.





Triangle Community Foundation, Inc. and Affiliates

Consolidated Statement of Functional Expenses  
Years Ended June 30, 2018

	Program Activities			Total Program	Supporting Services			Total Supporting Services	Total
	Grantmaking	Philanthropic Services	Special Projects		Fund Management	Administrative	Fundraising		
Grant expenses	\$ 29,625,701	\$ -	\$ -	\$29,625,701	\$ -	\$ -	\$ -	\$ -	\$ 29,625,701
Salaries and wages	90,355	379,366	452,702	922,423	67,766	403,193	153,789	624,748	1,547,171
Contract staff	17,913	75,211	89,750	182,874	13,435	79,934	30,489	123,858	306,732
Benefits and other personnel costs	6,489	27,246	32,513	66,248	4,867	28,957	11,045	44,869	111,117
Payroll taxes	422	1,772	2,115	4,309	316	1,884	718	2,918	7,227
Professional services	-	-	-	-	92,402	66,803	13,733	172,938	172,938
Rent	9,576	40,205	47,977	97,758	7,182	42,730	16,298	66,210	163,968
Operations and maintenance	2,381	9,997	11,930	24,308	1,786	10,625	4,053	16,464	40,772
Supplies and other office expenses	4,565	19,168	22,873	46,606	7,914	20,372	12,261	40,547	87,153
Depreciation	7,321	30,738	36,680	74,739	5,491	32,668	12,461	50,620	125,359
Other	26,413	308,649	132,334	467,396	25,220	117,862	54,230	197,312	664,708
	<u>\$ 29,791,136</u>	<u>\$ 892,352</u>	<u>\$ 828,874</u>	<u>\$31,512,362</u>	<u>\$ 226,379</u>	<u>\$ 805,028</u>	<u>\$ 309,077</u>	<u>\$ 1,340,484</u>	<u>32,852,846</u>
									Less expenses from assets held on behalf of other organizations <u>(4,144,892)</u>
									<b>Total expenses</b> <u><u>\$ 28,707,954</u></u>

See notes to consolidated financial statements.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

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

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

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

**Principles of consolidation:** The consolidated financial statements include the accounts of the Foundation and its affiliated supporting organizations, the Durham Arts Council Fund of the Triangle Community Foundation and the TCF Real Estate Foundation. The net assets of the Durham Arts Council Fund were \$765,788 and \$782,543 at June 30, 2019 and 2018, respectively. The net assets of the TCF Real Estate Foundation were \$2,558,903 and \$3,874,547 at June 30, 2019 and 2018, 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:

**Net assets with donor restrictions:** Net assets that carry donor stipulated restrictions regarding use or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term (i.e. endowed funds), with such endowment fund balances being made available for expenditure through spending rate policies adopted by the Foundation. See Note 9 for further information on the Foundation's endowments.

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. At June 30, 2019 and 2018, the Foundation's net assets without donor restrictions included approximately \$12.7 million and \$12.6 million of operating and undesignated funds. The remainder of net assets without donor restrictions consists of funds with donor-imposed stipulations that are subject to the Foundation's variance power as further described below.

**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.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

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

**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.

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.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

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

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.

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 revenue without donor restrictions because the related investments on which the revenue is earned are classified as net assets without donor restrictions. Interest and dividends and net realized and unrealized gains related to the Durham Arts Council Fund are recorded as revenue with 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, 2019, 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 \$128,000 and \$153,000 for the years ended June 30, 2019 and 2018, 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

---

#### 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 net assets with donor restrictions 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, 2019, 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, 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%.

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, 2019 and 2018.

**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 \$90,000 and \$78,400 for the years ended June 30, 2019 and 2018, 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

---

#### 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 net assets without donor restrictions for financial statement purposes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. When restrictions are met in the year of contribution receipt, such contributions are shown as revenues with donor restrictions and as net assets released from restrictions.

**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, as described below.

The statement of functional expenses reports certain natural expense classifications that are attributable to one or more functional expense categories. Costs were allocated based on estimates of time and effort.

**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.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

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

**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 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 Foundation adopted the provisions of ASU 2016-14 for fiscal year 2019 and has retrospectively applied the changes to fiscal year 2018. In addition to changes in terminology used to describe net asset categories throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 2), and a statement of functional expenses, which shows how natural expense categories fit into functional expense categories, along with additional disclosures regarding how natural expenses are allocated into functional expense categories.

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.



## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

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

**Subsequent events:** The Foundation has evaluated its subsequent events (events occurring after June 30, 2019) through October 30, 2019, which represents the date the consolidated financial statements were available to be issued.

#### Note 2. Liquidity and Availability of Financial Assets

The following table reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The approved appropriated amount from endowment funds for the following year is considered to be available for expenditure.

	<u>2019</u>
Financial assets:	
Cash	\$ 7,439,335
Receivables and prepaid expenses	234,848
Investments	222,352,278
Other investments	1,704,200
Loans receivable	1,949,318
Beneficial interest in split-interest agreements	6,391,938
<b>Financial assets, at year-end</b>	<u>240,071,917</u>
Less those unavailable for general expenditure within one year, due to:	
Assets without donor restrictions, subject to the Foundation's variance power	(199,719,404)
Assets held on behalf of other organizations	(15,952,272)
Loans receivable, noncurrent	(1,949,318)
Beneficial interest in split-interest agreements	(6,391,938)
Non-liquid assets held for resale	(2,558,903)
Supporting organization	(765,788)
	<u>(227,337,623)</u>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<u><u>\$ 12,734,294</u></u>

\* Excludes amounts that have been appropriated for the upcoming fiscal year.

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To achieve this, the Foundation monitors its liquidity on a monthly basis. The Foundation defines its general expenditures to include all operating costs as presented in the Statement of Functional Expenses, excluding grant expense. Total general expenses were \$3,306,535 and \$3,227,145 for the years ended June 30, 2019 and 2018, respectively.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 3. Investments

The carrying value of investments at June 30, 2019 and 2018, is comprised of the following:

	2019	2018
Money market funds	\$ 5,481,437	\$ 10,199,443
Equity securities and mutual funds	97,977,316	96,158,823
Fixed income securities and mutual funds	43,289,195	41,099,162
Alternative investments	72,125,802	76,476,177
Investments reported at fair value	218,873,750	223,933,605
Certificates of deposit	3,463,812	2,319,635
Cash surrender value of life insurance policy	14,716	114,003
Total investments	<u>\$ 222,352,278</u>	<u>\$ 226,367,243</u>

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, 2019, the Foundation's ownership in alternative investment funds ranged from 0.01% to 4.51% of the respective fund's net assets. See Note 5 for further details of investments reported at fair value.

#### Note 4. 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, 2019 and 2018. Amounts remaining unpaid at June 30, 2019 and 2018, are as follows:

	2019	2018
In one year or less	\$ 372,510	\$ 663,046
Between one year and five years	201,375	159,625
	<u>\$ 573,885</u>	<u>\$ 822,671</u>

#### Note 5. 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.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 5. Fair Value Measurements (Continued)

**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.

**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 5. 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, 2019 and 2018:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2019	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	\$ 5,481,437	\$ 1,865,823	\$ 3,615,614	\$ -
Equity securities:				
U.S. large/mid cap	13,997,357	13,997,357	-	-
U.S. small cap	1,762,541	1,762,541	-	-
International developed	2,035,726	2,035,726	-	-
Emerging markets	29,147	29,147	-	-
Total equity securities	17,824,771	17,824,771	-	-
Equity mutual funds:				
U.S. large/mid cap	31,995,425	31,995,425	-	-
U.S. small cap	5,264,379	5,264,379	-	-
International developed	42,131,967	34,974,718	7,157,249	-
Emerging markets	760,774	760,774	-	-
Total equity mutual funds	80,152,545	72,995,296	7,157,249	-
Fixed income securities:				
U.S. government and agencies	6,446,693	-	6,446,693	-
Corporate	10,126,739	10,126,739	-	-
Global fixed	231,368	231,368	-	-
Total fixed income securities	16,804,800	10,358,107	6,446,693	-
Fixed income mutual funds:				
U.S. government and agencies	23,614,677	23,614,677	-	-
Corporate	2,515,297	2,515,297	-	-
Global fixed	354,421	354,421	-	-
Total fixed income mutual funds	26,484,395	26,484,395	-	-
	146,747,948	\$ 129,528,392	\$ 17,219,556	\$ -
Alternative investments: <sup>(a)</sup>				
Multi-strategy	31,528,652			
Global macro	28,829,844			
Private equity	11,767,306			
Total alternative investments	72,125,802			
Total investments reported at fair value	\$ 218,873,750			
Other investments	\$ 1,704,200	\$ -	\$ -	\$ 1,704,200
Beneficial interest in split-interest agreements	\$ 6,391,938	\$ -	\$ -	\$ 6,391,938

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

**Notes to Consolidated Financial Statements**

**Note 5. Fair Value Measurements (Continued)**

	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)
<b>Assets:</b>				
<b>Investments:</b>				
Money market funds	\$ 10,199,443	\$ 5,918,228	\$ 4,281,215	\$ -
<b>Equity securities:</b>				
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	-	-
<b>Equity mutual funds:</b>				
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	-
<b>Fixed income securities:</b>				
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	-
<b>Fixed income mutual funds:</b>				
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	\$ -
<b>Alternative investments: <sup>(a)</sup></b>				
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

<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**

---

**Note 5. 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, 2019 and 2018:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Other Investments	Split-Interest Agreements
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	2,984,200	6,431,202
Contributions	-	201,273
Sales	(53,580)	-
Realized losses	(6,420)	-
Payments received	-	(300,582)
Change in value	(1,220,000)	60,045
Balance, June 30, 2019	\$ 1,704,200	\$ 6,391,938

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

#### Note 6. 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, 2019 and 2018:

Alternative Investments Strategy Category	Fair Value	2019			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	\$ 4,998,415	n/a	Monthly	15	\$ -
ACM Financial Trust, Inc.	3,000,000	n/a	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	4,872,036	December 2019	Quarterly	70	-
Pagosa Investors (Cayman), Ltd.	6,090,782	n/a	Quarterly	45	-
Luxor Capital Partners Offshore, Ltd.	253,253	n/a	n/a	90	-
Focused Investors Fund, LP	-	n/a	Monthly	30	-
Gobi Concentrated Fund Ltd.	3,980,507	October 2019	Monthly	60	-
OHA Diversified Credit Strategies Fund (Offshore), Ltd.	4,407,830	n/a	Monthly	45	-
Nitorum Offshore Fund, Ltd.	3,925,829	March 2020	Annually	60	-
RREEF America REIT II, Inc.	-	n/a	Quarterly	45	2,100,000
Multi-Strategy total	<u>31,528,652</u>				<u>2,100,000</u>
Global macro (b):					
Forester Offshore, Ltd.	-	n/a	n/a	95	-
Colchester Global Bond Fund	-	n/a	Monthly	10	-
Marathon-London International Investment Trust I	-	n/a	Monthly	5	-
Highclere International Investors					
Emerging Markets SMID Fund	2,818,679	n/a	Monthly	10	-
The Children's Investment Fund	3,872,060	April 2020	n/a	120	-
Permian Fund, Ltd.	-	n/a	Quarterly	60	-
Cat Rock Capital Partners Cayman Ltd.	4,266,863	n/a	Quarterly	60	-
Tybourne Long Opportunities (Offshore) Fund	3,582,955	December 2019	Annually	60	-
Soapstone Capital LP	2,257,385	December 2019	Annually	75	-
Hengistbury Fund Limited	2,540,820	March 2021	Quarterly	90	-
WGI Emerging Markets Fund LLC	9,491,082	n/a	Monthly	30	-
Global Macro total	<u>28,829,844</u>				<u>-</u>
Private equity (c):					
TIFF Private Equity Partners 2009, LLC	282,369	n/a	n/a	n/a	178,182
NorthGate IV, LP	560,530	n/a	n/a	n/a	30,000
Perennial Real Estate Fund II, LP	991,242	n/a	n/a	n/a	174,600
StepStone Capital III, LP	635,234	n/a	n/a	n/a	184,971
Denham Commodity Partners Fund VI, LP	765,321	n/a	n/a	n/a	132,384
CrossHarbor Capital Partners, LP	258,326	n/a	n/a	n/a	117,647
Aether Real Assets III, LP	1,035,263	n/a	n/a	n/a	240,881
GEM Realty Fund V, LP	1,852,531	n/a	n/a	n/a	382,673
Montauk Triguard Fund VI, LP	471,968	n/a	n/a	n/a	437,500
Lakestar II, LP	950,912	n/a	n/a	n/a	143,420
Patron Capital V, LP	701,012	n/a	n/a	n/a	1,025,553
Blue Heron Real Estate Opportunity Fund II, LP	1,094,611	n/a	n/a	n/a	79,279
Ecosystem Integrity Fund III, LP	607,265	n/a	n/a	n/a	675,000
Eightfold Real Estate Capital Fund V, LP	456,249	n/a	n/a	n/a	825,867
Juniper Capital III, LP	547,288	n/a	n/a	n/a	1,453,182
Digital Alpha Fund LP	441,038	n/a	n/a	n/a	1,030,138
Generation IM Sustainable Solutions LP	116,147	n/a	n/a	n/a	875,000
Private equity total	<u>11,767,306</u>				<u>7,986,277</u>
Alternative investments total	<u>\$ 72,125,802</u>				<u>\$ 10,086,277</u>

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

#### Note 6. Investments Reported at Net Asset Value (Continued)

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	90	-
Gobi Concentrated Fund Ltd.	1,979,853	n/a	Monthly	30	-
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				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 6. 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 7. 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, 2019 and 2018, the outstanding balances on the loans are as follows:

	2019	2018
Loan A	\$ 1,385,116	\$ 4,910,000
Loan B	564,202	2,000,000
Total loans receivable	<u>\$ 1,949,318</u>	<u>\$ 6,910,000</u>

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 8. Net Assets

Net assets without donor restrictions and with donor restrictions consist of the following as of June 30, 2019 and 2018:

	2019	2018
Net assets without donor restrictions:		
Undesignated	\$ 12,734,294	\$ 12,626,270
Net assets subject to the Foundation's variance power	204,430,310	211,290,442
<b>Total net assets without donor restrictions</b>	<b>217,164,604</b>	<b>223,916,712</b>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Restricted for Durham Arts Council	108,276	125,031
Accumulated gains	(108,276)	(125,031)
	-	-
Subject to the passage of time:		
Time restrictions related to beneficial interest in split-interest agreements	6,391,938	6,431,202
	6,391,938	6,431,202
Subject to spending policy and appropriation:		
Accumulated gains	108,276	125,031
Endowment funds restricted in perpetuity	657,512	657,512
	765,788	782,543
<b>Total net assets with donor restrictions</b>	<b>7,157,726</b>	<b>7,213,745</b>
<b>Total net assets</b>	<b>\$ 224,322,330</b>	<b>\$ 231,130,457</b>

During 2019 and 2018, net assets of \$350,940 and \$321,422, respectively, were released from donor restriction by meeting the restricted purpose or by the passage of time. See Note 9 for activity related to the Durham Arts Council Fund.

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 9. 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 follows the provisions of FASB Accounting Standards Codification (ASC) 958-205-50 (formerly FASB Staff Position 117-1, Net Asset Classification of Funds) subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (NCUPMIFA), and Enhanced Disclosures for all Endowment Funds. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor of the gift instrument. 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 through December 31, 2018. 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. Beginning January 1, 2019, the general spending policy was reduced to 4.5% annually.

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, 2019 or 2018.

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

**Notes to Consolidated Financial Statements**

**Note 9. Endowment Funds (Continued)**

The following table summarizes changes in endowment net assets for the years ended June 30, 2019 or 2018:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
Endowment net assets, June 30, 2017	\$ -	\$ 657,391	\$ 91,802	\$ 749,193	\$ 749,193
Contributions	-	121	-	121	121
Realized and unrealized gains net of interest, other investment income and fees	-	-	56,864	56,864	56,864
Appropriations of endowment assets	-	-	(23,635)	(23,635)	(23,635)
Endowment net assets, June 30, 2018	-	657,512	125,031	782,543	782,543
Contributions	-	-	-	-	-
Realized and unrealized gains net of interest, other investment income and fees	-	-	26,021	26,021	26,021
Appropriations of endowment assets	-	-	(42,776)	(42,776)	(42,776)
Endowment net assets, June 30, 2019	\$ -	\$ 657,512	\$ 108,276	\$ 765,788	\$ 765,788

**Note 10. Assets Held on Behalf of Other Organizations**

Activity for the years ended June 30, 2019 and 2018, related to assets held on behalf of other organizations is as follows:

	2019	2018
Contributions	\$ 1,798,468	\$ 720,008
Interest and dividend income	269,747	278,038
Net realized and unrealized gains	484,340	876,114
Other loss	(185,244)	(220,151)
Total increases	2,367,311	1,654,009
Less grantmaking	1,872,372	4,144,892
Change in assets held on behalf of other organizations	494,939	(2,490,883)
Assets held on behalf of other organizations:		
Beginning	15,457,333	17,948,216
Ending	\$ 15,952,272	\$ 15,457,333

## Triangle Community Foundation, Inc. and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 11. Operating Leases

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

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

Year ending June 30:	
2020	\$ 204,112
2021	209,214
2022	214,445
2023	219,806
2024	225,301
Thereafter	558,247
	<u>\$ 1,631,125</u>

Rent expense for the years ended June 30, 2019 and 2018, was \$165,298 and \$163,968, respectively. The Foundation recognizes rent expense on a straight-line basis and thus has recognized a straight-line lease obligation totaling \$415,269 at June 30, 2019 related to escalating lease payments and tenant allowances.

#### Note 12. 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, 2019 and 2018. The expense related to this plan was \$83,344 and \$82,207 for the years ended June 30, 2019 and 2018, respectively.