

Triangle Community Foundation, Inc. and Affiliates

Consolidated Financial Report
June 30, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
Triangle Community Foundation, Inc.

Opinion

We have audited the consolidated financial statements of Triangle Community Foundation, Inc. and Affiliates (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

McLean, Virginia
November 21, 2022

Triangle Community Foundation, Inc. and Affiliates

**Consolidated Statements of Financial Position
June 30, 2022 and 2021**

	2022	2021
Assets		
Cash and cash equivalents	\$ 8,387,471	\$ 13,643,156
Receivables and prepaid expenses	151,337	235,635
Investments	256,172,629	282,760,999
Other investments	1,895,990	1,652,400
Beneficial interest in split-interest agreements	5,378,363	6,443,089
Rental real estate, net of accumulated depreciation (2022—\$504,500; 2021—\$504,500)	695,000	695,000
Office furniture, equipment and software, net of accumulated depreciation (2022—\$599,252; 2021—\$492,539)	412,936	519,649
Total assets	\$ 273,093,726	\$ 305,949,928
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	142,167	\$ 151,668
Grants payable	1,234,619	1,996,910
Deferred rent	259,391	316,538
Assets held on behalf of other organizations	15,900,620	18,051,912
Total liabilities	17,536,797	20,517,028
Commitments		
Net assets:		
Net assets without donor restrictions	249,493,999	278,161,702
Net assets with donor restrictions	6,062,930	7,271,198
Total net assets	255,556,929	285,432,900
Total liabilities and net assets	\$ 273,093,726	\$ 305,949,928

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 40,546,339	\$ -	\$ 40,546,339
Interest and dividend income	5,822,122	14,923	5,837,045
Net realized and unrealized losses on investments	(42,720,622)	(119,829)	(42,840,451)
Change in value of split-interest agreements	-	(772,995)	(772,995)
Other income	185,620	-	185,620
Net assets released from donor restrictions	330,367	(330,367)	-
	<u>4,163,826</u>	<u>(1,208,268)</u>	<u>2,955,558</u>
Plus net loss from support, revenue and investments from assets held on behalf of other organizations	1,593,653	-	1,593,653
Total support and revenue	<u>5,757,479</u>	<u>(1,208,268)</u>	<u>4,549,211</u>
Expenses:			
Programs:			
Grantmaking	32,616,302	-	32,616,302
Philanthropic services	486,903	-	486,903
Community programs	971,185	-	971,185
Fund management	147,266	-	147,266
Administrative	831,364	-	831,364
Fundraising	244,267	-	244,267
	<u>35,297,287</u>	<u>-</u>	<u>35,297,287</u>
Less expenses from assets held on behalf of other organizations	(557,639)	-	(557,639)
Total expenses	<u>34,739,648</u>	<u>-</u>	<u>34,739,648</u>
Change in net assets before other gains	<u>(28,982,169)</u>	<u>(1,208,268)</u>	<u>(30,190,437)</u>
Gain on other investments	243,590	-	243,590
Gain on sale of gifted assets	70,876	-	70,876
Change in net assets	<u>(28,667,703)</u>	<u>(1,208,268)</u>	<u>(29,875,971)</u>
Net assets:			
Beginning	<u>278,161,702</u>	<u>7,271,198</u>	<u>285,432,900</u>
Ending	<u>\$ 249,493,999</u>	<u>\$ 6,062,930</u>	<u>\$ 255,556,929</u>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

**Consolidated Statements of Activities
Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 18,447,793	\$ -	\$ 18,447,793
Interest and dividend income	3,239,625	6,547	3,246,172
Net realized and unrealized gains on investments	63,386,821	224,888	63,611,709
Change in value of split-interest agreements	-	1,012,123	1,012,123
Other income	228,073	-	228,073
Net assets released from donor restrictions	431,812	(431,812)	-
	<u>85,734,124</u>	<u>811,746</u>	<u>86,545,870</u>
Less support and revenue from assets held on behalf of other organizations	(4,599,589)	-	(4,599,589)
Total support and revenue	<u>81,134,535</u>	<u>811,746</u>	<u>81,946,281</u>
Expenses:			
Programs:			
Grantmaking	24,211,628	-	24,211,628
Philanthropic services	551,208	-	551,208
Community programs	907,145	-	907,145
Fund management	179,719	-	179,719
Administrative	837,582	-	837,582
Fundraising	255,699	-	255,699
	<u>26,942,981</u>	<u>-</u>	<u>26,942,981</u>
Less expenses from assets held on behalf of other organizations	(875,028)	-	(875,028)
Total expenses	<u>26,067,953</u>	<u>-</u>	<u>26,067,953</u>
Change in net assets before other gains	<u>55,066,582</u>	<u>811,746</u>	<u>55,878,328</u>
Gain on other investments	-	-	-
Gain on sale of gifted assets	2,030	-	2,030
Change in net assets	<u>55,068,612</u>	<u>811,746</u>	<u>55,880,358</u>
Net assets:			
Beginning	<u>223,093,090</u>	<u>6,459,452</u>	<u>229,552,542</u>
Ending	<u>\$ 278,161,702</u>	<u>\$ 7,271,198</u>	<u>\$ 285,432,900</u>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (29,875,971)	\$ 55,880,358
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	106,713	83,184
Net realized and unrealized losses (gains) on investments	42,840,451	(63,611,708)
Net realized and unrealized gains on other investments	(243,590)	-
Contributions of real estate	-	(9,200)
Change in value of split-interest agreements	772,995	(1,012,123)
Payments received on charitable lead trusts	291,731	293,471
Changes in assets and liabilities:		
Receivables and prepaid expenses	84,298	20,434
Accounts payable and accrued expenses	(9,501)	(78,815)
Grants payable	(762,291)	870,861
Deferred rent	(57,147)	(51,917)
Assets held on behalf of other organizations	(2,151,292)	3,724,562
Net cash provided by (used in) operating activities	10,996,396	(3,890,893)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	105,726,305	92,396,578
Purchase of investments	(121,978,386)	(85,332,174)
Net cash (used in) provided by investing activities	(16,252,081)	7,064,404
Net (decrease) increase in cash	(5,255,685)	3,173,511
Cash:		
Beginning	13,643,156	10,469,645
Ending	\$ 8,387,471	\$ 13,643,156

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2022**

	Program Activities			Total Program	Supporting Services			Total Supporting Services	Total
	Grantmaking	Philanthropic Services	Community Programs		Fund Management	Administrative	Fundraising		
Grant expenses	\$ 32,441,520	\$ -	\$ -	\$ 32,441,520	\$ -	\$ -	\$ -	\$ -	\$ 32,441,520
Salaries and wages	101,958	271,476	566,861	940,295	23,291	447,936	130,956	602,183	1,542,478
Contract staff	171	453	945	1,569	39	747	218	1,004	2,573
Benefits and other personnel costs	19,299	51,385	107,296	177,980	4,409	84,785	24,787	113,981	291,961
Payroll taxes	7,541	20,078	41,925	69,544	1,723	33,129	9,685	44,537	114,081
Professional services	-	-	-	-	91,470	63,930	8,966	164,366	164,366
Rent	11,056	29,436	61,465	101,957	2,526	48,570	14,200	65,296	167,253
Operations and maintenance	4,985	13,273	27,716	45,974	1,139	21,901	6,403	29,443	75,417
Supplies and other office expense	2,340	6,231	13,010	21,581	3,287	10,281	5,758	19,326	40,907
Depreciation	7,055	18,781	39,217	65,053	1,611	30,989	9,060	41,660	106,713
Other	20,377	75,790	112,750	208,917	17,771	89,096	34,234	141,101	350,018
	<u>\$ 32,616,302</u>	<u>\$ 486,903</u>	<u>\$ 971,185</u>	<u>\$ 34,074,390</u>	<u>\$ 147,266</u>	<u>\$ 831,364</u>	<u>\$ 244,267</u>	<u>\$ 1,222,897</u>	<u>35,297,287</u>
Less expenses from assets held on behalf of other organizations									<u>(557,639)</u>
Total expenses									<u><u>\$ 34,739,648</u></u>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2021**

	Program Activities			Total Program	Supporting Services			Total Supporting Services	Total
	Grantmaking	Philanthropic Services	Community Programs		Fund Management	Administrative	Fundraising		
Grant expenses	\$ 23,976,511	\$ -	\$ -	\$ 23,976,511	\$ -	\$ -	\$ -	\$ -	\$ 23,976,511
Salaries and wages	134,043	311,382	525,946	971,371	37,385	456,928	131,966	626,279	1,597,650
Contract staff	203	471	795	1,469	57	691	199	947	2,416
Benefits and other personnel costs	22,547	52,377	88,468	163,392	6,288	76,859	22,198	105,345	268,737
Payroll taxes	9,406	21,849	36,905	68,160	2,623	32,062	9,260	43,945	112,105
Professional services	-	-	-	-	103,222	49,476	21,306	174,004	174,004
Rent	13,848	32,169	54,335	100,352	3,862	47,205	13,633	64,700	165,052
Operations and maintenance	5,547	12,886	21,765	40,198	1,547	18,909	5,461	25,917	66,115
Supplies and other office expenses	3,646	8,471	14,307	26,424	1,053	12,430	3,626	17,109	43,533
Depreciation	9,510	22,091	37,313	68,914	2,652	2,256	9,362	14,270	83,184
Other	36,367	89,512	127,311	253,190	21,030	140,766	38,688	200,484	453,674
	<u>\$ 24,211,628</u>	<u>\$ 551,208</u>	<u>\$ 907,145</u>	<u>\$ 25,669,981</u>	<u>\$ 179,719</u>	<u>\$ 837,582</u>	<u>\$ 255,699</u>	<u>\$ 1,273,000</u>	26,942,981
Less expenses from assets held on behalf of other organizations									<u>(875,028)</u>
Total expenses									<u>\$ 26,067,953</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 \$684,567 and \$828,109 at June 30, 2022 and 2021, respectively. The net assets of the TCF Real Estate Foundation were \$2,774,110 and \$2,527,933 at June 30, 2022 and 2021, 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, 2022 and 2021, the Foundation's undesignated net assets without donor restrictions included approximately \$12.9 million and \$15.5 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.

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

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities 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, 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 equity fund 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 equity fund 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 Activities 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 equity fund 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.

Related party transactions: Contributions from board members were approximately \$463,000 and \$336,000 for the years ended June 30, 2022 and 2021, 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 at the time of the investment. 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 Activities 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, 2022, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 4.74%, payout rates as stated in the agreement between 3% and 9%, and a discount rate of 4.74%. At June 30, 2021, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 4.86%, payout rates as stated in the agreement between 3% and 10%, and a discount rate of 4.86%.

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, 2022 and 2021.

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. The rental building is fully depreciated. Including amounts resulting from in-kind rental activities, rental income was \$90,000 for both years ended June 30, 2022 and 2021, 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 to 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 Activities 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: 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 consolidated statements 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.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes 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 the Foundation's 2023 fiscal year. The Foundation is currently evaluating the impact of this ASU on its consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Subsequent events: The Foundation has evaluated subsequent events through November 21, 2022, which represents the date on which the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statements of financial position, comprise the following as June 30, 2022 and 2021:

	2022	2021
Financial assets:		
Cash	\$ 8,387,471	\$ 13,643,156
Receivables and prepaid expenses	151,337	235,635
Investments	256,172,629	282,760,999
Other investments	1,895,990	1,652,400
Beneficial interest in split-interest agreements	5,378,363	6,443,089
Financial assets, at year-end	<u>271,985,790</u>	<u>304,735,279</u>
Less those unavailable for general expenditure within one year, due to:		
Assets without donor restrictions, subject to the Foundation's variance power	(234,373,224)	(261,428,334)
Assets held on behalf of other organizations	(15,900,620)	(18,051,912)
Beneficial interest in split-interest agreements	(5,378,363)	(6,443,089)
Nonliquid assets held for resale	(2,774,110)	(2,527,933)
Supporting organization	(684,567)	(828,108)
	<u>(259,110,884)</u>	<u>(289,279,376)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,874,906</u>	<u>\$ 15,455,903</u>

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 \$2,855,767 and \$2,966,470 for the years ended June 30, 2022 and 2021, respectively.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments

The carrying value of investments at June 30, 2022 and 2021, is comprised of the following:

	2022	2021
Money market funds	\$ 9,399,508	\$ 10,322,450
Equity securities and mutual funds	82,020,401	102,716,302
Fixed income securities and mutual funds	55,544,773	46,724,995
Equity funds	104,658,576	120,589,411
Investments reported at fair value	251,623,258	280,353,158
Certificates of deposit	4,549,371	2,407,841
Cash surrender value of life insurance policy	-	-
Total investments	<u>\$ 256,172,629</u>	<u>\$ 282,760,999</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, 2022, the Foundation's ownership in equity funds ranged from 0.01% to 3.02% 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, 2022 and 2021. Amounts remaining unpaid at June 30, 2022 and 2021, are as follows:

	2022	2021
In one year or less	\$ 964,494	\$ 1,519,960
Between one year and five years	270,125	476,950
	<u>\$ 1,234,619</u>	<u>\$ 1,996,910</u>

Note 5. Fair Value Measurements

Accounting principles generally accepted in the United States of America (U.S. 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.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

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, 2022 and 2021:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2022	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	\$ 9,399,508	\$ 4,044,218	\$ 5,355,290	\$ -
Equity securities:				
U.S. large/mid cap	10,783,820	10,783,820	-	-
U.S. small cap	628,932	628,932	-	-
International developed	4,184,947	4,184,947	-	-
Emerging markets	821,082	821,082	-	-
Total equity securities	16,418,781	16,418,781	-	-
Equity mutual funds:				
U.S. large/mid cap	26,234,190	26,234,190	-	-
U.S. small cap	6,354,968	6,354,968	-	-
International developed	32,247,502	26,767,576	5,479,926	-
Emerging markets	764,960	764,960	-	-
Total equity mutual funds	65,601,620	60,121,694	5,479,926	-
Fixed income securities:				
U.S. government and agencies	8,550,523	-	8,550,523	-
Corporate	3,466,075	3,466,075	-	-
Global fixed	79,789	79,789	-	-
Total fixed income securities	12,096,387	3,545,864	8,550,523	-
Fixed income mutual funds:				
U.S. government and agencies	42,125,591	42,125,591	-	-
Corporate	1,322,795	1,322,795	-	-
Total fixed income mutual funds	43,448,386	43,448,386	-	-
	146,964,682	\$ 127,578,943	\$ 19,385,739	\$ -
Equity funds: ^(a)				
Multi-strategy	35,707,010			
Global macro	46,007,199			
Private equity	22,944,367			
Total equity funds	104,658,576			
Total investments reported at fair value	\$ 251,623,258			
Other investments	\$ 1,895,990	\$ -	\$ -	\$ 1,895,990
Beneficial interest in split-interest agreements	\$ 5,378,363	\$ -	\$ -	\$ 5,378,363

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, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market funds	\$ 10,322,450	\$ 5,080,183	\$ 5,242,267	\$ -
Equity securities:				
U.S. large/mid cap	13,182,340	13,182,340	-	-
U.S. small cap	837,326	837,326	-	-
International developed	5,922,898	5,922,898	-	-
Emerging markets	1,178,909	1,178,909	-	-
Total equity securities	21,121,473	21,121,473	-	-
Equity mutual funds:				
U.S. large/mid cap	34,070,166	34,070,166	-	-
U.S. small cap	8,856,866	8,856,866	-	-
International developed	37,690,427	31,557,093	6,133,334	-
Emerging markets	977,370	977,370	-	-
Total equity mutual funds	81,594,829	75,461,495	6,133,334	-
Fixed income securities:				
U.S. government and agencies	10,010,712	-	10,010,712	-
Corporate	3,411,114	3,411,114	-	-
Global fixed	82,143	82,143	-	-
Total fixed income securities	13,503,969	3,493,257	10,010,712	-
Fixed income mutual funds:				
U.S. government and agencies	31,710,352	31,710,352	-	-
Corporate	1,510,674	1,510,674	-	-
Total fixed income mutual funds	33,221,026	33,221,026	-	-
	159,763,747	\$ 138,377,434	\$ 21,386,313	\$ -
Equity funds: ^(a)				
Multi-strategy	40,069,796			
Global macro	61,950,452			
Private equity	18,569,163			
Total equity funds	120,589,411			
Total investments reported at fair value	\$ 280,353,158			
Other investments	\$ 1,652,400	\$ -	\$ -	\$ 1,652,400
Beneficial interest in split-interest agreements	\$ 6,443,089	\$ -	\$ -	\$ 6,443,089

(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, 2022 and 2021:

	Fair Value	
	Measurements Using Significant Unobservable Inputs (Level 3)	
	Other Investments	Split-Interest Agreements
Balance, June 30, 2020	\$ 1,643,200	\$ 5,724,436
Contributions	9,200	-
Sales	-	-
Realized losses	-	-
Payments received	-	(293,470)
Change in value	-	1,012,123
Balance, June 30, 2021	<u>1,652,400</u>	<u>6,443,089</u>
Contributions	-	-
Sales	-	-
Realized losses	-	-
Payments received	-	(291,731)
Change in value	243,590	(772,995)
Balance, June 30, 2022	<u>\$ 1,895,990</u>	<u>\$ 5,378,363</u>

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 equity funds, which are reported at NAV or its equivalent, and unfunded commitments at June 30, 2022 and 2021:

Equity Funds Strategy Category	Fair Value	2022			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	\$ 4,714,258	n/a	Monthly	15	\$ -
ACM Financial Trust, Inc.	3,000,000	n/a	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	5,120,230	n/a	Quarterly	70	-
Pagosa Investors (Cayman), Ltd.	5,962,952	n/a	Quarterly	45	-
Luxor Capital Partners Offshore, Ltd.	205,667	n/a	n/a	90	-
Gobi Concentrated Fund Ltd.	4,159,741	n/a	Monthly	60	-
Nitorum Offshore Fund, Ltd.	3,586,576	n/a	Annually	60	-
RREEF America REIT II, Inc.	2,964,643	n/a	Quarterly	45	-
Redwood Grove Capital Fund	5,992,943	n/a	Monthly	5	-
Multi-strategy total	<u>35,707,010</u>				<u>-</u>
Global macro (b):					
The Children's Investment Fund	4,959,540	April 2022	n/a	120	-
Cat Rock Capital Partners Cayman Ltd.	2,658,875	n/a	Quarterly	60	-
Tybourne Long Opportunities (Offshore) Fund	2,853,711	n/a	Annually	60	-
WGI Emerging Markets Fund LLC	9,636,149	n/a	Monthly	30	-
Arrowstreet Global Equity ACWI Trust Fund	18,406,456	n/a	Monthly	9	-
Lone Pine Capital	3,558,710	April 2023	Annually	60	-
Himalaya Capital Investors (Offshore), LP	3,933,758	August 2022	Annually	60	-
Global macro total	<u>46,007,199</u>				<u>-</u>
Private equity (c):					
TIFF Private Equity Partners 2009, LLC	52,562	n/a	n/a	n/a	173,826
NorthGate IV, LP	440,506	n/a	n/a	n/a	30,000
Perennial Real Estate Fund II, LP	580,081	n/a	n/a	n/a	104,600
StepStone Capital III, LP	450,446	n/a	n/a	n/a	178,382
Denham Commodity Partners Fund VI, LP	540,930	n/a	n/a	n/a	88,464
Aether Real Assets III, LP	974,662	n/a	n/a	n/a	82,566
GEM Realty Fund V, LP	797,836	n/a	n/a	n/a	332,673
Montauk Triguard Fund VI, LP	262,006	n/a	n/a	n/a	247,945
Lakestar II, LP	2,448,422	n/a	n/a	n/a	17,007
Patron Capital V, LP	1,169,691	n/a	n/a	n/a	326,647
Blue Heron Real Estate Opportunity Fund II, LP	672,937	n/a	n/a	n/a	84,546
Ecosystem Integrity Fund III, LP	2,261,105	n/a	n/a	n/a	187,500
Eightfold Real Estate Capital Fund V, LP	1,107,680	n/a	n/a	n/a	177,335
Juniper Capital III, LP	2,999,755	n/a	n/a	n/a	177,886
Digital Alpha Fund LP	2,649,374	n/a	n/a	n/a	37,695
Generation IM Sustainable Solutions LP	1,116,918	n/a	n/a	n/a	100,000
Transformation Capital	1,217,629	n/a	n/a	n/a	228,505
Valor Equity Partners V-B, LP	1,628,256	n/a	n/a	n/a	326,002
At One Ventures, LP	1,075,539	n/a	n/a	n/a	200,000
venBio Global Strategic Fund IV, LP	188,792	n/a	n/a	n/a	1,096,669
Bull City Venture Partners Fund IV, LP	207,240	n/a	n/a	n/a	829,196
USV 2022, LP	102,000	n/a	n/a	n/a	432,000
USV Opportunity 2022, LP	-	n/a	n/a	n/a	1,020,000
Private equity total	<u>22,944,367</u>				<u>6,479,444</u>
Equity funds total	<u>\$ 104,658,576</u>				<u>\$ 6,479,444</u>

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Equity Funds Strategy Category	Fair Value	2021		
		Current Lock-up Period Expiration	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (in Days)
Multi-strategy (a):				
Champlain Small Cap Fund, LLC	\$ 6,202,458	n/a	Monthly	15
ACM Financial Trust, Inc.	3,000,000	n/a	n/a	90
The Canyon Value Realization Fund (Cayman), Ltd.	5,241,636	n/a	Quarterly	70
Pagosa Investors (Cayman), Ltd.	5,764,844	n/a	Quarterly	45
Luxor Capital Partners Offshore, Ltd.	191,646	n/a	n/a	90
Gobi Concentrated Fund Ltd.	5,959,834	n/a	Monthly	60
Nitorum Offshore Fund, Ltd.	4,283,708	n/a	Annually	60
RREEF America REIT II, Inc.	2,226,859	n/a	Quarterly	45
Redwood Grove Capital Fund	7,198,811	n/a	Monthly	5
Multi-strategy total	<u>40,069,796</u>			
Global macro (b):				
The Children's Investment Fund	5,668,540	April 2022	n/a	120
Cat Rock Capital Partners Cayman Ltd.	6,250,677	n/a	Quarterly	60
Tybourne Long Opportunities (Offshore) Fund	5,634,832	n/a	Annually	60
WGI Emerging Markets Fund LLC	11,077,336	n/a	Monthly	30
Arrowstreet Global Equity ACWI Trust Fund	21,560,187	n/a	Monthly	9
Lone Pine Capital	7,001,606	April 2023	Annually	60
Himalaya Capital Investors (Offshore), LP	4,757,274	August 2022	Annually	60
Global macro total	<u>61,950,452</u>			
Private equity (c):				
TIFF Private Equity Partners 2009, LLC	145,283	n/a	n/a	n/a
NorthGate IV, LP	683,389	n/a	n/a	n/a
Perennial Real Estate Fund II, LP	675,169	n/a	n/a	n/a
StepStone Capital III, LP	602,666	n/a	n/a	n/a
Denham Commodity Partners Fund VI, LP	494,676	n/a	n/a	n/a
CrossHarbor Capital Partners, LP	46,821	n/a	n/a	n/a
Aether Real Assets III, LP	955,253	n/a	n/a	n/a
GEM Realty Fund V, LP	1,097,372	n/a	n/a	n/a
Montauk Triguard Fund VI, LP	407,328	n/a	n/a	n/a
Lakestar II, LP	1,933,460	n/a	n/a	n/a
Patron Capital V, LP	1,214,210	n/a	n/a	n/a
Blue Heron Real Estate Opportunity Fund II, LP	982,756	n/a	n/a	n/a
Ecosystem Integrity Fund III, LP	1,123,242	n/a	n/a	n/a
Eightfold Real Estate Capital Fund V, LP	694,382	n/a	n/a	n/a
Juniper Capital III, LP	2,365,165	n/a	n/a	n/a
Digital Alpha Fund LP	2,805,773	n/a	n/a	n/a
Generation IM Sustainable Solutions LP	705,883	n/a	n/a	n/a
Transformation Capital	457,730	n/a	n/a	n/a
Valor Equity Partners V-B, LP	899,065	n/a	n/a	n/a
At One Ventures, LP	279,540	n/a	n/a	n/a
Private equity total	<u>18,569,163</u>			
Equity funds total	<u>\$ 120,589,411</u>			

- (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.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

- (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. Net Assets

Net assets without donor restrictions and with donor restrictions consist of the following as of June 30, 2022 and 2021:

	2022	2021
Net assets without donor restrictions:		
Undesignated	\$ 12,874,906	\$ 15,455,903
Net assets subject to the Foundation's variance power	236,619,093	262,705,799
Total net assets without donor restrictions	<u>249,493,999</u>	<u>278,161,702</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Restricted for Durham Arts Council	127,055	270,597
Accumulated gains	<u>(127,055)</u>	<u>(270,597)</u>
	-	-
Subject to the passage of time:		
Time restrictions related to beneficial interest in split-interest agreements	<u>5,378,363</u>	<u>6,443,089</u>
	5,378,363	6,443,089
Subject to spending policy and appropriation:		
Accumulated gains	127,055	270,597
Endowment funds restricted in perpetuity	<u>557,512</u>	<u>557,512</u>
	684,567	828,109
Total net assets with donor restrictions	<u>6,062,930</u>	<u>7,271,198</u>
Total net assets	<u>\$ 255,556,929</u>	<u>\$ 285,432,900</u>

During 2022 and 2021, net assets of \$330,367 and \$431,812, 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 8. Endowment Funds

The Foundation's endowment consists of one donor-restricted endowment fund with the Durham Arts Council Fund of the Triangle Community Foundation, an affiliated supporting organization included in the consolidated financial statements. As required by U.S. 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 the North Carolina 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 4% of a rolling 13-quarter average fund balance effective January 1, 2021. The Foundation's Board of Directors approved an incremental step-down over a three-year period to reduce the spending policy from 5% in 2018 to 4.5% in 2019, 4.25% in 2020 and 4% in 2021. 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. In March 2021, the Foundation's Investment Committee and Board of Directors approved a one-time 2% bonus spendable allocation, given the strong five-year annualized returns and the extraordinary circumstances resulting from the pandemic.

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, 2022 or 2021.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8. Endowment Funds (Continued)

The following table summarizes changes in endowment net assets for the years ended June 30, 2022 and 2021:

	With Donor Restrictions				
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ -	\$ 657,512	\$ 77,504	\$ 735,016	\$ 735,016
Contributions	-	-	-	-	-
Realized and unrealized gains net of interest, other investment income and fees	-	-	219,791	219,791	219,791
Appropriations of endowment assets	-	(100,000)	(26,698)	(126,698)	(126,698)
Endowment net assets, June 30, 2021	-	557,512	270,597	828,109	828,109
Contributions	-	-	-	-	-
Realized and unrealized gains net of interest, other investment income and fees	-	-	(104,906)	(104,906)	(104,906)
Appropriations of endowment assets	-	-	(38,636)	(38,636)	(38,636)
Endowment net assets, June 30, 2022	\$ -	\$ 557,512	\$ 127,055	\$ 684,567	\$ 684,567

Note 9. Assets Held on Behalf of Other Organizations

Activity for the years ended June 30, 2022 and 2021, related to assets held on behalf of other organizations is as follows:

	2022	2021
Contributions	\$ 788,562	\$ 744,933
Interest and dividend income	367,854	190,591
Net realized and unrealized gains	(2,524,392)	3,866,126
Other loss	(225,677)	(202,060)
Total (decreases) increases	(1,593,653)	4,599,590
Less grantmaking	(557,639)	(875,028)
Change in assets held on behalf of other organizations	(2,151,292)	3,724,562
Assets held on behalf of other organizations:		
Beginning	18,051,912	14,327,350
Ending	\$ 15,900,620	\$ 18,051,912

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 10. Operating Leases

The Foundation leases office space under a noncancellable 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 noncancellable operating lease that has initial or remaining terms in excess of one year are as follows:

Years ending June 30:	
2023	\$ 219,806
2024	225,301
2025	230,934
2026	236,707
2027	90,607
	<u>\$ 1,003,355</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$167,253 and \$165,052, respectively. The Foundation recognizes rent expense on a straight-line basis and thus has recognized a straight-line lease obligation totaling \$211,007 at June 30, 2022, related to escalating lease payments and tenant allowances.

Note 11. Retirement Plan

The Foundation adopted a defined contribution retirement plan effective October 1, 2006. All full-time employees are eligible to participate in the plan when they have completed six months of service and are vested 100% after one year of employment. The Foundation contributed 6% of each employee's salary during each of the years ended June 30, 2022 and 2021. The expense related to this plan was \$84,468 and \$83,575 for the years ended June 30, 2022 and 2021, respectively.