

Triangle Community Foundation, Inc. and Affiliates

Consolidated Financial Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

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 (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities, cash flows and functional expenses 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 Foundation as of June 30, 2020 and 2019, 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
November 20, 2020

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 10,469,645	\$ 7,439,335
Receivables and prepaid expenses	256,070	234,848
Investments	226,213,695	222,352,278
Other investments	1,643,200	1,704,200
Loans receivable	-	1,949,318
Beneficial interest in split-interest agreements	5,724,436	6,391,938
Rental real estate, net of accumulated depreciation (2020 – \$504,500; 2019 – \$504,500)	695,000	695,000
Office furniture, equipment and software, net of accumulated depreciation (2020 – \$407,879; 2019 – \$294,411)	602,833	709,193
Total assets	\$ 245,604,879	\$ 241,476,110
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 230,483	\$ 212,354
Grants payable	1,126,049	573,885
Deferred rent	368,455	415,269
Assets held on behalf of other organizations	14,327,350	15,952,272
Total liabilities	16,052,337	17,153,780
Commitments		
Net assets:		
Net assets without donor restrictions	223,093,090	217,164,604
Net assets with donor restrictions	6,459,452	7,157,726
Total net assets	229,552,542	224,322,330
Total liabilities and net assets	\$ 245,604,879	\$ 241,476,110

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 32,788,771	\$ -	\$ 32,788,771
Interest and dividend income	3,949,780	9,153	3,958,933
Net realized and unrealized gains (losses) on investments	944,611	(2,344)	942,267
Change in value of split-interest agreements	-	20,087	20,087
Government grants – PPP Loan forgiveness	344,539	-	344,539
Other income	141,906	-	141,906
Net assets released from donor restrictions	725,170	(725,170)	-
	<u>38,894,777</u>	<u>(698,274)</u>	<u>38,196,503</u>
Less support and revenue from assets held on behalf of other organizations	(648,953)	-	(648,953)
Total support and revenue	<u>38,245,824</u>	<u>(698,274)</u>	<u>37,547,550</u>
Expenses:			
Programs:			
Grantmaking	31,454,826	-	31,454,826
Philanthropic services	604,647	-	604,647
Community programs	1,078,963	-	1,078,963
Fund management	163,527	-	163,527
Administrative	862,161	-	862,161
Fundraising	314,691	-	314,691
	<u>34,478,815</u>	<u>-</u>	<u>34,478,815</u>
Less expenses from assets held on behalf of other organizations	(2,273,875)	-	(2,273,875)
Total expenses	<u>32,204,940</u>	<u>-</u>	<u>32,204,940</u>
Net loss on other investments	(61,000)	-	(61,000)
Other, loss on sale of gifted assets	(51,398)	-	(51,398)
Change in net assets	<u>5,928,486</u>	<u>(698,274)</u>	<u>5,230,212</u>
Net assets:			
Beginning	<u>217,164,604</u>	<u>7,157,726</u>	<u>224,322,330</u>
Ending	<u>\$ 223,093,090</u>	<u>\$ 6,459,452</u>	<u>\$ 229,552,542</u>

See notes to consolidated financial statements.

2019

Without Donor Restrictions	With Donor Restrictions	Total
\$ 14,506,917	\$ 201,273	\$ 14,708,190
4,224,267	10,872	4,235,139
6,559,441	22,731	6,582,172
-	60,045	60,045
-	-	-
161,323	-	161,323
350,940	(350,940)	-
25,802,888	(56,019)	25,746,869
(2,367,311)	-	(2,367,311)
23,435,577	(56,019)	23,379,558
27,663,647	-	27,663,647
646,115	-	646,115
991,610	-	991,610
197,831	-	197,831
814,318	-	814,318
499,516	-	499,516
30,813,037	-	30,813,037
(1,872,372)	-	(1,872,372)
28,940,665	-	28,940,665
(1,226,420)	-	(1,226,420)
(20,600)	-	(20,600)
(6,752,108)	(56,019)	(6,808,127)
223,916,712	7,213,745	231,130,457
\$ 217,164,604	\$ 7,157,726	\$ 224,322,330

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 5,230,212	\$ (6,808,127)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	106,360	124,880
Net realized and unrealized gains on investments	(942,267)	(6,582,172)
Net realized and unrealized losses on other investments	61,000	1,226,420
Contributions of split-interest investments	-	(201,273)
Change in value of split-interest agreements	(20,086)	(60,045)
Payments received on charitable remainder trusts	402,875	-
Payments received on charitable lead trusts	284,713	300,582
Changes in assets and liabilities:		
Receivables and prepaid expenses	(21,222)	(25,718)
Accounts payable and accrued expenses	18,129	138,821
Grants payable	552,164	(248,786)
Deferred rent	(46,814)	(41,836)
Assets held on behalf of other organizations	(1,624,922)	494,939
Net cash provided by (used in) by operating activities	4,000,142	(11,682,315)
Cash flows from investing activities:		
Payments received on loans receivable	1,949,318	4,960,682
Purchases of office furniture, equipment and software	-	(5,424)
Proceeds from sale of other investments	-	53,580
Proceeds from sales and maturities of investments	166,755,729	216,256,356
Purchase of investments	(169,674,879)	(205,659,219)
Net cash (used in) provided by investing activities	(969,832)	15,605,975
Net increase in cash	3,030,310	3,923,660
Cash:		
Beginning	7,439,335	3,515,675
Ending	\$ 10,469,645	\$ 7,439,335

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Activities			Supporting Services					Total
	Grantmaking	Philanthropic Services	Community Programs	Total Program	Fund Management	Administrative	Fundraising	Total Supporting Services	
Grant expenses	\$ 31,298,298	\$ -	\$ -	\$ 31,298,298	\$ -	\$ -	\$ -	\$ -	\$ 31,298,298
Salaries and wages	86,914	305,898	599,104	991,916	39,633	468,651	167,759	676,043	1,667,959
Contract staff	116	408	799	1,323	53	625	224	902	2,225
Benefits and other personnel costs	16,172	56,919	111,476	184,567	7,374	87,202	31,215	125,791	310,358
Payroll taxes	6,232	21,932	42,955	71,119	2,842	33,601	12,028	48,471	119,590
Professional services	-	-	-	-	87,474	18,134	392	106,000	106,000
Rent	8,692	30,592	59,915	99,199	3,964	46,868	16,777	67,609	166,808
Operations and maintenance	3,117	10,972	21,488	35,577	1,422	16,809	6,017	24,248	59,825
Supplies and other office expenses	2,942	10,356	20,283	33,581	3,499	15,866	7,837	27,202	60,783
Depreciation	5,913	20,810	40,756	67,479	2,696	31,881	11,412	45,989	113,468
Other	26,430	146,760	182,187	355,377	14,570	142,524	61,030	218,124	573,501
	<u>\$ 31,454,826</u>	<u>\$ 604,647</u>	<u>\$ 1,078,963</u>	<u>\$ 33,138,436</u>	<u>\$ 163,527</u>	<u>\$ 862,161</u>	<u>\$ 314,691</u>	<u>\$ 1,340,379</u>	<u>34,478,815</u>
									Less expenses from assets held on behalf of other organizations <u>(2,273,875)</u>
									Total expenses <u><u>\$ 32,204,940</u></u>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Activities			Supporting Services					
	Grantmaking	Philanthropic Services	Community Programs	Total Program	Fund Management	Administrative	Fundraising	Total Supporting Services	Total
Grant expenses	\$ 27,506,503	\$ -	\$ -	\$ 27,506,503	\$ -	\$ -	\$ -	\$ -	\$ 27,506,503
Salaries and wages	82,732	243,686	522,050	848,468	45,565	413,348	247,729	706,642	1,555,110
Contract staff	15,290	45,037	96,485	156,812	8,421	76,395	45,785	130,601	287,413
Benefits and other personnel costs	5,906	17,397	37,270	60,573	3,253	29,510	17,686	50,449	111,022
Payroll taxes	504	1,487	3,185	5,176	278	2,522	1,511	4,311	9,487
Professional services	-	-	-	-	105,389	29,183	1,017	135,589	135,589
Rent	8,794	25,902	55,491	90,187	4,843	43,936	26,332	75,111	165,298
Operations and maintenance	3,643	10,732	22,991	37,366	2,007	18,204	10,910	31,121	68,487
Supplies and other office expenses	3,884	11,439	24,506	39,829	3,952	19,403	13,442	36,797	76,626
Depreciation	6,644	19,569	41,922	68,135	3,659	33,193	19,893	56,745	124,880
Other	29,747	270,866	187,710	488,323	20,464	148,624	115,211	284,299	772,622
	<u>\$ 27,663,647</u>	<u>\$ 646,115</u>	<u>\$ 991,610</u>	<u>\$ 29,301,372</u>	<u>\$ 197,831</u>	<u>\$ 814,318</u>	<u>\$ 499,516</u>	<u>\$ 1,511,665</u>	<u>30,813,037</u>
									Less expenses from assets held on behalf of other organizations <u>(1,872,372)</u>
									Total expenses <u><u>\$ 28,940,665</u></u>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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 \$735,016 and \$765,788 at June 30, 2020 and 2019, respectively. The net assets of the TCF Real Estate Foundation were \$2,485,937 and \$2,558,903 at June 30, 2020 and 2019, 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 accounting: The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received revenue is recognized when earned, and expenses are recognized when incurred.

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, 2020 and 2019, the Foundation's net assets without donor restrictions included approximately \$12.6 million and \$12.7 million of operating and undesignated funds, respectively. 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 Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include interest bearing money market accounts.

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.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

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. The loans receivable were fully repaid in fiscal year 2020.

Related party transactions: Contributions from board members were approximately \$434,000 and \$128,000 for the years ended June 30, 2020 and 2019, respectively.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

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, 2020, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 7.6%, payout rates as stated in the agreement between 3% and 10%, and a discount rate of 7.6%. 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%.

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, 2020 and 2019.

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 \$90,000 for the years ended June 30, 2020 and 2019, 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.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

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: Unconditional contributions are recognized as support when received or 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 Activities and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition guidance throughout the Industry Topics of ASC. 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 June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provides a limited deferral of the effective dates to provide immediate, near-term relief as a result of the Coronavirus Disease 2019 (COVID-19) pandemic, which is adversely affecting the global economy and causing significant and widespread business and capital market disruptions. The Amendments in this ASU defer the effective date for one year for each standard, resulting in an effective date of fiscal year 2021 for Topic 606 for the Foundation. Management is currently evaluating the impact of this standard on its 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. The Foundation has deferred the adoption of Topic 842 for an additional year based on the previous provisions of ASU 2020-05, resulting in an effective date for Topic 842 to be fiscal year 2023. Management is currently evaluating the impact the pending adoption of the new standard will have 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). For contributions received, ASU 2018-08 was effective and adopted during the fiscal year ended June 30, 2020, without significant impact on its consolidated financial statements. For contributions made, ASU 2018-08 will be effective for the Foundation for the year ended June 30, 2021.

Subsequent events: The Foundation has evaluated its subsequent events (events occurring after June 30, 2020) through November 20, 2020, which represents the date the consolidated financial statements were available to be issued.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability of Financial Assets

The following table reflects the Foundation's financial assets as of June 30, 2020 and 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.

	2020	2019
Financial assets:		
Cash	\$ 10,469,645	\$ 7,439,335
Receivables and prepaid expenses	256,070	234,848
Investments	226,213,695	222,352,278
Other investments	1,643,200	1,704,200
Loans receivable	-	1,949,318
Beneficial interest in split-interest agreements	5,724,436	6,391,938
Financial assets, at year-end	<u>244,307,046</u>	<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	(208,456,609)	(199,719,404)
Assets held on behalf of other organizations	(14,327,350)	(15,952,272)
Loans receivable, noncurrent	-	(1,949,318)
Beneficial interest in split-interest agreements	(5,724,436)	(6,391,938)
Nonliquid assets held for resale	(2,485,936)	(2,558,903)
Supporting organization	(735,016)	(765,788)
	<u>(231,729,347)</u>	<u>(227,337,623)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,577,699</u>	<u>\$ 12,734,294</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 consolidated statements of functional expenses, excluding grant expense. Total general expenses were \$3,180,512 and \$3,306,535 for the years ended June 30, 2020 and 2019, respectively.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments

The carrying value of investments at June 30, 2020 and 2019, is comprised of the following:

	2020	2019
Money market funds	\$ 5,283,578	\$ 5,481,437
Equity securities and mutual funds	78,714,568	97,977,316
Fixed income securities and mutual funds	45,318,682	43,289,195
Alternative investments	92,482,579	72,125,802
Investments reported at fair value	221,799,407	218,873,750
Certificates of deposit	4,401,732	3,463,812
Cash surrender value of life insurance policy	12,556	14,716
Total investments	<u>\$ 226,213,695</u>	<u>\$ 222,352,278</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, 2020, the Foundation's ownership in alternative investment funds ranged from 0.01% to 4.20% 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, 2020 and 2019. Amounts remaining unpaid at June 30, 2020 and 2019, are as follows:

	2020	2019
In one year or less	\$ 921,555	\$ 372,510
Between one year and five years	204,494	201,375
	<u>\$ 1,126,049</u>	<u>\$ 573,885</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.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on an active exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

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

Investments:

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

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

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

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, 2020 and 2019:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2020	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	\$ 5,283,578	\$ 2,504,508	\$ 2,779,071	\$ -
Equity securities:				
U.S. large/mid cap	9,844,881	9,844,881	-	-
U.S. small cap	546,659	546,659	-	-
International developed	4,323,849	4,323,849	-	-
Emerging markets	901,308	901,308	-	-
Total equity securities	15,616,697	15,616,697	-	-
Equity mutual funds:				
U.S. large/mid cap	26,604,653	26,604,653	-	-
U.S. small cap	5,742,571	5,742,571	-	-
International developed	30,044,015	25,283,786	4,760,230	-
Emerging markets	706,632	706,632	-	-
Total equity mutual funds	63,097,871	58,337,642	4,760,230	-
Fixed income securities:				
U.S. government and agencies	5,035,414	-	5,035,414	-
Corporate	9,177,598	9,177,598	-	-
Global fixed	128,725	128,725	-	-
Total fixed income securities	14,341,737	9,306,323	5,035,414	-
Fixed income mutual funds:				
U.S. government and agencies	29,597,074	29,597,074	-	-
Corporate	1,379,871	1,379,871	-	-
Global fixed	-	-	-	-
Total fixed income mutual funds	30,976,945	30,976,945	-	-
	129,316,828	\$ 116,742,115	\$ 12,574,715	\$ -
Alternative investments: ^(a)				
Multi-strategy	33,996,110			
Global macro	46,480,768			
Private equity	12,005,701			
Total alternative investments	92,482,579			
Total investments reported at fair value	\$ 221,799,407			
Other investments	\$ 1,643,200	\$ -	\$ -	\$ 1,643,200
Beneficial interest in split-interest agreements	\$ 5,724,436	\$ -	\$ -	\$ 5,724,436

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, 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: ^(a)				
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

^(a) 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, 2020 and 2019:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Other Investments	Split-Interest Agreements
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
Contributions	-	-
Sales	-	-
Realized losses	-	-
Payments received	-	(687,588)
Change in value	(61,000)	20,086
Balance, June 30, 2020	\$ 1,643,200	\$ 5,724,436

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, 2020 and 2019:

Alternative Investments Strategy Category	Fair Value	2020			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	\$ 5,381,110	n/a	Monthly	15	\$ -
ACM Financial Trust, Inc.	3,000,000	n/a	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	4,773,323	December 2019	Quarterly	70	-
Pagosa Investors (Cayman), Ltd.	6,257,160	n/a	Quarterly	45	-
Luxor Capital Partners Offshore, Ltd.	184,590	n/a	n/a	90	-
Gobi Concentrated Fund Ltd.	4,076,209	October 2019	Monthly	60	-
OHA Diversified Credit Strategies Fund (Offshore), Ltd.	205,373	n/a	Monthly	45	-
Nitorum Offshore Fund, Ltd.	4,292,927	March 2020	Annually	60	-
RREEF America REIT II, Inc.	1,050,966	n/a	Quarterly	45	1,050,000
Redwood Grove Capital Fund	4,774,452	n/a	Monthly	5	-
Multi-strategy total	<u>33,996,110</u>				<u>1,050,000</u>
Global macro (b):					
Highclere International Investors					
Emerging Markets SMID Fund	1,726,960	n/a	Monthly	10	-
The Children's Investment Fund	4,057,500	April 2020	n/a	120	-
Cat Rock Capital Partners Cayman Ltd.	4,884,417	n/a	Quarterly	60	-
Tybourne Long Opportunities (Offshore) Fund	3,814,044	December 2019	Annually	60	-
Soapstone Capital LP	2,353,358	December 2019	Annually	75	-
Hengstbury Fund Limited	2,062,414	March 2021	Quarterly	90	-
WGI Emerging Markets Fund LLC	8,284,608	n/a	Monthly	30	-
Arrowstreet Global Equity ACWI Trust Fund	14,513,991	n/a	Monthly	9	-
Lone Pine Capital	4,783,476	April 2023	Annually	60	-
Global macro total	<u>46,480,768</u>				<u>-</u>
Private equity (c):					
TIFF Private Equity Partners 2009, LLC	174,596	n/a	n/a	n/a	178,182
NorthGate IV, LP	467,901	n/a	n/a	n/a	30,000
Perennial Real Estate Fund II, LP	756,684	n/a	n/a	n/a	147,600
StepStone Capital III, LP	502,208	n/a	n/a	n/a	189,238
Denham Commodity Partners Fund VI, LP	495,721	n/a	n/a	n/a	100,525
CrossHarbor Capital Partners, LP	56,736	n/a	n/a	n/a	117,647
Aether Real Assets III, LP	855,069	n/a	n/a	n/a	134,031
GEM Realty Fund V, LP	1,301,016	n/a	n/a	n/a	382,673
Montauk Triguard Fund VI, LP	419,038	n/a	n/a	n/a	247,945
Lakestar II, LP	1,097,140	n/a	n/a	n/a	57,989
Patron Capital V, LP	915,987	n/a	n/a	n/a	723,278
Blue Heron Real Estate Opportunity Fund II, LP	860,263	n/a	n/a	n/a	202,266
Ecosystem Integrity Fund III, LP	907,530	n/a	n/a	n/a	531,250
Eightfold Real Estate Capital Fund V, LP	458,900	n/a	n/a	n/a	669,895
Juniper Capital III, LP	886,706	n/a	n/a	n/a	1,082,555
Digital Alpha Fund LP	1,306,041	n/a	n/a	n/a	709,762
Generation IM Sustainable Solutions LP	261,273	n/a	n/a	n/a	715,000
Transformation Capital	57,270	n/a	n/a	n/a	942,730
Valor Equity Partners V-B, LP	225,622	n/a	n/a	n/a	1,274,378
Private equity total	<u>12,005,701</u>				<u>8,436,944</u>
Alternative investments total	<u>\$ 92,482,579</u>				<u>\$ 9,486,944</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	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	-
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):					
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	-
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)

- (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 was for \$4,910,000 with an interest of 0.8%. The second note was 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 were paid in full at June 30, 2020. At June 30, 2020 and 2019, the outstanding balances on the loans are as follows:

	2020	2019
Loan A	\$ -	\$ 1,385,116
Loan B	-	564,202
Total loans receivable	<u>\$ -</u>	<u>\$ 1,949,318</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, 2020 and 2019:

	2020	2019
Net assets without donor restrictions:		
Undesignated	\$ 12,577,697	\$ 12,734,294
Net assets subject to the Foundation's variance power	210,515,393	204,430,310
Total net assets without donor restrictions	<u>223,093,090</u>	<u>217,164,604</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Restricted for Durham Arts Council	77,504	108,276
Accumulated gains	<u>(77,504)</u>	<u>(108,276)</u>
	-	-
Subject to the passage of time:		
Time restrictions related to beneficial interest in split-interest agreements	5,724,436	6,391,938
	<u>5,724,436</u>	<u>6,391,938</u>
Subject to spending policy and appropriation:		
Accumulated gains	77,504	108,276
Endowment funds restricted in perpetuity	657,512	657,512
	<u>735,016</u>	<u>765,788</u>
Total net assets with donor restrictions	<u>6,459,452</u>	<u>7,157,726</u>
Total net assets	<u>\$ 229,552,542</u>	<u>\$ 224,322,330</u>

During 2020 and 2019, net assets of \$725,170 and \$350,940, 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 ASC 958-205-50 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 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, 2020 or 2019.

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, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
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
Contributions	-	-	-	-	-
Realized and unrealized gains net of interest, other investment income and fees	-	-	6,810	6,810	6,810
Appropriations of endowment assets	-	-	(37,582)	(37,582)	(37,582)
Endowment net assets, June 30, 2020	\$ -	\$ 657,512	\$ 77,504	\$ 735,016	\$ 735,016

Note 10. Assets Held on Behalf of Other Organizations

Activity for the years ended June 30, 2020 and 2019, related to assets held on behalf of other organizations is as follows:

	2020	2019
Contributions	\$ 468,643	\$ 1,798,468
Interest and dividend income	240,002	269,747
Net realized and unrealized gains	131,113	484,340
Other loss	(190,805)	(185,244)
Total increases	648,953	2,367,311
Less grantmaking	2,273,875	1,872,372
Change in assets held on behalf of other organizations	(1,624,922)	494,939
Assets held on behalf of other organizations:		
Beginning	15,952,272	15,457,333
Ending	\$ 14,327,350	\$ 15,952,272

Triangle Community Foundation, Inc. and Affiliates

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Note 11. Operating Leases

The Foundation leases office space under a non-cancelable operating lease. The lease generally is renewable and provides 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:

Years ending June 30:	
2021	\$ 209,214
2022	214,445
2023	219,806
2024	225,301
Thereafter	558,247
	<u>\$ 1,427,013</u>

Rent expense for the years ended June 30, 2020 and 2019, was \$166,808 and \$165,298, respectively. The Foundation recognizes rent expense on a straight-line basis and thus has recognized a straight-line lease obligation totaling \$368,455 at June 30, 2020, 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, 2020 and 2019. The expense related to this plan was \$94,127 and \$83,344 for the years ended June 30, 2020 and 2019, respectively.

Note 13. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

The CARES Act established the Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Administration (SBA), to provide loans to qualifying entities. Under this program, a qualifying entity may apply to an SBA-approved lender for a federally guaranteed loan to help offset certain payroll and other operating costs. Loans in excess of \$2 million will be subject to an audit to determine whether the entity truly qualified for the loan. The scrutiny of an audit for those loans in excess of \$2 million may create an incremental degree of uncertainty with respect to whether the loans will have to be repaid.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 13. COVID-19 and CARES Act (Continued)

On April 30, 2020, the Foundation received an amount of \$344,539 under the PPP. The note matures in 2022 and bears interest at a rate of 1% per annum. Principal and interest payments are required each month beginning seven months from the date of initial disbursement. Amounts received under the PPP may be forgiven, in whole or in part, provided that the Foundation meets certain conditions as set out by the SBA. The Foundation has elected to follow accounting treatment under ASC 958 and treat the amount received as a conditional grant. As of and for the year ended June 30, 2020, the Foundation has incurred qualifying expenses and believes it has satisfied all other conditions for full forgiveness of the note. Accordingly, the Foundation has recorded revenue of \$344,539 in the consolidated statement of activities. The Foundation plans to apply for full forgiveness of its loan during the fiscal year ended June 30, 2021, however, no assurances can be given regarding whether such an application will be approved in part or in full.