COMMUNITY FOUNDATION OF BURKE COUNTY

Morganton, North Carolina

Financial Statements and
Supplementary Information

Year Ended December 31, 2013

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COMMUNITY FOUNDATION OF BURKE COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Foundation of Burke County

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of Burke County (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Burke County as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Foundation of Burke County's 2012 financial statements, and our report dated April 29, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of gifts for charitable purposes is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carter, P.C.

Asheville, North Carolina
April 11, 2014

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Financial Position
December 31, 2013
(With Comparative Totals for 2012)

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Current assets:					
Cash and equivalents	$ 491,722	$ 29,536	$	$ 521,258	$ 717,457
Short-term investments	533,904	52,646		586,550	256,041
Promises to give	23,056	2,475		25,531	21,564
Other receivables	5,377	175		5,552	2,873
Land held for sale		25,500		25,500	
Total current assets	1,054,059	110,332		1,164,391	997,935
Investments	168,027	14,280,527	100,000	14,548,554	11,826,024
Land held for investment					11,336
Cash surrender value of life insurance		23,903		23,903	
Property and equipment	828			828	108
Total assets	$ 1,222,914	$ 14,414,762	$ 100,000	$ 15,737,676	$ 12,835,403
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$ 3,026	$	$	$ 3,026	$ 4,036
Grants payable		10,825		10,825	10,875
Total current liabilities	3,026	10,825		13,851	14,911
Net assets:					
Unrestricted:					
Discretionary	224,885			224,885	198,365
Board designated	168,027			168,027	142,817
Donor advised	826,976			826,976	615,031
Total unrestricted	1,219,888			1,219,888	956,213
Temporarily restricted		14,403,937		14,403,937	11,774,279
Permanently restricted			100,000	100,000	90,000
Total net assets	1,219,888	14,403,937	100,000	15,723,825	12,820,492
Total liabilities and net assets	$ 1,222,914	$ 14,414,762	$ 100,000	$ 15,737,676	$ 12,835,403

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

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Activities
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Revenues and other support					
Contributions	$ 458,914	$ 1,453,321	$ 10,000	$ 1,922,235	$ 749,401
Investment income	21,807	307,184		328,991	327,958
Net realized and unrealized gains on investments	54,174	1,533,157		1,587,331	941,656
In-kind contributions	15,269			15,269	16,942
Other	1,020	2,263		3,283	25,932
Net assets released from restrictions	666,267	(666,267)			
Total revenues and other support	1,217,451	2,629,658	10,000	3,857,109	2,061,889
Expenses					
Program services	863,662			863,662	807,011
Management and general	87,194			87,194	84,338
Pledge cancellations	2,920			2,920	4,380
Total expenses	953,776			953,776	895,729
Increase in net assets	263,675	2,629,658	10,000	2,903,333	1,166,160
Net assets at beginning of year	956,213	11,774,279	90,000	12,820,492	11,654,332
Net assets at end of year	$ 1,219,888	$ 14,403,937	$ 100,000	$ 15,723,825	$ 12,820,492

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

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Functional Expenses
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Program Services	Management & General	2013 Total	2012 Total
Salaries	$ 60,480	$ 49,484	$ 109,964	$ 81,684
Payroll taxes	4,626	3,786	8,412	6,249
Employee benefits	2,823	2,310	5,133	6,913
Total salaries and related expenses	67,929	55,580	123,509	94,846
Gifts for charitable purposes	676,318		676,318	641,404
Rent	8,397	6,872	15,269	16,942
Advertising	1,519	1,244	2,763	1,260
Office expense	6,867	5,620	12,487	11,100
Insurance	772	632	1,404	591
Postage	1,146	938	2,084	1,504
Telephone	1,699	1,391	3,090	3,661
Professional services	7,789	6,374	14,163	12,862
Travel and training	1,077	882	1,959	4,075
Printing and publications	3,940	3,225	7,165	10,531
Dues and subscriptions	1,606	1,314	2,920	3,105
Meals and entertainment	112	93	205	341
Investment management fees	80,791		80,791	81,278
Other	3,584	2,934	6,518	6,873
Total expenses before depreciation	863,546	87,099	950,645	890,373
Depreciation	116	95	211	976
Total expenses	$ 863,662	$ 87,194	$ 950,856	$ 891,349

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

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Cash Flows
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013	2012
Cash flows from operating activities		
Increase in net assets	$ 2,903,333	$ 1,166,160
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	211	976
Net realized and unrealized gains on investments	(1,587,331)	(941,656)
Gain on sale of land held for investment	(2,263)	
Receipt of life insurance policy	(23,903)	
Receipt of donated land held for sale	(25,500)	
Receipt of donated stock	(415,663)	(257,053)
Provision for pledge cancellations	2,920	4,380
Working capital changes - sources (uses):		
Promises to give	(6,887)	29,123
Other receivables	(2,679)	(477)
Accounts payable	(1,010)	(1,933)
Grants payable	(50)	1,875
Restricted contributions	(1,463,321)	(224,977)
Net cash used by operating activities	(622,143)	(223,582)
Cash flows from investing activities		
Proceeds from disposal of land held for investment	13,599	
Proceeds from sale of investments	4,822,135	4,520,671
Purchases of property and equipment	(931)	
Purchase of investments	(5,872,180)	(4,350,967)
Net cash provided (used) by investing activities	(1,037,377)	169,704
Cash flows from financing activities		
Restricted contributions	1,463,321	224,977
Net increase (decrease) in cash and equivalents	(196,199)	171,099
Cash and equivalents at beginning of year	717,457	546,358
Cash and equivalents at end of year	$ 521,258	$ 717,457

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

Note 1 - Summary of Significant Accounting Policies

Organization

The Community Foundation of Burke County (the Foundation) is a permanent foundation. The Foundation receives gifts, grants, and bequests for the purpose of making charitable donations to approved organizations (as defined in its articles of incorporation and determined by the Board of Directors) and generally to perform all acts which may be deemed necessary or expedient to develop charitable capital for Burke County, North Carolina. Revenues from the operations of the Foundation are concentrated to contributions from Burke County, North Carolina.

In November 2013, the Foundation was approved by the North Carolina Secretary of State to change its name from Community Foundation of Burke County, Inc. to Community Foundation of Burke County.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status

The Foundation has been classified as a publicly-supported charitable organization under the Internal Revenue Code Section 501(c)(3). As a publicly-supported charity, the Foundation is exempt from federal and state income taxes and federal excise taxes under Section 509(a)(1) of the Internal Revenue Code.

Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statement, funds that have similar characteristics have been combined into fund groups. Fund balances are classified on the statement of financial position as unrestricted, temporarily restricted, or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

Note 1 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

The Foundation reports in compliance with the FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted Net Assets: Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

- Temporarily Restricted Net Assets: Temporarily restricted net assets represent resources whose use is limited by donors or applicable laws for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are released to unrestricted net assets as their time and purpose requirements are met.

- Permanently Restricted Net Assets: Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor or applicable laws. However, permanently restricted net assets generally do not get reclassified since, by definition, their restrictions never expire. The income may be unrestricted or restricted, according to the donor's wishes.

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted and board designated endowment funds) and whether or not the organization is subject to UPMIFA.

The State of North Carolina enacted UPMIFA effective March 19, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Foundation adopted FASB ASC 958-205 for the year ended December 31, 2009. The Board of Directors has determined that the majority of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Note 1 - Summary of Significant Accounting Policies (continued)

Recognition of Donor Restrictions

Contributions that are restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Variance Power

All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or are inconsistent with the charitable needs of the community.

Cash and Equivalents

The Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for money market funds included in investments.

Receivables

Receivables consist of amounts due from gifts in transit and sales tax refunds. An allowance for doubtful accounts has not been established, as management believes all amounts are collectible.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts, if material, on those amounts are computed using a risk-free interest rate applicable to the year in which the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. An allowance for uncollectible promises to give has not been recorded as it is management's estimate that all promises to give will be collected.

Short-term Investments

Short-term investments consist of donated securities expected to be sold within one year.

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments in money market funds and marketable securities are carried at market value based on published quotations. Gains and losses on securities are reflected in the statement of activities. Contributed investments received that do not have readily determinable fair market values generally consist of closely held stock and property. Such investments are recorded at their appraised value at the date received, and no changes in carrying value are reflected in the financial statements for subsequent temporary increases or decreases in value.

Property and Equipment

Donations of property and equipment are recorded as support at their fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Foundation capitalizes all assets with a cost of $500 or more and books the assets at cost. Property and equipment are depreciated using the straight-line method. The estimated lives of the assets range from three to seven years.

Donated Services and Facilities

In accordance with FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*, the Foundation records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer committees, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

The use of the facilities for the Foundation offices was donated. Amounts have been recognized as revenues and expenditures in the accompanying financial statements for the fair market value of the donated facilities. Donated rent was $15,269 and $16,942, for the years ended December 31, 2013 and 2012, respectively.

Note 1 - Summary of Significant Accounting Policies (continued)

Grants

Unconditional grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Grants that are subject to conditions are recorded when approved by the Board of Directors and paid when the conditions are substantially met.

Administrative Charges

The Foundation retains as compensation for its services a charge against the various accounts. Generally the fee is 1% of the principal market value of the account charged on a quarterly basis of (1/4) of the 1% of the fund balance computed on the previous quarter-end fund balance. For the years ended December 31, 2013 and 2012, administrative charges were $122,903 and $115,142, respectively.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2013 and 2012, amounts charged to expense were $2,763 and $1,260, respectively.

Fair Value Measurements and Disclosures

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If an asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

Allocation of Expenses

The expenses of the Foundation are allocated to functions based on management's estimate that 55% is apportioned to program services and 45% is apportioned to management and general, except for gifts for charitable purposes and investment management fees, which are considered direct program service expenses. Fundraising expenses for the year ended December 31, 2013 and 2012, in the amount of $22,025 and $19,406, respectively, are included in management and general expenses in the accompanying schedule of functional expenses.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

At December 31	2013	2012
Promises to give, other	$	$ 1,125
Promises to give, endowed	2,475	2,085
Endowments	14,401,462	11,771,069
Temporarily restricted net assets	$ 14,403,937	$ 11,774,279

Note 3 - Promises to Give

Promises to give are described as follows:

At December 31	2013	2012
Burke Women's Fund, endowed	$ 2,475	$ 2,085
Burke Women's Fund, donor advised	23,056	19,479
Promises to give	$ 25,531	$ 21,564

Note 4 - Investments

Investments consist principally of pooled investment funds, common stocks, mutual funds, government bonds, other assets, and money market funds. The costs of investments and their related carrying value (market) were as follows:

At December 31	2013		2012	
	Market Value	Cost	Market Value	Cost
Money market funds	$ 388,455	$ 388,455	$ 542,364	$ 542,364
Government bonds	498,377	497,616	549,914	523,492
Corporate bonds	309,403	306,379	288,820	260,783
Equity securities	9,491,033	7,445,606	7,541,412	6,236,248
Mutual funds	2,362,890	2,355,884	2,385,667	2,244,507
Exchange traded funds	1,319,101	1,303,426		
Other assets	179,295	154,971	517,847	465,754
Short-term investments	586,550	559,963	256,041	260,947
Investments	$ 15,135,104	$ 13,012,300	$ 12,082,065	$ 10,534,095

Note 4 Investments (continued)

The following tabulation summarizes the changes in unrealized appreciation (depreciation) of investments and the realized gains (losses) on investment transactions for the years ended December 31, 2013 and 2012:

At December 31	2013	2012
Excess of market value of investments over cost (cost of investments over market value):		
Beginning of year	$ 1,547,970	$ 827,230
End of year	2,122,804	1,547,970
Unrealized gains in market valuation	574,834	720,740
Realized gains on sale of investments	1,012,497	220,916
Net realized and unrealized gains on investments	$ 1,587,331	$ 941,656

Investment management fees for the years ended December 31, 2013 and 2012, were $80,791 and $81,278, respectively.

Note 5 - Fair Value Measurements

The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values for financial instruments:

At December 31, 2013	Level 1	Level 2	Level 3	Total
Money market funds	$ 388,455	$	$	$ 388,455
Government bonds	498,377			498,377
Corporate bonds		309,403		309,403
Equity securities	9,491,033			9,491,033
Mutual funds	2,362,890			2,362,890
Exchange traded funds	1,319,101			1,319,101
Other assets			179,295	179,295
Short-term investments	586,550			586,550
Total investments	$ 14,646,406	$ 309,403	$ 179,295	$ 15,135,104

Investment accounts of stocks, money market funds, mutual funds, and government bonds are recorded to fair value based on current quoted market prices provided by investment custodians or other models.

Note 5 - Fair Value Measurements (continued)

A reconciliation of changes in Level 3 inputs is as follows:

Year Ended December 31, 2013	Total
Level 3 inputs, beginning of year	$ 517,847
Purchases of investments	8,271
Sales	(374,515)
Investment income	2,105
Net realized and unrealized gains	25,587
Level 3 inputs, end of year	$ 179,295

Note 6 - Endowment Funds

The Foundation's endowments consist of approximately 78 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including 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 Board of Directors of the Foundation has interpreted North Carolina UPMIFA as permitting 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 as permanently restricted net assets (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 UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Note 6 - Endowment Funds (continued)

Investment Return, Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a real rate of return on investments, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, as determined by the Foundation's Investment Committee. The Foundation allocates all spendable income generated from the endowment investments to the funds.

The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually to cover the 4.5% annual distribution amount, 1% administrative fee, and the approximate rate of inflation of 2.5%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets, and allocation between asset classes. The Foundation exercises due care to diversify invested fund assets through its strategies to achieve the stated objectives for the Foundation in accordance with the asset allocation policy.

Spending Policy

The Foundation has a policy of appropriating for distribution all spendable income generated from the endowment investments based on the net value of the funds. The net value is determined by averaging the previous twelve quarters' ending values. If the fund has not existed twelve quarters, the net value will be the average of the ending quarter values since its inception. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at an amount in excess of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The current Board has approved a spending rate of 4.5%. The spending policy is subject to the discretion of the Board, and can be changed at any time in order to meet the needs of the Foundation.

Note 6 - Endowment Funds (continued)

Endowment net asset composition by type of fund is as follows:

At December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	$	$ 14,403,937	$ 100,000	$ 14,503,937
Board designated endowment funds	168,027			168,027
Total funds	$ 168,027	$ 14,403,937	$ 100,000	$ 14,671,964

Changes in endowment net assets are as follows:

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 142,817	$ 11,774,279	$ 90,000	$ 12,007,096
Contributions	5,000	1,465,165	10,000	1,480,165
Investment income (loss), net	1,907	72,485		74,392
Distributions		(477,020)		(477,020)
Net appreciation	18,303	1,569,028		1,587,331
Endowment net assets, end of year	$ 168,027	$ 14,403,937	$ 100,000	$ 14,671,964

Note 7 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2013	2012
Furniture and fixtures	$ 11,267	$ 11,267
Office equipment	10,476	15,589
	21,743	26,856
Less, accumulated depreciation	20,915	26,748
Property and equipment	$ 828	$ 108

Note 7 - Property and Equipment (continued)

Depreciation expense for the years ended December 31, 2013 and 2012, was $211 and $976, respectively.

Note 8 - Land Held for Sale and Investment

Land, previously held for investment, was sold in 2013. The gain on the sale of the land of $2,263 is restricted and has been added to the endowment fund for which the land was contributed. The Foundation also received donated land in 2013 which has been recorded at the appraisal value at the time of gift in the amount of $25,500. This land is held for sale at December 31, 2013. Receipts from the future sale of this land will be restricted according to the fund for which it was contributed.

Note 9 - Cash Surrender Value of Life Insurance

Cash surrender value of life insurance represents the cash value of a contributed life insurance policy. The Foundation records the change in value on an annual basis. The cash surrender value of life insurance at December 31, 2013 and 2012, was $23,903 and $0, respectively.

Note 10 - Uninsured Cash Balances

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to $250,000. There were no uninsured balances at December 31, 2013. Also included in cash and equivalents are money market funds held by brokerage firms. Each brokerage balance is protected by the Securities Investor Protection Corporation (SIPC). The SIPC replaces missing stocks and other securities where it is possible to do so. The SIPC covers securities up to $500,000 and cash up to $100,000. The amount of money market funds uninsured by SIPC at December 31, 2013 is $172,081.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amount reported in the statement of financial position.

Note 11 - Income Taxes

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

Note 11 - Income Taxes (continued)

Open Tax Years

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for the years ended December 31, 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they are filed.

Note 12 - Subsequent Events

Management has evaluated subsequent events through April 11, 2014, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION OF BURKE COUNTY

Schedule of Gifts for Charitable Purposes
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013	2012
Advancing the arts and humanities	$ 81,780	$ 56,082
Improving human services	212,254	227,944
Enhancing our environment	32,230	36,976
Improving educational opportunities	118,468	106,923
Promoting access to quality health care	103,505	133,912
Religion	118,497	73,534
Building the community and economic vitality	9,584	6,033
Total	$ 676,318	$ 641,404