

Triangle Community Foundation, Inc. and Affiliates

Consolidated Financial Report
June 30, 2023

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RSM US LLP

Independent Auditor's Report

Audit Committee
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, 2023 and 2022, 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, 2023 and 2022, 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, 2023

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 4,338,568	\$ 8,387,471
Receivables and prepaid expenses	91,368	151,337
Investments	272,199,927	256,172,629
Other investments	37,000	1,895,990
Beneficial interest in split-interest agreements	4,903,199	5,378,363
Rental real estate, net of accumulated depreciation (2023—\$504,500; 2022—\$504,500)	695,000	695,000
Operating lease right-of-use asset, net	714,491	-
Office furniture, equipment and software, net of accumulated depreciation (2023—\$705,545; 2022—\$599,252)	319,445	412,936
	<u>319,445</u>	<u>412,936</u>
Total assets	<u>\$ 283,298,998</u>	<u>\$ 273,093,726</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 111,531	\$ 142,167
Grants payable	1,105,685	1,234,619
Operating lease liability, net	763,031	-
Deferred rent	-	259,391
Donated rent obligation	487,493	-
Assets held on behalf of other organizations	16,344,808	15,900,620
	<u>16,344,808</u>	<u>15,900,620</u>
Total liabilities	<u>18,812,548</u>	<u>17,536,797</u>
Commitments		
Net assets:		
Net assets without donor restrictions	258,875,132	249,493,999
Net assets with donor restrictions	5,611,318	6,062,930
	<u>264,486,450</u>	<u>255,556,929</u>
Total net assets	<u>264,486,450</u>	<u>255,556,929</u>
Total liabilities and net assets	<u>\$ 283,298,998</u>	<u>\$ 273,093,726</u>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

Consolidated Statements of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 18,226,274	\$ -	\$ 18,226,274
Interest and dividend income	3,879,442	6,967	3,886,409
Net realized and unrealized gains on investments	18,624,574	54,129	18,678,703
Change in value of split-interest agreements	-	1,062,564	1,062,564
Other income	160,438	-	160,438
Net assets released from donor restrictions	1,575,272	(1,575,272)	-
	<u>42,466,000</u>	<u>(451,612)</u>	<u>42,014,388</u>
Less net gain from support, revenue and investments from assets held on behalf of other organizations	(1,668,889)	-	(1,668,889)
Total support and revenue	<u>40,797,111</u>	<u>(451,612)</u>	<u>40,345,499</u>
Expenses:			
Programs:			
Grantmaking	29,218,293	-	29,218,293
Philanthropic services	621,679	-	621,679
Community programs	917,025	-	917,025
Fund management	146,884	-	146,884
Administrative	1,511,319	-	1,511,319
Development	234,040	-	234,040
	<u>32,649,240</u>	<u>-</u>	<u>32,649,240</u>
Less expenses from assets held on behalf of other organizations	(1,224,701)	-	(1,224,701)
Total expenses	<u>31,424,539</u>	<u>-</u>	<u>31,424,539</u>
Change in net assets before other gain	<u>9,372,572</u>	<u>(451,612)</u>	<u>8,920,960</u>
Gain on sale of gifted assets	8,561	-	8,561
Change in net assets	<u>9,381,133</u>	<u>(451,612)</u>	<u>8,929,521</u>
Net assets:			
Beginning	<u>249,493,999</u>	<u>6,062,930</u>	<u>255,556,929</u>
Ending	<u>\$ 258,875,132</u>	<u>\$ 5,611,318</u>	<u>\$ 264,486,450</u>

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	(28,982,169)	(1,208,268)	(30,190,437)
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 Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 8,929,521	\$ (29,875,971)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	110,029	106,713
Amortization of operating right-of-use assets	190,439	-
Net realized and unrealized (gains) losses on investments	(18,678,703)	42,840,451
Net realized and unrealized gains on other investments	-	(243,590)
Change in value of split-interest agreements	(1,062,564)	772,995
Payments received on charitable lead trusts	1,537,728	291,731
Changes in assets and liabilities:		
Receivables and prepaid expenses	115,649	84,298
Accounts payable and accrued expenses	(30,640)	(9,501)
Grants payable	(128,934)	(762,291)
Operating lease liability	(197,579)	-
Other liability	228,106	(57,147)
Assets held on behalf of other organizations	444,188	(2,151,292)
Net cash (used in) provided by operating activities	(8,542,760)	10,996,396
Cash flows from investing activities:		
Equipment purchases	(16,538)	-
Proceeds from sales and maturities of investments	105,072,466	105,726,305
Purchase of investments	(102,421,061)	(121,978,386)
Proceeds from the sale of other investments	1,858,990	-
Net cash provided by (used in) investing activities	4,493,857	(16,252,081)
Net decrease in cash and cash equivalents	(4,048,903)	(5,255,685)
Cash and cash equivalents:		
Beginning	8,387,471	13,643,156
Ending	\$ 4,338,568	\$ 8,387,471
Supplemental disclosure of noncash investment and financing activities:		
Right-of-use operating lease assets upon adoption of ASC 842	\$ 904,930	\$ -
Operating lease liability upon adoption of ASC 842	\$ 960,610	\$ -

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2023**

	Program Activities				Supporting Services				Total
	Grantmaking	Philanthropic Services	Community Programs	Total Program	Fund Management	Administrative	Fundraising	Supporting Services	
Grant expenses	\$ 29,014,613	\$ -	\$ -	\$ 29,014,613	\$ -	\$ -	\$ -	\$ -	\$ 29,014,613
Salaries and wages	98,564	303,433	494,202	896,199	22,362	788,515	122,206	933,083	1,829,282
Contract staff	116	357	581	1,054	26	927	144	1,097	2,151
Benefits and other personnel costs	17,221	53,015	86,346	156,582	3,907	137,767	21,352	163,026	319,608
Payroll taxes	7,208	22,193	36,146	65,547	1,636	57,672	8,938	68,246	133,793
Professional services	-	-	-	-	102,737	48,177	3,397	154,311	154,311
Rent	11,516	35,451	57,739	104,706	2,613	92,125	14,277	109,015	213,721
Operations and maintenance	3,442	10,598	17,260	31,300	781	27,539	4,268	32,588	63,888
Supplies and other office expense	2,202	6,778	11,039	20,019	838	17,613	3,068	21,519	41,538
Depreciation	5,928	18,251	29,726	53,905	1,345	47,428	7,351	56,124	110,029
Other	57,483	171,603	183,986	413,072	10,639	293,556	49,039	353,234	766,306
	<u>\$ 29,218,293</u>	<u>\$ 621,679</u>	<u>\$ 917,025</u>	<u>\$ 30,756,997</u>	<u>\$ 146,884</u>	<u>\$ 1,511,319</u>	<u>\$ 234,040</u>	<u>\$ 1,892,243</u>	<u>32,649,240</u>
Less expenses from assets held on behalf of other organizations									<u>(1,224,701)</u>
Total expenses									<u>\$ 31,424,539</u>

See notes to consolidated financial statements.

Triangle Community Foundation, Inc. and Affiliates

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

	Program Activities				Supporting Services				Total
	Grantmaking	Philanthropic Services	Community Programs	Total Program	Fund Management	Administrative	Fundraising	Total Supporting Services	
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>\$ 34,739,648</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 \$708,119 and \$684,567 at June 30, 2023 and 2022, respectively. The net assets of the TCF Real Estate Foundation were \$424,665 and \$2,774,110 at June 30, 2023 and 2022, 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 8 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, 2023 and 2022, the Foundation's undesignated net assets without donor restrictions included approximately \$13.6 and \$12.9 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.

Leases: The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation recognizes its office lease on its consolidated statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

The Foundation made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of ASC Topic 842, Leases). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable that they will be incurred.

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Related party transactions: Contributions from board members were approximately \$107,000 and \$463,000 for the years ended June 30, 2023 and 2022, 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.

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, 2023, assumptions used in the calculation of the beneficial interest in split-interest agreements are a growth rate of 8.54%, payout rates as stated in the agreement between 3% and 9%, and a discount rate of 8.54%. 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%.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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, 2023 and 2022.

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, 2023 and 2022, 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.

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.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

Recently adopted accounting pronouncement: In February 2016, the FASB issued ASC Topic 842. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior period consolidated financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, Leases. Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Foundation's operating leases of \$960,610 at July 1, 2022. The adoption of the new lease standard did not impact consolidated net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Subsequent events: The Foundation has evaluated subsequent events through November 21, 2023, the date on which 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

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, 2023 and 2022:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 4,338,568	\$ 8,387,471
Receivables and prepaid expenses	91,368	151,337
Investments	272,199,927	256,172,629
Other investments	37,000	1,895,990
Beneficial interest in split-interest agreements	4,903,199	5,378,363
Financial assets, at year-end	<u>281,570,062</u>	<u>271,985,790</u>
Less those unavailable for general expenditure within one year, due to:		
Assets without donor restrictions, subject to the Foundation's variance power	(245,996,209)	(234,373,224)
Assets held on behalf of other organizations	(16,344,808)	(15,900,620)
Beneficial interest in split-interest agreements	(4,903,199)	(5,378,363)
Nonliquid assets held for resale	-	(2,774,110)
Supporting organization	(708,119)	(684,567)
	<u>(267,952,335)</u>	<u>(259,110,884)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,617,727</u>	<u>\$ 12,874,906</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 \$3,634,628 and \$2,855,767 for the years ended June 30, 2023 and 2022, respectively.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments

The carrying value of investments at June 30, 2023 and 2022, is comprised of the following:

	2023	2022
Money market funds	\$ 17,427,285	\$ 9,399,508
Equity securities and mutual funds	94,418,458	82,020,401
Fixed income securities and mutual funds	53,700,941	55,544,773
Equity funds	102,456,640	104,658,576
	<u>268,003,324</u>	<u>251,623,258</u>
Certificates of deposit	4,196,603	4,549,371
Total investments	<u>\$ 272,199,927</u>	<u>\$ 256,172,629</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, 2023, the Foundation's ownership in equity funds ranged from 0.01% to 2.92% 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, 2023 and 2022. Amounts remaining unpaid at June 30, 2023 and 2022, are as follows:

	2023	2022
In one year or less	\$ 837,310	\$ 964,494
Between one year and five years	268,375	270,125
	<u>\$ 1,105,685</u>	<u>\$ 1,234,619</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, 2023 and 2022:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2023	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	\$ 17,427,285	\$ 7,390,655	\$ 10,036,630	\$ -
Equity securities:				
U.S. large/mid cap	11,880,108	11,880,108	-	-
U.S. small cap	1,009,818	1,009,818	-	-
International developed	4,758,129	4,758,129	-	-
Emerging markets	1,267,738	1,267,738	-	-
Total equity securities	18,915,793	18,915,793	-	-
Equity mutual funds:				
U.S. large/mid cap	32,343,861	32,343,861	-	-
U.S. small cap	9,434,104	9,434,104	-	-
International developed	33,045,726	26,837,068	6,208,658	-
Emerging markets	678,974	678,974	-	-
Total equity mutual funds	75,502,665	69,294,007	6,208,658	-
Fixed income securities:				
U.S. government and agencies	8,696,636	-	8,696,636	-
Corporate	1,625,994	1,625,994	-	-
Total fixed income securities	10,322,630	1,625,994	8,696,636	-
Fixed income mutual funds:				
U.S. government and agencies	39,412,240	39,412,240	-	-
Corporate	3,966,071	3,966,071	-	-
Total fixed income mutual funds	43,378,311	43,378,311	-	-
Total investments reported at fair value	165,546,684	\$ 140,604,760	\$ 24,941,924	\$ -
Equity funds: ^(a)				
Multi-strategy	39,874,996			
Global macro	41,568,057			
Private equity	21,013,587			
Total equity funds reported at NAV	102,456,640			
Total Investments	\$ 268,003,324			
Other investments	\$ 37,000	\$ -	\$ -	\$ 37,000
Beneficial interest in split-interest agreements	\$ 4,903,199	\$ -	\$ -	\$ 4,903,199

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, 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	-	-
Total investments reported at fair value	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 reported at NAV	104,658,576			
Total Investments	\$ 251,623,258			
Other investments	\$ 1,895,990	\$ -	\$ -	\$ 1,895,990
Beneficial interest in split-interest agreements	\$ 5,378,363	\$ -	\$ -	\$ 5,378,363

(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, 2023 and 2022:

	Fair Value	
	Measurements Using Significant Unobservable Inputs (Level 3)	
	Other Investments	Split-Interest Agreements
Balance, June 30, 2021	\$ 1,652,400	\$ 6,443,089
Contributions	-	-
Sales	-	-
Realized losses	-	-
Payments received	-	(291,731)
Change in value	243,590	(772,995)
Balance, June 30, 2022	1,895,990	5,378,363
Contributions	1,100	-
Sales	(1,863,790)	-
Realized losses	-	-
Payments received	3,700	(1,537,728)
Change in value	-	1,062,564
Balance, June 30, 2023	\$ 37,000	\$ 4,903,199

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, 2023 and 2022:

Equity Funds Strategy Category	Fair Value	2023			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	\$ 4,801,037	n/a	Monthly	15	\$ -
ACM Financial Trust, Inc.	3,000,000	n/a	n/a	90	-
The Canyon Value Realization Fund (Cayman), Ltd.	5,329,379	n/a	Quarterly	70	-
Pagosa Investors (Cayman), Ltd.	6,092,166	n/a	Quarterly	45	-
Luxor Capital Partners Offshore, Ltd.	204,039	n/a	n/a	90	-
Gobi Concentrated Fund Ltd.	7,020,660	n/a	Monthly	60	-
Nitorum Offshore Fund, Ltd.	3,886,938	n/a	Annually	60	-
RREEF America REIT II, Inc.	2,569,329	n/a	Quarterly	45	-
Redwood Grove Capital Fund	6,420,722	n/a	Monthly	5	-
Blackstone Private Credit Fund	225,908	n/a	Quarterly	30	-
Starwood REIT, Inc.	324,818	n/a	Monthly	1	-
Multi-strategy total	<u>39,874,996</u>				<u>-</u>
Global macro (b):					
The Children's Investment Fund	6,052,900	April 2022	n/a	120	-
Cat Rock Capital Partners Cayman Ltd.	3,866,649	n/a	Quarterly	60	-
Tybourne Long Opportunities (Offshore) Fund	3,704,744	n/a	Annually	60	-
WGI Emerging Markets Fund LLC	8,130,757	n/a	Monthly	30	-
Arrowstreet Global Equity ACWI Trust Fund	11,993,285	n/a	Monthly	9	-
Lone Cascade, LP	4,326,604	April 2023	Annually	60	-
Himalaya Capital Investors (Offshore), LP	3,493,118	August 2022	Annually	60	-
Global macro total	<u>41,568,057</u>				<u>-</u>
Private equity (c):					
TIFF Private Equity Partners 2009, LLC	48,658	n/a	n/a	n/a	173,826
NorthGate IV, LP	381,468	n/a	n/a	n/a	30,000
Perennial Real Estate Fund II, LP	432,018	n/a	n/a	n/a	90,200
StepStone Capital III, LP	327,374	n/a	n/a	n/a	169,273
Denham Commodity Partners Fund VI, LP	589,818	n/a	n/a	n/a	61,299
Aether Real Assets III, LP	896,666	n/a	n/a	n/a	65,800
GEM Realty Fund V, LP	604,473	n/a	n/a	n/a	332,673
Montauk Triguard Fund VI, LP	279,002	n/a	n/a	n/a	134,416
Lakestar II, LP	1,586,285	n/a	n/a	n/a	17,741
Patron Capital V, LP	921,036	n/a	n/a	n/a	322,667
Blue Heron Real Estate Opportunity Fund II, LP	683,940	n/a	n/a	n/a	84,546
Blue Heron Real Estate Opportunity Fund IV, LP	-	n/a	n/a	n/a	1,000,000
Ecosystem Integrity Fund III, LP	1,584,038	n/a	n/a	n/a	187,500
Eightfold Real Estate Capital Fund V, LP	1,157,137	n/a	n/a	n/a	39,041
Juniper Capital III, LP	2,503,841	n/a	n/a	n/a	134,602
Digital Alpha Fund LP	1,966,246	n/a	n/a	n/a	-
Generation IM Sustainable Solutions LP	990,691	n/a	n/a	n/a	71,960
Transformation Capital Fund II, LP	1,286,143	n/a	n/a	n/a	93,692
Transformation Capital Fund III-A, LP	98,917	n/a	n/a	n/a	750,771
Valor Equity Partners V-B, LP	1,871,364	n/a	n/a	n/a	135,776
At One Ventures, LP	1,653,131	n/a	n/a	n/a	100,000
At One Ventures II, LP	135,348	n/a	n/a	n/a	850,000
venBio Global Strategic Fund IV, LP	491,908	n/a	n/a	n/a	855,207
Bull City Venture Partners Fund IV, LP	259,139	n/a	n/a	n/a	728,719
USV 2022, LP	107,269	n/a	n/a	n/a	360,000
USV Opportunity 2022, LP	134,227	n/a	n/a	n/a	877,200
NB Crossroads Participation Fund 24 (TE), LP	23,450	n/a	n/a	n/a	311,550
Private equity total	<u>21,013,587</u>				<u>7,978,459</u>
Equity funds total	<u>\$ 102,456,640</u>				<u>\$ 7,978,459</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	2022		
		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>			
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 Cascade, LP	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>			
Private equity (c):				
TIFF Private Equity Partners 2009, LLC	52,562	n/a	n/a	n/a
NorthGate IV, LP	440,506	n/a	n/a	n/a
Perennial Real Estate Fund II, LP	580,081	n/a	n/a	n/a
StepStone Capital III, LP	450,446	n/a	n/a	n/a
Denham Commodity Partners Fund VI, LP	540,930	n/a	n/a	n/a
Aether Real Assets III, LP	974,662	n/a	n/a	n/a
GEM Realty Fund V, LP	797,836	n/a	n/a	n/a
Montauk Triguard Fund VI, LP	262,006	n/a	n/a	n/a
Lakestar II, LP	2,448,422	n/a	n/a	n/a
Patron Capital V, LP	1,169,691	n/a	n/a	n/a
Blue Heron Real Estate Opportunity Fund II, LP	672,937	n/a	n/a	n/a
Ecosystem Integrity Fund III, LP	2,261,105	n/a	n/a	n/a
Eightfold Real Estate Capital Fund V, LP	1,107,680	n/a	n/a	n/a
Juniper Capital III, LP	2,999,755	n/a	n/a	n/a
Digital Alpha Fund LP	2,649,374	n/a	n/a	n/a
Generation IM Sustainable Solutions LP	1,116,918	n/a	n/a	n/a
Transformation Capital Fund II, LP	1,217,629	n/a	n/a	n/a
Valor Equity Partners V-B, LP	1,628,256	n/a	n/a	n/a
At One Ventures, LP	1,075,539	n/a	n/a	n/a
venBio Global Strategic Fund IV, LP	188,792	n/a	n/a	n/a
Bull City Venture Partners Fund IV, LP	207,240	n/a	n/a	n/a
USV 2022, LP	102,000	n/a	n/a	n/a
USV Opportunity 2022, LP	-	n/a	n/a	n/a
Private equity total	<u>22,944,367</u>			
Equity funds total	<u>\$ 104,658,576</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, 2023 and 2022:

	2023	2022
Net assets without donor restrictions:		
Undesignated	\$ 13,617,727	\$ 12,874,906
Net assets subject to the Foundation's variance power	245,257,405	236,619,093
Total net assets without donor restrictions	<u>258,875,132</u>	<u>249,493,999</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Restricted for Durham Arts Council	150,607	127,055
Accumulated gains	<u>(150,607)</u>	<u>(127,055)</u>
	-	-
Subject to the passage of time:		
Time restrictions related to beneficial interest in split-interest agreements	4,903,199	5,378,363
	<u>4,903,199</u>	<u>5,378,363</u>
Subject to spending policy and appropriation:		
Accumulated gains	150,607	127,055
Endowment funds restricted in perpetuity	557,512	557,512
	<u>708,119</u>	<u>684,567</u>
Total net assets with donor restrictions	<u>5,611,318</u>	<u>6,062,930</u>
Total net assets	<u>\$ 264,486,450</u>	<u>\$ 255,556,929</u>

During 2023 and 2022, net assets of \$1,575,272 and \$330,367, respectively, were released from donor restriction by meeting the restricted purpose or by the passage of time. See Note 8 for activity related to the Durham Arts Council Fund.

Triangle Community Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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.

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, 2023 or 2022.

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, 2023 and 2022:

	With Donor Restrictions				Total
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
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
Contributions	-	-	-	-	-
Realized and unrealized gains net of interest, other investment income and fees	-	-	61,096	61,096	61,096
Appropriations of endowment assets	-	-	(37,544)	(37,544)	(37,544)
Endowment net assets, June 30, 2023	\$ -	\$ 557,512	\$ 150,607	\$ 708,119	\$ 708,119

Note 9. Assets Held on Behalf of Other Organizations

Activity for the years ended June 30, 2023 and 2022, related to assets held on behalf of other organizations is as follows:

	2023	2022
Contributions	\$ 529,116	\$ 788,562
Interest and dividend income	208,335	367,854
Net realized and unrealized gains	1,139,896	(2,524,392)
Other loss	(208,458)	(225,677)
Total increases (decreases)	1,668,889	(1,593,653)
Less grantmaking	(1,224,701)	(557,639)
Change in assets held on behalf of other organizations	444,188	(2,151,292)
Assets held on behalf of other organizations:		
Beginning	15,900,620	18,051,912
Ending	\$ 16,344,808	\$ 15,900,620

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 undiscounted minimum annual rental commitments under this noncancellable operating lease that has initial or remaining terms in excess of one year are as follows:

	Operating Leases
Years ending June 30:	
2024	\$ 228,102
2025	233,804
2026	239,649
Thereafter	121,055
Total lease payments	<u>822,610</u>
Less imputed interest	(59,579)
Total present value of lease liabilities	<u><u>\$ 763,031</u></u>

Weighted-average remaining lease term:

Operating leases 3.5 years

Weighted-average discount rate:

Operating leases 2.9%

Rent expense for the years ended June 30, 2023 and 2022 was \$213,721 and \$167,253, respectively.

Cash paid for amounts include the measurement of lease liabilities for the year ended June 30, 2023 was \$197,579.

Lease commitments under ASC 840 at June 30, 2022 were:

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

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, 2023 and 2022. The expense related to this plan was \$96,323 and \$84,468 for the years ended June 30, 2023 and 2022, respectively.