

NORTH CAROLINA COMMUNITY FOUNDATION



FINANCIAL STATEMENTS

As of and for the Years Ended March 31, 2019 and 2018

And Report of Independent Auditor

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

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Report of Independent Auditor

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

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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Foundation adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

 LLP

Raleigh, North Carolina
September 16, 2019

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 10,661,517	\$ 10,323,866
Short-term investments	503,889	2,000,000
Investments	268,920,660	252,553,185
Contributions receivable, net	100,000	1,366,914
Beneficial interests in split-interest agreements	2,934,589	3,309,522
Prepaid expenses and other assets	469,369	396,856
Property, equipment, and leasehold improvements, net	443,409	526,900
Total Assets	<u>\$ 284,033,433</u>	<u>\$ 270,477,243</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 788,793	\$ 907,323
Obligations under split-interest agreements	55,916	57,296
Agency funds payable	26,536,779	27,495,732
Total Liabilities	<u>27,381,488</u>	<u>28,460,351</u>
Net Assets:		
Without donor restrictions:		
Designated for donor advised grants	170,016,159	159,467,740
Designated for field of interest grants	28,054,145	25,218,126
Designated for scholarships	26,780,940	25,138,289
Invested in property, equipment, and leasehold improvements, net	443,409	526,900
Undesignated	17,110,411	16,992,711
Total without donor restrictions	<u>242,405,064</u>	<u>227,343,766</u>
With donor restrictions:		
Restricted to the passage of time	3,338,211	4,961,989
Restricted in perpetuity - endowment	8,644,317	7,183,016
Restricted - appreciation of endowment funds	2,297,838	2,528,121
Underwater endowments	(33,485)	-
Total with donor restrictions	<u>14,246,881</u>	<u>14,673,126</u>
Total Net Assets	<u>256,651,945</u>	<u>242,016,892</u>
Total Liabilities and Net Assets	<u>\$ 284,033,433</u>	<u>\$ 270,477,243</u>

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

YEAR ENDED MARCH 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Contributions	\$ 26,019,711	\$ 1,018,553	\$ 27,038,264
Less amounts received on behalf of others	(2,286,436)	-	(2,286,436)
Net Contributions	<u>23,733,275</u>	<u>1,018,553</u>	<u>24,751,828</u>
Net investment return	6,800,009	300,668	7,100,677
Adjust amounts from agency funds	(660,139)	-	(660,139)
Net Investment Income and Gains	<u>6,139,870</u>	<u>300,668</u>	<u>6,440,538</u>
Provision for losses on uncollectible pledges receivable	-	(56,333)	(56,333)
Program and other income	711,802	-	711,802
Net Miscellaneous Revenue (Expense)	<u>711,802</u>	<u>(56,333)</u>	<u>655,469</u>
Total Revenues, Gains, and Other Support	<u>30,584,947</u>	<u>1,262,888</u>	<u>31,847,835</u>
Net assets released from donor restrictions	<u>2,108,975</u>	<u>(2,108,975)</u>	<u>-</u>
Expenses:			
Grants and scholarships	16,312,011	-	16,312,011
Less amounts disbursed on behalf of others	(3,616,430)	-	(3,616,430)
Net Grants and Scholarships	<u>12,695,581</u>	<u>-</u>	<u>12,695,581</u>
Other program expenses	2,651,016	-	2,651,016
Fundraising and development	608,452	-	608,452
Management and general	1,257,733	-	1,257,733
Total Expenses	<u>17,212,782</u>	<u>-</u>	<u>17,212,782</u>
Change in net assets	15,481,140	(846,087)	14,635,053
Net asset transfers	(419,842)	419,842	-
Net Assets:			
Beginning	<u>227,343,766</u>	<u>14,673,126</u>	<u>242,016,892</u>
Ending	<u>\$ 242,405,064</u>	<u>\$ 14,246,881</u>	<u>\$ 256,651,945</u>

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

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

YEAR ENDED MARCH 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Contributions	\$ 21,939,592	\$ 326,000	\$ 22,265,592
Less amounts received on behalf of others	(5,481,421)	-	(5,481,421)
Net Contributions	<u>16,458,171</u>	<u>326,000</u>	<u>16,784,171</u>
Net investment return	20,264,437	884,890	21,149,327
Adjust amounts from agency funds	(2,179,207)	-	(2,179,207)
Net Investment Income and Gains	<u>18,085,230</u>	<u>884,890</u>	<u>18,970,120</u>
Provision for losses on uncollectible pledges receivable	-	(166,875)	(166,875)
Program and other income	693,958	-	693,958
Net Miscellaneous Revenue (Expense)	<u>693,958</u>	<u>(166,875)</u>	<u>527,083</u>
Total Revenues, Gains, and Other Support	<u>35,237,359</u>	<u>1,044,015</u>	<u>36,281,374</u>
Net assets released from donor restrictions	<u>1,491,606</u>	<u>(1,491,606)</u>	<u>-</u>
Expenses:			
Grants and scholarships	15,122,226	-	15,122,226
Less amounts disbursed on behalf of others	(3,302,052)	-	(3,302,052)
Net Grants and Scholarships	<u>11,820,174</u>	<u>-</u>	<u>11,820,174</u>
Grantmaking and fund holder support	2,679,189	-	2,679,189
Fundraising and development	556,810	-	556,810
Management and general	1,390,631	-	1,390,631
Total Expenses	<u>16,446,804</u>	<u>-</u>	<u>16,446,804</u>
Change in net assets	20,282,161	(447,591)	19,834,570
Net asset transfers	(14,011)	14,011	-
Net Assets:			
Beginning	<u>207,075,616</u>	<u>15,106,706</u>	<u>222,182,322</u>
Ending	<u>\$ 227,343,766</u>	<u>\$ 14,673,126</u>	<u>\$ 242,016,892</u>

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

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2019

	Program Services	Supporting Activities		Total Supporting	Total Expenses
		Management and General	Fundraising		
Grants and scholarships	\$ 12,695,581	\$ -	\$ -	\$ -	\$ 12,695,581
Salaries, taxes, and benefits	1,705,295	790,383	328,126	1,118,509	2,823,804
Occupancy	234,091	108,498	45,043	153,541	387,632
Services and professional fees	305,313	249,497	37,491	286,988	592,301
Fund operating expenses	152,759	-	153,400	153,400	306,159
Dues and subscriptions	15,207	7,048	2,926	9,974	25,181
Office and postage	40,472	18,758	7,788	26,546	67,018
Insurance	11,277	5,227	2,170	7,397	18,674
Marketing and communications	31,480	25,903	8,512	34,415	65,895
Seminars, conferences, and meetings	29,492	9,087	2,564	11,651	41,143
Travel	59,785	10,624	7,762	18,386	78,171
Telecommunications	15,425	7,149	2,968	10,117	25,542
Depreciation expense	50,420	23,369	9,702	33,071	83,491
Other expenses	-	2,190	-	2,190	2,190
	<u>\$ 15,346,597</u>	<u>\$ 1,257,733</u>	<u>\$ 608,452</u>	<u>\$ 1,866,185</u>	<u>\$ 17,212,782</u>

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

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2018

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Total Supporting	
Grants and scholarships	\$ 11,820,174	\$ -	\$ -	\$ -	\$ 11,820,174
Salaries, taxes, and benefits	1,590,097	914,623	256,824	1,171,447	2,761,544
Occupancy	221,867	127,618	35,835	163,453	385,320
Services and professional fees	221,656	206,874	15,207	222,081	443,737
Fund operating expenses	273,841	-	198,364	198,364	472,205
Dues and subscriptions	13,315	7,659	2,151	9,810	23,125
Office and postage	36,195	20,820	5,844	26,664	62,859
Insurance	11,198	6,441	1,809	8,250	19,448
Marketing and communications	33,646	30,108	19,299	49,407	83,053
Seminars, conferences, and meetings	143,486	10,001	2,264	12,265	155,751
Travel	69,278	15,396	8,777	24,173	93,451
Telecommunications	15,416	8,867	2,490	11,357	26,773
Depreciation expense	49,194	28,297	7,946	36,243	85,437
Other expenses	-	13,927	-	13,927	13,927
	<u>\$ 14,499,363</u>	<u>\$ 1,390,631</u>	<u>\$ 556,810</u>	<u>\$ 1,947,441</u>	<u>\$ 16,446,804</u>

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

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 14,635,053	\$ 19,834,570
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	83,491	85,437
Provision for losses on uncollectible pledges receivable	56,333	166,875
Net realized and unrealized (gains) losses on investments	14,725	(15,659,796)
Contributions restricted for long-term investment	(1,018,553)	(233,000)
Change in value of split-interest agreements	235,853	(176,609)
Changes in assets and liabilities:		
Contributions receivable, net	1,210,581	54,502
Prepaid expenses and other assets	(72,513)	(1,270)
Accounts payable and accrued expenses	(118,530)	(168,331)
Agency funds payable	(958,953)	4,040,665
Net cash provided by operating activities	<u>14,067,487</u>	<u>7,943,043</u>
Cash flows from investing activities:		
Sale of short-term investments	1,496,111	250,000
Purchase of property and equipment	-	(6,765)
Purchase of investments	(167,619,135)	(152,023,067)
Proceeds from sale of investments	151,236,935	144,451,032
Net cash used in investing activities	<u>(14,886,089)</u>	<u>(7,328,800)</u>
Cash flows from financing activities:		
Payment of obligations under split-interest agreements	(1,380)	(2,431)
Proceeds from charitable trusts	139,080	1,241,056
Proceeds from contributions restricted for investment in endowment	1,018,553	233,000
Net cash provided by financing activities	<u>1,156,253</u>	<u>1,471,625</u>
Net change in cash	337,651	2,085,868
Cash, beginning of year	10,323,866	8,237,998
Cash, end of year	<u>\$ 10,661,517</u>	<u>\$ 10,323,866</u>

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

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 1—Nature of the 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 1,300 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’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.

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 existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor-imposed restrictions. Net assets without donor restrictions also include the investment in property, equipment and leasehold improvements, net of accumulated depreciation. 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 net assets without donor restrictions 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 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 net assets without donor restrictions. For internal management and recordkeeping, the Foundation classifies net assets without donor restrictions as follows:

- *Designated for Donor Advised Grants* – Fund holder annually recommends grants to specific qualified charities. In some cases, fund holder suggests specific eligible organizations to receive charitable grants in the fund agreement.
- *Designated for Field of Interest Grants* – 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.
- *Designated for Scholarships* – 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.

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.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

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

Net Assets With Donor Restrictions – Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. The Federal Deposit Insurance Corporation 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, 2019 and 2018 represent certificates of deposit with original maturities of 12 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. 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, unless restricted by the donor, because the related investments on which the revenue is earned are classified as unrestricted assets.

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. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes on net assets and reported in the statements of activities 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.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

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

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 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 \$2,000. 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.

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. Multi-year 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.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

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

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.

Gift Annuities – The Foundation has been named as a beneficiary in certain gift annuities in which the Foundation is the trustee. When the Foundation receives assets in connection with an annuity, 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 the 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 are 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.

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.

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. These amounts are reported as agency funds payable at March 31, 2019 and 2018.

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.

The financial statements report expenses attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses, excluding grant disbursements and expenses directly attributable to a function, are allocated based on estimates of time and effort.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

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

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”).

Current Pronouncement – On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses changes in net asset classification, new disclosures on liquidity and availability of resources, consistency on presentation of functional and natural expenses, investment return, and underwater endowments which are now classified as with donor restrictions. During the year ended March 31, 2019, the Foundation adopted ASU 2016-14 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Future Pronouncements – In February 2016, the FASB issued Accounting Standards Update ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 15, 2020. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU are intended to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. An exchange transaction will be considered by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard will be effective for the fiscal years beginning after December 15, 2018. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 2—Availability and liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 10,661,517	\$ 10,323,866
Short-term investments	503,889	2,000,000
Investments	268,920,660	252,553,185
Contributions receivable	100,000	1,366,914
Beneficial interests in split-interest agreements	2,934,589	3,309,522
	<u>283,120,655</u>	<u>269,553,487</u>
Less those unavailable for general expenditures within one year:		
Required to satisfy donor restrictions and board designations	(239,098,125)	(224,497,281)
Agency funds payable	(26,536,779)	(27,495,732)
Investments held in annuity trust	(55,916)	(57,296)
	<u>(265,690,820)</u>	<u>(252,050,309)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,429,835</u>	<u>\$ 17,503,178</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

Note 3—Investments

The fair value of investments by type at March 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 4,007,385	\$ 3,466,109
Equities	174,606,375	161,708,233
Fixed income	55,113,849	50,243,439
Alternative strategies	11,432,838	16,476,596
Investments in Limited Liability Entities	23,739,120	20,631,844
Mortgage notes receivable	21,093	26,964
	<u>\$ 268,920,660</u>	<u>\$ 252,553,185</u>

The Foundation invests in a combination of equity securities, fixed income securities, money market mutual 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.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 3—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 several 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 which provide general indemnifications in connection with their activities as an agent of, or service providers 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.

Note 4—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.

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 100,000	\$ 1,323,347
Between one and five years	-	54,809
	<u>100,000</u>	<u>1,378,156</u>
Less unamortized discount and allowance for uncollectibles	-	(11,242)
	<u>\$ 100,000</u>	<u>\$ 1,366,914</u>

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 5—Property, equipment, and leasehold improvements

Property, equipment, and leasehold improvements at March 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land and building	\$ 4,313	\$ 4,313
Leasehold improvements	257,773	257,773
Office furniture and equipment	394,119	394,119
Computer equipment and software	31,492	91,979
	<u>687,697</u>	<u>748,184</u>
Less accumulated depreciation	<u>(244,288)</u>	<u>(221,284)</u>
	<u>\$ 443,409</u>	<u>\$ 526,900</u>

Depreciation expense was \$83,491 and \$85,437 for the years ended March 31, 2019 and 2018, respectively.

Note 6—Leases

The Foundation leases office equipment and administrative facilities under operating leases. Total lease expense for the years ended March 31, 2019 and 2018 was \$384,264 and \$383,764, respectively. The lease agreements require the Foundation to pay their related repairs, maintenance, utilities, and insurance.

Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more at March 31, 2019 are as follows:

<u>Years Ending March 31,</u>	
2020	\$ 372,894
2021	380,998
2022	386,044
2023	387,990
2024	396,673
Thereafter	<u>1,279,950</u>
	<u>\$ 3,204,549</u>

A portion of the leased space was subleased to unaffiliated entities. For the years ended March 31, 2019 and 2018, rental income under the subleases was \$6,000 and \$5,000, respectively, and is included in program and other income on the statements of activities.

Note 7—Fair value measurement

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.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 7—Fair value measurement (continued)

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 in 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 – Unobservable inputs 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.

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.

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.

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.

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.

Alternative Strategies – Alternative securities mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the active 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.

Investments in Limited Liability Entities – Ownership interests in limited liability partnerships and corporations are typically valued using the net asset valuations provided by the partnerships or the corporation and information provided by professional appraisers.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 7—Fair value measurement (continued)

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 used to determine present value of estimated future cash flows.

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, 2019 and 2018:

	2019			
	Investments Measured at Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interests in split-interest agreements	\$ 2,934,589	\$ -	\$ -	\$ 2,934,589
Investments:				
Cash equivalents	\$ 4,007,385	\$ 4,007,385	\$ -	\$ -
Equities:				
Domestic Equities	112,782,388	112,782,388	-	-
International Equities	61,823,987	61,823,987	-	-
Total Equities	174,606,375	174,606,375	-	-
Fixed Income:				
U.S. Government and Agencies	8,020,128	-	8,020,128	-
Corporate	9,374,018	9,374,018	-	-
Blended Bond Funds	37,719,703	37,719,703	-	-
Total Fixed Income	55,113,849	47,093,721	8,020,128	-
Mortgage notes receivable	21,093	-	21,093	-
Alternative strategies	11,432,838	11,432,838		
	245,181,540	\$ 237,140,319	\$ 8,041,221	\$ -
Investments measured at net asset value ¹				
Investment in Limited Liability Entities	23,739,120			
Total Investments	\$ 268,920,660			

(*) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value 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 statements of financial position.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 7—Fair value measurement (continued)

	2018			
	Investments Measured at Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interests in split-interest agreements	\$ 3,309,522	\$ -	\$ -	\$ 3,309,522
Investments:				
Cash equivalents	\$ 3,466,109	\$ 3,466,109	\$ -	\$ -
Equities:				
Domestic Equities	97,773,076	97,773,076	-	-
International Equities	63,935,157	63,935,157	-	-
Total Equities	161,708,233	161,708,233	-	-
Fixed Income:				
U.S. Government and Agencies	11,844,807	-	11,844,807	-
Corporate	6,812,604	6,812,604	-	-
Blended Bond Funds	31,586,028	31,586,028	-	-
Total Fixed Income	50,243,439	38,398,632	11,844,807	-
Mortgage notes receivable	26,964	-	26,964	-
Alternative strategies	16,476,596	16,476,596		
	231,921,341	\$ 220,049,570	\$ 11,871,771	\$ -
Investments measured at net asset value ¹				
Investment in Limited Liability Entities	20,631,844			
Total Investments	\$ 252,553,185			

(*) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value 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 statements of financial position.

There were no changes in the valuation techniques during 2019 or 2018. Unrealized gains (losses) are included in net investment return on the statements of activities and changes in net assets. Transfers between levels, if any, are recognized at the end of the year.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 7—Fair value measurement (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, 2019 and 2018:

2019 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Distributions</u>	<u>Change in Value</u>	<u>Write-offs</u>	<u>Ending Balance</u>
Beneficial Interests in						
Split-Interest Agreements	\$ 3,309,522	\$ -	\$ (139,080)	\$ (235,853)	\$ -	\$ 2,934,589

2018 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Distributions</u>	<u>Change in Value</u>	<u>Write-offs</u>	<u>Ending Balance</u>
Beneficial Interests in						
Split-Interest Agreements	\$ 4,373,969	\$ -	\$ (1,241,056)	\$ 176,609	\$ -	\$ 3,309,522

The following presents further information regarding the Foundation's investments in Limited Liability Entities at March 31, 2019:

<u>Strategy Category</u>	<u>2019</u>	
	<u>Fair Value</u>	<u>Redemption Frequency</u>
Harvest MLP Income Fund II	\$ 6,003,811	Monthly
FEG Absolute Access Fund	10,159,256	Semi Annual
FEG Private Opportunities Fund II	4,423,327	Time Table TBE
FEG Private Opportunities Fund III	3,152,726	Time Table TBE

- a) The investment in the Harvest MLP Income Fund II is part of the diversified real asset portion of the portfolio, primarily infrastructure. The fund has a 30-day written notice redemption period.
- b) The FEG Absolute Access Fund is a multi-manager investment composed of eight managers allocating across equities, fixed income, currencies, and other strategies with the goal of generating absolute returns irrespective of market cycle. The fund has redemption notice dates of June 30 and December 31.
- c) The FEG Private Opportunities Fund II includes investments in private equity, private debt and private real assets. The current value of the Foundation's Investment in the FEG Private Opportunities Fund II is the funded portion of a \$5 million commitment made in April 2015. The Foundation expects that the remaining \$0.5 million will be funded over the next year. The redemption notice period for the fund has not yet been established.
- d) The FEG Private Opportunities Fund III includes investments in private equity, private debt and private real assets. The current value of the Foundation's Investment in the FEG Private Opportunities Fund III is the funded portion of a \$6.5 million commitment made in August 2016. The Foundation expects that the remaining \$3.3 million will be funded over the next three years. The redemption notice period for the fund has not yet been established.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 8—Net assets released from donor restrictions

During the years ended March 31, 2019 and 2018, 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.

	<u>2019</u>	<u>2018</u>
Time restrictions	<u>\$ 2,108,975</u>	<u>\$ 1,491,606</u>

Note 9—Endowment funds

The Foundation's endowment funds consist of 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, 2019 or 2018. 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, we retain in perpetuity (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. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 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.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 9—Endowment funds (continued)

Appropriations from endowment funds are approved by the Foundation's Board of Directors each year. The Boards' current general spending policy is to calculate an Available to Distribute ("ATD") as an amount equal to 5% of a rolling 12 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 \geq 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, 2019 and 2018:

Endowment net assets, March 31, 2017	\$ 9,006,513
Net asset transfer	14,011
Contributions	233,000
Interest and other investment income, net of fees	178,214
Realized and unrealized gains	710,346
Appropriations of endowment assets for expenditure	(177,416)
Appropriations of endowment net assets for interfund expenditure	(154,890)
Appropriations of endowment net assets related to administrative fees	(98,641)
	<hr/>
Endowment net assets, March 31, 2018	9,711,137
Net asset transfer	419,842
Contributions	1,018,553
Interest and other investment income, net of fees	268,408
Realized and unrealized gains	8,320
Appropriations of endowment assets for expenditure	(227,605)
Appropriations of endowment net assets for interfund expenditure	(179,297)
Appropriations of endowment net assets related to administrative fees	(110,688)
	<hr/>
Endowment net assets, March 31, 2019	<u>\$ 10,908,670</u>

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

Note 9—Endowment funds (continued)

The following tables summarize the composition of endowment net assets on March 31, 2019 and 2018:

	<u>2019</u>
Original donor-restricted gift amount required to be maintained in perpetuity	\$ 8,644,317
Accumulated investment gains	2,264,353
Total endowment net assets	<u>\$ 10,908,670</u>
	<u>2018</u>
Original donor-restricted gift amount required to be maintained in perpetuity	\$ 7,183,016
Accumulated investment gains	2,528,121
Total endowment net assets	<u>\$ 9,711,137</u>

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At March 31, 2019, funds with deficiencies of \$33,485 were reported in net assets with donor restrictions. At March 31, 2018, there were no funds with deficiencies.

	<u>2019</u>
Fair value of underwater endowment funds	\$ 585,593
Original endowment gifts	619,078
Deficiencies of underwater endowment funds	<u>\$ (33,485)</u>

Note 10—Retirement plan

All full-time employees participated in the Foundation’s defined contribution retirement plan. Employees are vested 100% from the date of employment. The Foundation contributes 3% to 6% of each employee’s salary annually. The expense related to this plan was \$132,445 and \$131,049 for the years ended March 31, 2019 and 2018, respectively.

Note 11—Related party transactions

The Foundation receives contributions from its board members. Contribution revenue from board members was approximately \$495,103 and \$62,737 for the years ended March 31, 2019 and 2018, respectively. Undiscounted contributions receivable from board members totaled approximately \$1,200 as of March 31, 2018. There were no undiscounted contributions receivable from board members at March 31, 2019.

Note 12—Subsequent events

The Foundation has evaluated subsequent events through September 16, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.