NORTH CAROLINA COMMUNITY FOUNDATION, INC.
FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITOR

As of and for the Years Ended March 31, 2015 and 2014

NORTH CAROLINA
COMMUNITY FOUNDATION

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

Board of Directors
North Carolina Community Foundation, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Community Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of March 31, 2015 and 2014 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of March 31, 2015 and 2014 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Raleigh, North Carolina
July 16, 2015

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash	$ 12,298,998	$ 4,345,619
Short-term investments	2,497,500	1,747,500
Investments	207,163,359	176,151,923
Contributions receivable, net	8,731,041	3,792,629
Beneficial interests in split-interest agreements	6,057,213	4,930,767
Prepaid expenses and other assets	301,215	271,589
Property, equipment and leasehold improvements, net	17,280	196,989
Total Assets	$ 237,066,606	$ 191,437,016
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 880,038	$ 472,969
Obligations under split-interest agreements	64,723	64,365
Agency funds payable	28,893,954	21,165,476
Total Liabilities	29,838,715	21,702,810
Net assets:		
Unrestricted:		
Donor advised	83,518,014	62,466,930
Designated	47,804,496	42,971,892
Scholarship	20,792,877	19,355,005
Field of interest	17,084,852	15,342,910
Undesignated	15,392,472	13,236,606
Total unrestricted	184,592,711	153,373,343
Temporarily restricted	17,124,772	10,913,223
Permanently restricted	5,510,408	5,447,640
Total Net Assets	207,227,891	169,734,206
Total Liabilities and Net Assets	$ 237,066,606	$ 191,437,016

The accompanying notes to the financial statements are an integral part of this statement.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2015 AND 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 36,015,585	$ 8,092,151	$ 62,768	$ 44,170,504
Less amounts received on behalf of others	(12,288,132)	-	-	(12,288,132)
Net contributions	23,727,453	8,092,151	62,768	31,882,372
Interest and other investment income	6,133,981	205,968	-	6,339,949
Realized and unrealized gains	9,779,282	900,006	-	10,679,288
Adjust amounts from agency funds	(1,504,141)	-	-	(1,504,141)
Net investment income and gains	14,409,122	1,105,974	-	15,515,096
Other income	339,432	-	-	339,432
Total revenues, gains and other support	38,476,007	9,198,125	62,768	47,736,900
Net assets released from donor restrictions	2,986,576	(2,986,576)	-	-
Expenses:				
Programs:				
Grants and scholarships	11,964,506	-	-	11,964,506
Less grants and scholarships made on behalf of others	(5,779,279)	-	-	(5,779,279)
Grants and scholarships expense	6,185,227	-	-	6,185,227
Grantmaking and fund holder support	2,888,834	-	-	2,888,834
Adjust amounts from agency funds	(284,517)	-	-	(284,517)
Grantmaking and fund holder support expense	2,604,317	-	-	2,604,317
Total program services	8,789,544	-	-	8,789,544
Fundraising and development	547,653	-	-	547,653
Administrative	906,018	-	-	906,018
Total expenses	10,243,215	-	-	10,243,215
Change in net assets	31,219,368	6,211,549	62,768	37,493,685
Other changes:				
Net asset transfers	-	-	-	-
Change in net assets	31,219,368	6,211,549	62,768	37,493,685
Net assets:				
Beginning	153,373,343	10,913,223	5,447,640	169,734,206
Ending	$ 184,592,711	$ 17,124,772	$ 5,510,408	$ 207,227,891

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2015 AND 2014

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 16,170,951	$ 1,505,100	$ 28,679	$ 17,704,730
(8,584,994)	-	-	(8,584,994)
7,585,957	1,505,100	28,679	9,119,736
3,718,964	135,362	-	3,854,326
15,764,561	1,649,234	-	17,413,795
(2,428,856)	-	-	(2,428,856)
17,054,669	1,784,596	-	18,839,265
313,834	-	-	313,834
24,954,460	3,289,696	28,679	28,272,835
2,435,330	(2,435,330)	-	-
15,071,152	-	-	15,071,152
(8,365,114)	-	-	(8,365,114)
6,706,038	-	-	6,706,038
2,791,150	-	-	2,791,150
(293,867)	-	-	(293,867)
2,497,283	-	-	2,497,283
9,203,321	-	-	9,203,321
469,005	-	-	469,005
814,518	-	-	814,518
10,486,844	-	-	10,486,844
16,902,946	854,366	28,679	17,785,991
600,000	-	(600,000)	-
17,502,946	854,366	(571,321)	17,785,991
135,870,397	10,058,857	6,018,961	151,948,215
$ 153,373,343	$ 10,913,223	$ 5,447,640	$ 169,734,206

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 37,493,685	$ 17,785,991
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	26,175	30,545
Net realized and unrealized gains on investments	(10,121,802)	(16,630,270)
Contributions of beneficial interest in charitable trusts	(750,000)	-
Contributions restricted for long-term investment	(62,768)	(28,679)
Change in value of split-interest agreements	(493,741)	(800,900)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable, net	(4,938,412)	492,965
Prepaid expenses and other assets	(29,626)	71,652
Increase (decrease) in:		
Accounts payable and accrued expenses	407,069	81,121
Agency funds payable	7,728,478	2,354,869
Net cash from operating activities	29,259,058	3,357,294
Cash flows from investing activities		
Purchase of short term investments	(750,000)	-
Purchase of property and equipment	-	(21,782)
Purchase of investments	(171,623,045)	(58,847,934)
Proceeds from sale of investments	150,733,411	55,596,926
Proceeds from sale of real property	153,534	-
Net cash from investing activities	(21,486,100)	(3,272,790)
Cash flows from financing activities		
Proceeds from split interest agreements	358	-
Payment of obligations under split interest agreements	-	(3,104)
Proceeds from charitable trusts	117,295	77,001
Proceeds from contributions restricted for investment in permanent endowment	62,768	28,679
Net cash from financing activities	180,421	102,576
Net increase in cash	7,953,379	187,080
Cash, beginning of year	4,345,619	4,158,539
Cash, end of year	$ 12,298,998	$ 4,345,619

Note 1—Nature of Foundation and summary of significant accounting policies

The North Carolina Community Foundation, Inc. (the "Foundation") was established in 1988 as a nonprofit corporation and is a statewide organization created to build capacity through philanthropy. Governed by a volunteer Board of Directors, the Foundation administers nearly 1,200 component funds and provides long-term support of a broad range of charitable needs, nonprofit organizations, and scholarships across North Carolina, with an emphasis on underserved areas. The Foundation also partners with 60 affiliate foundations to provide local resource allocation in 67 counties across the state, primarily in rural communities.

The Foundation's grantmaking programs reflect its fund holders' and donors' commitment to a number of charitable causes that are important in North Carolina and beyond. Individuals, families, corporations, institutions, and nonprofit organizations may establish funds with the Foundation. The Foundation's fund holders benefit from inclusion in a large portfolio of funds with access to experienced investment managers and professional administration for grantmaking, planned giving, and endowment services.

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

Basis of Presentation – The accompanying financial statements are prepared using the accrual basis of accounting.

Classification of Contributions and Net Assets – The Foundation presents its net assets and its revenue and gains (losses) based upon the existence or absence of donor-imposed restrictions into three classes: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets – Net assets not subject to donor-imposed restrictions. The Foundation's policy is to report revenues, gains, and other support that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets when the restrictions are met in the same reporting period as the income recognized.

While certain donors and fund holders may make recommendations on distribution of funds, a 501(c)(3) community foundation retains variance power pursuant to the U.S. Treasury regulations. This variance power provides the Foundation's Board of Directors with the ability to modify donor stipulations that are unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. As a result of this variance power, the Foundation's financial statements classify the majority of funds as unrestricted net assets. For internal management and recordkeeping, the Foundation classifies unrestricted net assets as follows:

- Donor advised – fund holder annually recommends grants to specific qualified charities.
- Designated – fund holder suggests specific eligible organizations to receive charitable grants in the fund agreement. If a designated organization ceases to exist or if the Foundation's Board of Directors votes that support of the organization is no longer necessary or is inconsistent with the needs in the community, the Foundation works with the fund holder to identify a similar organization to maintain the spirit of the original charitable intent.
- Scholarship – fund holder recommends an academic focus for the scholarship fund (such as nursing, the arts, or engineering) and eligibility criteria (including financial need, academic merit, geographic residence, and/or community service). The Foundation provides oversight and administrative support of the scholarship selection process and manages due diligence.

Note 1—Nature of Foundation and summary of significant accounting policies (continued)

- Field of interest – fund holder establishes a fund for unspecified programs or organizations in a general field of interest important to the donor, such as education, historic preservation, children, the elderly, the environment, or arts and culture.

- Undesignated – fund holder provides the Foundation with ongoing operational support to meet changing needs across North Carolina, giving the Foundation the flexibility to respond quickly to emerging community needs and shifting priorities.

All distributions are approved by the Board of Directors, whose charge it is to see that all grants are within the charitable purposes of the Foundation as set forth in the Foundation's governing instruments.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the earnings on related investments for general or specific charitable purposes.

Use of Estimates – The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash – The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation ("FDIC") covers $250,000 for substantially all depository accounts. At times, the Foundation maintains deposits with financial institutions that are in excess of the federal depository insurance limit, but management believes that such deposits pose no significant credit risk.

Short-Term Investments – Short-term investments at March 31, 2015 and 2014 represent certificates of deposit with original maturities ranging from 12 to 49 months.

Valuation of Investments – Investments are stated at fair value. See Note 7 for further information related to fair value measurements.

Securities Transactions, Interest, and Dividends – Securities transactions are recorded on a trade-date basis. 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 realized and unrealized gains (losses) in the accompanying statements of activities and changes in net assets. Interest and other investment income are recognized on the accrual basis. At each month-end, investment income is allocated to all funds using the daily average balance of the assets for each component fund. Other assets earn investment income based upon earnings of the specific investments held.

Interest and dividends and net realized and unrealized gains (losses) are generally recorded as unrestricted revenue because the related investments on which the revenue is earned are classified as unrestricted assets.

Investment and other asset management fees for the years ended March 31, 2015 and 2014 totaled $613,911 and $725,101, respectively. These fees are reflected within grant making and fund holder support on the Foundation's statements of activities and changes in net assets.

Note 1—Nature of Foundation and summary of significant accounting policies (continued)

Securities Transactions, Interest, and Dividends (continued) – Certain donors contribute beneficiary interests in life insurance policies to the Foundation. These gifts are recorded at current cash surrender values less any outstanding loans.

Contributions and Donor-Imposed Restrictions – Contributions are recognized as revenue when received or unconditionally promised. Most contributions, including those with donor-imposed stipulations, are subject to variance power established by the Foundation. 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 needs of the community. 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 to a future time period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Foundation initially recognizes donated assets, including gifts of real estate and stock, at fair value on the date of the gift.

Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recognized at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Management evaluates contributions receivable for collectability at least annually. The Foundation provides an allowance for uncollectible contributions equal to the estimated uncollectible amounts. Management's estimate is based on historical charge-offs, factors related to the specific donors' ability to pay, donor giving history, and current economic trends. If amounts become uncollectible, they will be charged to operations in the period in which that determination is made.

Conditional promises to give are not recognized as revenue until the donors' conditions are substantially met. From time to time, the Foundation may become aware of certain donors having named the Foundation in their wills. These testamentary gifts are treated as conditional promises to give and not recognized as revenue until a probate court finalizes a decedent's will, declares the will valid, and authorizes distribution of assets to the Foundation. If the value of the bequest is not known, or cannot be reasonably estimated, the contribution receivable is not recorded until amounts can be estimated with reasonable accuracy.

Property, Equipment, and Leasehold Improvements – Purchased property, equipment and leasehold improvements are initially recorded at cost and capitalized when the cost exceeds $1,000. Those assets which are donated are initially recorded at fair value at the date of receipt. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 31.5 years. Leasehold improvements are depreciated over the shorter of the useful life of the assets or the term of the lease. Once an asset meets the criteria to be classified as held for sale, the Foundation discontinues depreciation on that asset.

The Foundation evaluates property, equipment, and leasehold improvements for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of these assets is based on an estimate of the undiscounted future cash flows resulting from the use of the assets and their eventual disposition. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

Note 1—Nature of Foundation and summary of significant accounting policies (continued)

Grants and Scholarships – The Foundation receives grant and scholarship recommendations from donors on a regular basis. Only recommendations that have been unconditionally approved by the Foundation as of the end of the year and not yet paid are recorded as grants and scholarships payable within accounts payable and accrued expenses on the accompanying statements of financial position. Multiyear grants and scholarships are expensed in the year in which the grant or scholarship is approved, although the amounts approved may be payable over several years. Recommendations that are not unconditionally approved are not recorded until paid or they become unconditional.

Split-Interest Agreements – Certain donors have entered into trust or other arrangements under which the Foundation is to receive benefits that are shared with other beneficiaries. Only irrevocable split-interest agreements are reported in the accompanying financial statements, which are summarized as follows:

> *Charitable Lead Trusts* – The Foundation has been named as a beneficiary in charitable lead trusts in which the Foundation is not the trustee. When the Foundation is notified of an irrevocable trust, contribution revenue and the related receivable under the trust agreement are recorded at the present value of management's estimate of expected future cash receipts. The discount rates used in determining the present value of the expected future payments are based on U.S. Department of Labor consumer price indexes. Changes in the fair value of contributions receivable from charitable lead trusts are recognized in realized and unrealized gains (losses) in the accompanying statements of activities and changes in net assets.
>
> *Gift Annuities and Charitable Remainder Trusts* – The Foundation has been named as a beneficiary in certain gift annuities and charitable remainder trusts in which the Foundation is the trustee. When the Foundation receives assets in connection with an annuity or charitable remainder trust, the assets are recorded at fair value while a liability is recorded at the present value of the expected future payments to be made to the beneficiary. The discount rate and actuarial assumptions used in determining the present value of the expected future payments are based on U.S. Department of Labor consumer price indexes and applicable Internal Revenue Service life expectancy assumptions.
>
> *Beneficial Interest in Charitable Remainder Trusts* – The Foundation has been named as a beneficiary in certain charitable remainder trusts in which an independent third party serves as trustee. When the Foundation is notified of an irrevocable charitable remainder trust, contribution revenue and a related receivable under the trust agreement is recorded at the present value of management's estimate of future expected cash receipts (remainder interests). The discount rates and actuarial assumptions used in determining the present value of the expected future payments are based on the U.S. Department of Labor consumer price indexes. Amounts reported approximate fair value due to the nature of the discounts used to determine present value of estimated future cash receipts. Change in the fair value of contributions receivable from beneficial interests in charitable remainder trusts are recognized in realized and unrealized gains (losses) in the accompanying statements of activities and changes in net assets.

Agency Funds Payable – The Foundation has entered into agreements whereby it acts as an agent or an intermediary on behalf of a donor or donee. The agency relationship is established when the Foundation has received assets from the donor and agreed to use or transfer those assets, the return on investment of those assets, or both to a grantee beneficiary specified by the donor. These include arrangements in which the Foundation's Board does not have the unilateral power (i.e. variance power) to redirect the use of the transferred assets to another beneficiary or when the Foundation receives assets transferred to the Foundation by a not-for-profit organization that specifies itself as the designated grantee of the fund or endowment.

Note 1—Nature of Foundation and summary of significant accounting policies (continued)

Agency Funds Payable (continued) – Agency fund assets are included in the statements of financial position, and a corresponding liability is recorded to reflect the intent that the assets will eventually be transferred back to the beneficiary. Asset transfers to these funds and related distributions and expenses are not reflected in change in net assets in the Foundation's statements of activities and changes in net assets. These amounts are reported as agency funds payable at March 31, 2015 and 2014.

Fair Value of Financial Instruments – The carrying amounts of all financial instruments approximate fair value.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets, and accordingly, certain costs have been allocated, based on management's judgment, among the programs and supporting services benefited.

Income Taxes – The Foundation is a public charity and is exempt from federal income taxation as defined by Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code and is generally exempt from state income taxes under the provisions of the North Carolina Nonprofit Corporation Act. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2012.

Note 2—Investments

The fair value of investments by type at March 31, 2015 and 2014 is as follows:

	2015	2014
Cash equivalents	$ 9,279,349	$ 5,352,529
Equities	95,031,588	89,327,106
Fixed income	37,026,114	28,332,250
Bank common trust funds	37,092,345	36,365,485
Alternative strategies	28,691,202	16,727,490
Mortgage notes receivable	42,761	47,063
	$ 207,163,359	$ 176,151,923

The Foundation invests in a combination of equity securities, fixed income securities, money market funds, and other investment securities. Investments are exposed to various risks, such as interest rate, credit, and market volatility. 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 would materially affect the Foundation's investment balance reported in the statements of financial position.

Bank common trust funds at March 31, 2015 and 2014 represent the Foundation's investment in several funds employing varying strategies. The funds do not limit the Foundation's ability to make withdrawals nor do they require lock-up periods or redemption notices in excess of a few days. At March 31, 2015, the Foundation's ownership in the funds ranged from 18.1% to 91.4% of the funds' participant ownership.

Note 2—Investments (continued)

Market Risk – Market risk arises primarily from changes in the market value of financial instruments. Theoretically, the Foundation's exposure is equal to the value of the securities purchased.

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. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Concentrations of Credit Risk – The Foundation is 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. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Foundation's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees, and administrators that contain a variety of representations and warranties and which provide general indemnifications 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 financial statements for these indemnifications.

In March 2015, the Foundation entered into a subscription agreement with their investment advisor for a $5,000,000 capital commitment to be invested in a certain limited partnership interest. Capital calls occur quarterly, with the amount determined by the anticipated investments of the fund.

Note 3—Contributions receivable, net

Contributions receivable include unconditional promises to give (i.e. pledges) and pending distributions from an estate or trust as directed by a donor's bequest. Contributions receivable are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Contributions expected to be received in periods greater than one year are recorded at the discounted present value of future cash flows. Contributions with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments with 50 to 85 basis points added depending on the year the promise was made as per the Foundation's policy. The applicable rates at March 31, 2015 ranged from 1.10% – 4.33%, which includes the additional basis points.

Contributions receivable at March 31, 2015 and 2014 are expected to be realized in the following periods:

	2015	2014
In one year or less	$ 8,570,576	$ 3,114,268
Between one and five years	191,602	735,117
	8,762,178	3,849,385
Less:		
Unamortized discount and allowance for uncollectibles	31,137	56,756
	$ 8,731,041	$ 3,792,629

Note 4—Property, equipment, and leasehold improvements

Property, equipment, and leasehold improvements at March 31, 2015 and 2014 consisted of the following:

	2015	2014
Land and building	$ 4,313	$ 238,918
Leasehold improvements	74,710	74,710
Office furniture and equipment	174,716	174,716
Computer equipment and software	75,782	99,705
	329,521	588,049
Less accumulated depreciation	312,241	391,060
	$ 17,280	$ 196,989

Depreciation expense was $26,175 and $30,545 for the years ended March 31, 2015 and 2014, respectively.

Note 5—Leases

The Foundation leases office equipment and administrative facilities under operating leases. Total lease expense for the years ended March 31, 2015 and 2014 was $201,198 and $198,200, respectively. The lease agreements require the Foundation to pay its related repairs, maintenance, utilities, and insurance. Future minimum lease payments, by year and in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more at March 31, 2015 are as follows:

Year Ending March 31,	Amount
2016	$ 192,855
2017	126,254
2018	1,535
	$ 320,644

A portion of the leased space is subleased to unaffiliated entities. For the years ended March 31, 2015 and 2014, rental income under the subleases was $2,120 and $32,003, respectively, and is included in other income on the statements of activities and changes in net assets.

Note 6—Agency funds payable

Agency funds payable activity for the years ended March 31, 2015 and 2014 is as follows:

	2015	2014
Amounts received on behalf of others	$ 12,288,132	$ 8,584,994
Interest and other investment income	708,832	491,564
Realized and unrealized gains	795,310	1,937,292
Total increases	13,792,274	11,013,850
Grants and scholarships	5,779,279	8,365,114
Grant making and fund holder support	284,517	293,867
Total decreases	6,063,796	8,658,981
Change in agency funds payable	7,728,478	2,354,869
Agency funds payable:		
Beginning	21,165,476	18,810,607
Ending	$ 28,893,954	$ 21,165,476

Note 7—Fair value measurements

Guidance provided by the FASB 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 uses valuation techniques to maximize the use of observable inputs and to 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 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 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and certain fixed income securities. As required by the guidance provided by the FASB, the Foundation does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2 Inputs – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments within this category would include certain fixed income securities, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs – Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments within this category would generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, certain funds of hedge funds, and distressed debt.

Note 7—Fair value measurements (continued)

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Investments:

Cash Equivalents - Cash equivalents and money market funds are in active markets and classified within Level 1 of the valuation hierarchy.

Equities - 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. During the fiscal year 2014, the Foundation held non-voting shares of common stock of a regional bank, and this security was classified within Level 2 of the hierarchy. However, as a result of a merger, these shares were exchanged for common shares of the acquiring bank which are classified within Level 1 for 2015.

Fixed Income - Investments in debt securities include corporate bonds and funds and blended fixed income mutual funds that are either exchange-traded and/or valued at last sales price. If there is no sale and the market is considered active, these securities are valued at the mean of the last bid and asked prices on such exchange. These fixed income investments are classified within Level 1 of the valuation hierarchy. Government and government agency obligation bonds are classified within Level 2, as exact securities may not be traded on a daily basis.

Bank Common Trust Fund - Bank common trust funds are valued using the Net Asset Value (“NAV”) provided by the administrator of the fund as a practical expedient to determine fair value. The NAV is based on the value of the funds’ underlying assets and liabilities. Bank common trust funds include certain proprietary common trust funds for the U.S. Large Cap, Mid Cap, Small Cap and Intermediate Bond asset styles all with a regional bank. These investments are classified within Level 2 of the valuation hierarchy.

Mortgage Note Receivable - The Foundation holds a promissory note that is sufficiently collateralized by real property in an active market. The amounts receivable under the promissory note are classified within Level 2 of the valuation hierarchy.

Investments in Limited Liability Partnerships - Ownership interests in limited liability partnerships are typically valued using the net asset valuations provided by the partnerships and information provided by professional appraisers. Investments in limited liability partnerships are included in Level 2 of the valuation hierarchy.

Beneficial Interests in Split-Interest Agreements - The Foundation has been named as a beneficiary in charitable lead and remainder trusts in which the Foundation is not the trustee. Amounts reported approximate fair value. Under the guidelines set forth in the FASB ASC 820 fair value hierarchy, the charitable lead and remainder trust assets are classified as Level 3 inputs due to the nature of the discounts and other assumptions used to determine present value of estimated future cash flows.

Note 7—Fair value measurements (continued)

The following tables summarize financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of March 31, 2015 and 2014:

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments:				
Cash equivalents	$ 9,279,349	$ -	$ -	$ 9,279,349
Equities:				
US Large Cap	52,049,764	-	-	52,049,764
US Mid Cap	15,503,771	-	-	15,503,771
US Small Cap	7,990,192	-	-	7,990,192
International Developed	11,963,392	-	-	11,963,392
Emerging Markets	7,524,469	-	-	7,524,469
Total equities	95,031,588	-	-	95,031,588
Fixed income:				
US Government and Agencies	-	2,389,426	-	2,389,426
Corporate	3,235,222	-	-	3,235,222
Blended Bond Funds	31,401,466	-	-	31,401,466
Total fixed income	34,636,688	2,389,426	-	37,026,114
Bank Common Trust Funds:				
US Large Cap	-	21,900,825	-	21,900,825
US Mid Cap	-	4,022,648	-	4,022,648
US Small Cap	-	4,026,919	-	4,026,919
Intermediate Bonds	-	7,141,953	-	7,141,953
Total bank common trust funds	-	37,092,345	-	37,092,345
Mortgage notes receivable	-	42,761	-	42,761
Alternative strategies	28,691,202	-	-	28,691,202
Total investments	167,638,827	39,524,532	-	207,163,359
Beneficial interests in split-interest agreements	-	-	6,057,213	6,057,213
Total financial assets	$ 167,638,827	$ 39,524,532	$ 6,057,213	$ 213,220,572

Note 7—Fair value measurements (continued)

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments:				
Cash equivalents	$ 5,352,529	$ -	$ -	$ 5,352,529
Equities:				
US Large Cap	51,941,390	-	-	51,941,390
US Mid Cap	12,012,683	-	-	12,012,683
US Small Cap	7,010,830	2,041,020	-	9,051,850
International Developed	10,521,374	-	-	10,521,374
Emerging Markets	5,799,809	-	-	5,799,809
Total equities	87,286,086	2,041,020	-	89,327,106
Fixed income:				
US Government and Agencies	-	5,835,247	-	5,835,247
Corporate	3,357,280	-	-	3,357,280
Blended Bond Funds	19,139,723	-	-	19,139,723
Total fixed income	22,497,003	5,835,247	-	28,332,250
Limited liability partnership				
Bank Common Trust Funds:				
US Large Cap	-	18,660,042	-	18,660,042
US Mid Cap	-	3,132,719	-	3,132,719
US Small Cap	-	4,278,905	-	4,278,905
Intermediate Bonds	-	10,293,819	-	10,293,819
Total bank common trust funds	-	36,365,485	-	36,365,485
Mortgage notes receivable	-	47,063	-	47,063
Alternative strategies	16,727,490	-	-	16,727,490
Total investments	131,863,108	44,288,815	-	176,151,923
Beneficial interests in split-interest agreements	-	-	4,930,767	4,930,767
Total financial assets	$ 131,863,108	$ 44,288,815	$ 4,930,767	$ 181,082,690

Note 7—Fair value measurements (continued)

The following tables reconcile 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 March 31, 2015 and 2014:

	2015		2014	
	Beneficial Interests in Split-interest Agreements		Beneficial Interests in Split-interest Agreements	
Beginning balance	$	4,930,767	$	4,206,868
Contributions, net		750,000		-
Distributions		(117,295)		(77,001)
Change in value of split-interest agreements		493,741		800,900
Ending balance	$	6,057,213	$	4,930,767

The following presents further information regarding the composition of the Foundation's investments in bank common trust funds at March 31, 2015 and 2014:

	2015		
Strategy Category	Fair Value		Redemption Frequency
Large Cap Fund (a)	$	21,900,825	4 times per month
Mid Cap Fund (b)		4,022,648	4 times per month
Small Cap Fund (c)		4,026,919	4 times per month
Intermediate Bond Fund (d)		7,141,953	4 times per month

	2014		
Strategy Category	Fair Value		Redemption Frequency
Large Cap Fund (a)	$	18,660,042	4 times per month
Mid Cap Fund (b)		3,132,719	4 times per month
Small Cap Fund (c)		4,278,905	4 times per month
Intermediate Bond Fund (d)		10,293,819	4 times per month

(a) This category includes investments in companies with market capitalization above $3 billion. The portfolio is fully invested holding approximately 75-85 stocks. This fund's strategy utilizes a multi-cap stock selection model and both sector and style emphasis is utilized in constructing the portfolio. The fund was formed to invest in stocks considered to be high quality, with attractive valuations and favorable growth dynamics. The net asset value of the fund is determined four times a month, which includes the last day of each month. Units are issued and redeemed only as of the valuation dates at the determined net asset value. There are no unfunded commitments or redemption notice periods related to this fund. The Foundation's percentage of this fund's net assets at March 31, 2015 was 18.1%.

Note 7—Fair value measurements (continued)

(b) This category includes investments in companies with market capitalization below $10 billion and above $500 million. The portfolio is fully invested holding approximately 85-95 stocks. This fund's strategy utilizes a multi-cap stock selection model and both sector and styles emphasis is utilized in constructing the portfolio. The fund was formed to invest in stocks considered to be high quality, with attractive valuations and favorable growth dynamics. The net asset value of the fund is determined four times a month, which includes the last day of each month. Units are issued and redeemed only as of the valuation dates at the determined net asset value. There are no unfunded commitments or redemption notice periods related to this fund. The Foundation's percentage of this fund's net assets at March 31, 2015 was 91.4%.

(c) This category includes investments in companies with market capitalization below $3 billion and above $200 million. The portfolio is fully invested holding approximately 85-95 stocks. This fund's strategy utilizes a multi-cap stock selection model and both sector and styles emphasis is utilized in constructing the portfolio. The fund was formed to invest in stocks considered to be high quality, with attractive valuations and favorable growth dynamics. The net asset value of the fund is determined four times a month, which includes the last day of each month. Units are issued and redeemed only as of the valuation dates at the determined net asset value. There are no unfunded commitments or redemption notice periods related to this fund. The Foundation's percentage of this fund's net assets at March 31, 2015 was 35.6%.

(d) This category includes investments in US Treasuries, US government agencies, investment grade corporate and pools of mortgage-backed bonds. Short-term cash is an integral part of this fund's strategy. The corporate bond portfolio is heavily diversified, and typically no single issuer will represent or exceed 1.5% of the portfolio at the time of purchase. Sector rotation, asset selection, and duration management decisions are emphasized during construction of the overall portfolio. The net asset value of the fund is determined four times a month, which includes the last day of each month. Units are issued and redeemed only as of the valuation dates at the determined net asset value. There are no unfunded commitments or redemption notice periods related to this fund. The Foundation's percentage of this fund's net assets at March 31, 2015 was 44.9%.

Note 8—Temporarily restricted net assets

Temporarily restricted net assets as of March 31, 2015 and 2014 are available for the following purposes:

	2015	2014
Future benefits from remainder trusts and gift annuity, to be used for the benefit of specific purposes at the death of the donor	$ 4,928,725	$ 4,279,645
Future periods	12,196,047	6,633,578
	$ 17,124,772	$ 10,913,223

These assets are subject to donor-imposed purpose and time restrictions. Upon lapse of these restrictions, the assets will be reclassified as unrestricted.

Note 9—Net assets released from donor restrictions

During the years ended March 31, 2015 and 2014, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors.

	2015	2014
Time restrictions	$ 2,986,576	$ 2,435,330

Note 10—Permanently restricted net assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support charitable interests as recommended by the donor. At March 31, 2015 and 2014, permanently restricted net assets totaled $5,510,408 and $5,447,640, respectively.

Note 11—Endowment funds

The Foundation's endowment funds consist of eighteen individual funds established for a variety of charitable purposes. The endowment funds consist solely of donor-restricted endowment funds as there are no funds designated by the Board of Directors to function as endowments at March 31, 2015 or 2014. As required by generally accepted accounting principles, 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 endowment under Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The Foundation's Board of Directors has interpreted the North Carolina enacted version of UPMIFA ("NCUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the endowment principal balance as permanently restricted net assets, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NCUPMIFA. In accordance with NCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund
- Price level trends and general economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

Note 11—Endowment funds (continued)

The Foundation's spending and investment policies establish an achievable return objective through diversification of asset classes of 6% above the rate of inflation, as measured by the Consumer Price Index, over a complete market and economic cycle (generally three to five years). To achieve this return, the Foundation must assume a moderate level of risk with a considerable exposure in equity securities. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (dividends and interest). Returns are measured against a weighted average of nationally recognized benchmark indices, such as the Russell 1000 Growth Index and the Morgan Stanley Capital International Europe, Australasia, and Far East Index ("MSCI EAFE"), as appropriate for each asset style.

Appropriations from endowment funds are approved by the Foundation's Board of Directors each year. The Board's current general spending policy is to calculate an "Available to Distribute" ("ATD") as an amount equal to 5% of a rolling twelve quarter average fund balance. From time to time, however, the fair value of assets associated with a donor restricted endowment fund may fall below the level that the donor or NCUPMIFA requires the Foundation to retain as a fund of perpetual duration. When this occurs in any given year, the endowment is said to be "underwater," and the Board's general spending policy is to make the ATD available as follows:

- Fund principal balance ≥ 90% of fund balance: 100% ATD
- Fund principal balance < 90% of fund balance: 50% ATD
- Fund principal balance < 75% of fund balance: 0% ATD

The spending policies are the Board's approved guidelines consistent with the average long-term return expectation, providing ongoing support of donors' charitable interests and additional growth to the endowment funds. In any given year, the Board may override its general spending policies with regards to any particular fund's annual appropriation in a manner consistent with the standard of prudence prescribed by NCUPMIFA.

The following table summarizes changes in endowment net assets for the years ended March 31, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, March 31, 2013	$ -	$ 1,322,076	$ 6,018,961	$ 7,341,037
Contributions	-	-	28,679	28,679
Interest and other investment income, net of fees	-	135,362	-	135,362
Realized and unrealized gains	-	836,479	-	836,479
Appropriations of endowment assets for expenditure	-	(138,510)	-	(138,510)
Appropriations of endowment net assets for interfund expenditure	-	(135,950)	-	(135,950)
Appropriations of endowment net assets related to administrative fees	-	(72,100)	-	(72,100)
Net asset transfer	-	-	(600,000)	(600,000)
Endowment net assets, March 31, 2014	-	1,947,357	5,447,640	7,394,997
Contributions	-	-	62,768	62,768
Interest and other investment income, net of fees	-	205,968	-	205,968
Realized and unrealized gains	-	396,806	-	396,806
Appropriations of endowment assets for expenditure	-	(150,560)	-	(150,560)
Appropriations of endowment net assets for interfund expenditure	-	(139,610)	-	(139,610)
Appropriations of endowment net assets related to administrative fees	-	(74,275)	-	(74,275)
Endowment net assets, March 31, 2015	$ -	$ 2,185,686	$ 5,510,408	$ 7,696,094

Note 11—Endowment funds (continued)

The following table summarizes the composition of endowment net assets by fund type on March 31, 2015 and 2014:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Donor advised	$ -	$ 378,203	$ 652,397	$ 1,030,600
Designated	-	875,769	2,080,398	2,956,167
Scholarship	-	89,829	321,162	410,991
Undesignated	-	841,885	2,456,451	3,298,336
Total endowment net assets	$ -	$ 2,185,686	$ 5,510,408	$ 7,696,094

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Donor advised	$ -	$ 356,375	$ 601,829	$ 958,204
Designated	-	731,700	2,069,198	2,800,898
Scholarship	-	79,306	320,162	399,468
Undesignated	-	779,976	2,456,451	3,236,427
Total endowment net assets	$ -	$ 1,947,357	$ 5,447,640	$ 7,394,997

Note 12—Retirement plan

All full-time employees participate in the Foundation's defined contribution retirement plan. Employees are vested 100% from the date of employment. The Foundation contributes 3% of each employee's salary annually. The expense related to this plan was $47,653 and $45,726 for the years ended March 31, 2015 and 2014, respectively.

Note 13—Related-party transactions

The Foundation receives contributions from members of its Board of Directors. Contribution revenue from Board members was $222,869 and $121,104 for the years ended March 31, 2015 and 2014, respectively. Undiscounted contributions receivable from Board members totaled $8,400 and $1,200 at March 31, 2015 and 2014, respectively.

Note 14—Subsequent events

The Foundation has evaluated subsequent events through July 16, 2015, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.