

# **COMMUNITY FOUNDATION OF BURKE COUNTY**

Morganton, North Carolina

Financial Statements and  
Supplementary Information

Year Ended December 31, 2014

**COMMUNITY FOUNDATION OF BURKE COUNTY**

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# COMMUNITY FOUNDATION OF BURKE COUNTY

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-20
SUPPLEMENTARY INFORMATION	
Schedule of Gifts for Charitable Purposes	21

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Community Foundation of Burke County

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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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 10, 2015

**COMMUNITY FOUNDATION OF BURKE COUNTY**

Statement of Financial Position  
December 31, 2014  
(With Comparative Totals for 2013)

<b>Assets</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Current assets:					
Cash and equivalents	\$ 639,445	\$ 133,724	\$	\$ 773,169	\$ 521,258
Short-term investments		3,106		3,106	586,550
Promises to give	16,683	1,786		18,469	25,531
Other receivables	2,518	105		2,623	5,552
Land held for sale		25,500		25,500	25,500
Total current assets	<u>658,646</u>	<u>164,221</u>		<u>822,867</u>	<u>1,164,391</u>
Investments	174,889	15,088,137	110,000	15,373,026	14,548,554
Cash surrender value of life insurance		23,397		23,397	23,903
Property and equipment	<u>518</u>			<u>518</u>	<u>828</u>
Total assets	<u>\$ 834,053</u>	<u>\$ 15,275,755</u>	<u>\$ 110,000</u>	<u>\$ 16,219,808</u>	<u>\$ 15,737,676</u>
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 4,186	\$	\$	\$ 4,186	\$ 3,026
Deferred revenue	28,519			28,519	
Grants payable	<u>10,000</u>	<u>15,963</u>		<u>25,963</u>	<u>10,825</u>
Total current liabilities	<u>42,705</u>	<u>15,963</u>		<u>58,668</u>	<u>13,851</u>
Net assets:					
Unrestricted:					
Discretionary	270,316			270,316	224,885
Board designated	179,387			179,387	168,027
Donor advised	<u>341,645</u>			<u>341,645</u>	<u>826,976</u>
Total unrestricted	791,348			791,348	1,219,888
Temporarily restricted		15,259,792		15,259,792	14,403,937
Permanently restricted			<u>110,000</u>	<u>110,000</u>	<u>100,000</u>
Total net assets	<u>791,348</u>	<u>15,259,792</u>	<u>110,000</u>	<u>16,161,140</u>	<u>15,723,825</u>
Total liabilities and net assets	<u>\$ 834,053</u>	<u>\$ 15,275,755</u>	<u>\$ 110,000</u>	<u>\$ 16,219,808</u>	<u>\$ 15,737,676</u>

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

**COMMUNITY FOUNDATION OF BURKE COUNTY**

Statement of Activities  
Year Ended December 31, 2014  
(With Comparative Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b>Revenues and other support</b>					
Contributions	\$ 227,384	\$ 917,807	\$ 10,000	\$ 1,155,191	\$ 1,922,235
Grants	5,928			5,928	
Investment income	21,347	445,920		467,267	328,991
Net realized and unrealized gains on investments	67,088	204,852		271,940	1,587,331
Change in cash surrender value of life insurance		(506)		(506)	
In-kind contributions	15,269			15,269	15,269
Other	17,511			17,511	3,283
Net assets released from restrictions	<u>712,218</u>	<u>(712,218)</u>			
Total revenues and other support	<u>1,066,745</u>	<u>855,855</u>	<u>10,000</u>	<u>1,932,600</u>	<u>3,857,109</u>
<b>Expenses</b>					
Program services	1,403,486			1,403,486	863,662
Management and general	91,799			91,799	87,194
Pledge cancellations					<u>2,920</u>
Total expenses	<u>1,495,285</u>			<u>1,495,285</u>	<u>953,776</u>
Increase (decrease) in net assets	(428,540)	855,855	10,000	437,315	2,903,333
Net assets at beginning of year	<u>1,219,888</u>	<u>14,403,937</u>	<u>100,000</u>	<u>15,723,825</u>	<u>12,820,492</u>
Net assets at end of year	<u>\$ 791,348</u>	<u>\$ 15,259,792</u>	<u>\$ 110,000</u>	<u>\$ 16,161,140</u>	<u>\$ 15,723,825</u>

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

**COMMUNITY FOUNDATION OF BURKE COUNTY**

Statement of Functional Expenses  
 Year Ended December 31, 2014  
 (With Comparative Totals for 2013)

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>2014 Total</u>	<u>2013 Total</u>
Salaries	\$ 76,975	\$ 32,989	\$ 109,964	\$ 109,964
Payroll taxes	5,889	2,523	8,412	8,412
Employee benefits	<u>5,369</u>	<u>2,301</u>	<u>7,670</u>	<u>5,133</u>
Total salaries and related expenses	88,233	37,813	126,046	123,509
Gifts for charitable purposes	1,210,360		1,210,360	676,318
Healthy initiatives	5,928		5,928	
Rent		15,269	15,269	15,269
Advertising		3,221	3,221	2,763
Office expense	12,128	8,067	20,195	12,487
Insurance		2,049	2,049	1,404
Postage		1,531	1,531	2,084
Telephone	1,826	783	2,609	3,090
Professional services		13,985	13,985	14,163
Travel and training	3,370		3,370	1,959
Printing and publications	3,144	1,048	4,192	7,165
Dues and subscriptions		2,974	2,974	2,920
Meals and entertainment		15	15	205
Investment management fees	78,497		78,497	80,791
Other		<u>4,734</u>	<u>4,734</u>	<u>6,518</u>
Total expenses before depreciation	1,403,486	91,489	1,494,975	950,645
Depreciation		<u>310</u>	<u>310</u>	<u>211</u>
Total expenses	<u>\$ 1,403,486</u>	<u>\$ 91,799</u>	<u>\$ 1,495,285</u>	<u>\$ 950,856</u>

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

**COMMUNITY FOUNDATION OF BURKE COUNTY**

Statement of Cash Flows  
Year Ended December 31, 2014  
(With Comparative Totals for 2013)

	2014	2013
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 437,315	\$ 2,903,333
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	310	211
Net realized and unrealized gains on investments	(271,940)	(1,587,331)
Change in cash surrender value of life insurance	506	
Gain on sale of land held for investment		(2,263)
Receipt of donated life insurance policy	(13,275)	(23,903)
Receipt of donated land		(25,500)
Receipt of donated stock	(458,834)	(415,663)
Provision for pledge cancellations		2,920
Working capital changes - sources (uses):		
Promises to give	7,062	(6,887)
Other receivables	2,929	(2,679)
Accounts payable	1,160	(1,010)
Deferred revenue	28,519	
Grants payable	15,138	(50)
Restricted contributions	(927,807)	(1,463,321)
Net cash used by operating activities	(1,178,917)	(622,143)
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	10,698,960	4,822,135
Proceeds from disposal of land held for investment		13,599
Proceeds from cash surrender value of life insurance	13,275	
Purchase of investments	(10,209,214)	(5,872,180)
Purchases of property and equipment		(931)
Net cash provided (used) by investing activities	503,021	(1,037,377)
<b>Cash flows from financing activities</b>		
Restricted contributions	927,807	1,463,321
Net increase (decrease) in cash and equivalents	251,911	(196,199)
Cash and equivalents at beginning of year	521,258	717,457
Cash and equivalents at end of year	\$ 773,169	\$ 521,258

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

# COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements  
December 31, 2014

## **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.

### 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 is incorporated as a nonprofit corporation under the laws of the State of North Carolina. 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 statements, 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.

### Financial Statement Presentation

The Foundation reports in compliance with 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:

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Financial Statement Presentation (continued)

- **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 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 during 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.

### 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.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### 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 cash and investments purchased with an initial maturity of three months or less to be cash equivalents. Cash and money market funds held by investment brokers are classified as 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

Conditional promises to give are not recognized in the financial statements until the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promises are received. As of December 31, 2014, no discount has been recorded, as the effect would be immaterial to the financial statements. 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.

### 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.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Investments (continued)

Gains and losses from the sale or disposition of investments are accounted for within unrestricted net assets, or as temporarily or permanently restricted net assets if so stipulated by the donor of such assets. Unrealized appreciation (depreciation) from certain investments in securities and ordinary income earned from investments and similar sources is accounted for in the same manner as realized gains and losses.

### Investment Pools

The Foundation maintains investment pools for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the investment pools are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the investment pool, as adjusted for additions to or deductions from those accounts.

### Property and Equipment

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 ten years.

### Donated Property and Equipment

Donations of property and equipment are recorded as contributions at 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.

### Donated Goods and Services

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. The use of the facilities for the Foundation offices was donated. Donated rent was \$15,269, for the years ended December 31, 2014 and 2013.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Donated Goods and Services (continued)

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. 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.

### 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, 2014 and 2013, administrative charges were \$149,175 and \$122,903, 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.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Fair Value Measurements and Disclosures (continued)

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.

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.

### Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2014 and 2013, amounts charged to expense were \$3,221 and \$2,763, respectively.

### Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

### Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means. Fundraising expenses for the years ended December 31, 2014 and 2013, in the amount of \$18,941 and \$22,025, respectively, are included in management and general expenses in the accompanying schedule of functional expenses.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### 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, 2013, from which the summarized information was derived.

### Reclassification

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

## **Note 2 - Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes:

<u>At December 31</u>	<u>2014</u>	<u>2013</u>
Other receivables	\$ 105	\$
Promises to give, endowed	1,786	2,475
Endowments	<u>15,257,901</u>	<u>14,401,462</u>
<u>Temporarily restricted net assets</u>	<u>\$ 15,259,792</u>	<u>\$ 14,403,937</u>

## **Note 3 - Promises to Give**

Promises to give are described as follows:

<u>At December 31</u>	<u>2014</u>	<u>2013</u>
Due in less than one year	\$ 14,089	\$ 18,596
One to five years	<u>4,380</u>	<u>6,935</u>
<u>Promises to give</u>	<u>\$ 18,469</u>	<u>\$ 25,531</u>

#### **Note 4 - Investments**

The Foundation holds investments consisting of the following instruments:

<u>At December 31</u>	<u>2014</u>		<u>2013</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Money market funds	\$ 133,656	\$ 133,656	\$ 388,455	\$ 388,455
Government bonds			498,377	497,616
Corporate bonds			309,403	306,379
Equity securities	5,137,420	3,760,543	9,491,033	7,445,606
Mutual funds	6,427,386	6,439,402	2,362,890	2,355,884
Exchange traded funds	3,599,659	3,481,772	1,319,101	1,303,426
Real estate investment trust	74,905	75,000	179,295	154,971
Short-term investments	<u>3,106</u>	<u>3,195</u>	<u>586,550</u>	<u>559,963</u>
<u>Investments</u>	<u>\$ 15,376,132</u>	<u>\$ 13,893,568</u>	<u>\$ 15,135,104</u>	<u>\$ 13,012,300</u>

The following tabulation summarizes the changes in unrealized appreciation (depreciation) of investments and the realized gains on investment transactions:

<u>At December 31</u>	<u>2014</u>	<u>2013</u>
Excess of market value of investments over cost (cost of investments over market value):		
Beginning of year	\$ 2,122,804	\$ 1,547,970
End of year	<u>1,482,564</u>	<u>2,122,804</u>
Unrealized gains (losses) in market valuation	(640,240)	574,834
Realized gains on sale of investments	<u>912,180</u>	<u>1,012,497</u>
<u>Net realized and unrealized gains on investments</u>	<u>\$ 271,940</u>	<u>\$ 1,587,331</u>

Investment management fees for the years ended December 31, 2014 and 2013, were \$78,497 and \$80,791, respectively.

## **Note 5 - Fair Value Measurements**

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

<u>At December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 133,656	\$	\$	\$ 133,656
Equity securities	5,137,420			5,137,420
Mutual funds	6,427,386			6,427,386
Exchange traded funds	3,599,659			3,599,659
Real estate investment trust			74,905	74,905
Short-term investments	<u>3,106</u>	<u></u>	<u></u>	<u>3,106</u>
<u>Total investments</u>	<u>\$ 15,301,227</u>	<u>\$</u>	<u>\$ 74,905</u>	<u>\$ 15,376,132</u>

<u>At December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
Real estate investment trust			179,295	179,295
Short-term investments	<u>586,550</u>	<u></u>	<u></u>	<u>586,550</u>
<u>Total investments</u>	<u>\$ 14,646,406</u>	<u>\$ 309,403</u>	<u>\$ 179,295</u>	<u>\$ 15,135,104</u>

Investment accounts consist of securities, money market funds, mutual funds, real estate investment trust funds, exchange traded funds, and corporate and government bonds that are recorded to fair value based on current quoted market prices provided by investment custodians or other models.

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

<u>Year Ended December 31, 2014</u>	<u>Total</u>
Level 3 inputs, beginning of year	\$ 179,295
Purchases of investments	156,207
Sales	(253,003)
Investment income	2,337
Net realized and unrealized losses	<u>(9,931)</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 74,905</u>

## **Note 6 - Endowment Funds**

The Foundation's endowments consist of approximately 84 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.

### **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.

## Note 6 - Endowment Funds (continued)

### 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.

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

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At December 31, 2014

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$	\$ 15,259,792	\$ 110,000	\$ 15,369,792
Board designated endowment funds	<u>179,387</u>	<u>                    </u>	<u>                    </u>	<u>179,387</u>
<u>Total funds</u>	<u>\$ 179,387</u>	<u>\$ 15,259,792</u>	<u>\$ 110,000</u>	<u>\$ 15,549,179</u>

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At December 31, 2013

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

**Note 6 - Endowment Funds (continued)**

Changes in endowment net assets are as follows:

<u>Year Ended December 31, 2014</u>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 168,027	\$ 14,403,937	\$ 100,000	\$ 14,671,964
Contributions	4,500	924,577	10,000	939,077
Investment income, net	3,706	153,637		157,343
Distributions		(490,639)		(490,639)
Net appreciation	<u>3,154</u>	<u>268,280</u>		<u>271,434</u>
Endowment net assets, end of year	<u>\$ 179,387</u>	<u>\$ 15,259,792</u>	<u>\$ 110,000</u>	<u>\$ 15,549,179</u>

<u>Year Ended December 31, 2013</u>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
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, net	1,907	72,485		74,392
Distributions		(477,020)		(477,020)
Net appreciation	<u>18,303</u>	<u>1,569,028</u>		<u>1,587,331</u>
Endowment net assets, end of year	<u>\$ 168,027</u>	<u>\$ 14,403,937</u>	<u>\$ 100,000</u>	<u>\$ 14,671,964</u>

**Note 7 - Property and Equipment**

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 11,267	\$ 11,267
Office equipment	<u>10,476</u>	<u>10,476</u>
	21,743	21,743
Less, accumulated depreciation	<u>21,225</u>	<u>20,915</u>
<u>Property and equipment</u>	<u>\$ 518</u>	<u>\$ 828</u>

#### **Note 7 - Property and Equipment (continued)**

Depreciation expense for the years ended December 31, 2014 and 2013, was \$310 and \$211, 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 was restricted and added to the endowment fund for which the land was contributed. The Foundation received additional donated land in 2013 which was recorded at the appraised value at the time of gift in the amount of \$25,500. This land was held for sale at December 31, 2014 and 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, 2014 and 2013, was \$23,397 and \$23,903, respectively.

#### **Note 10 - Concentration of Credit Risk**

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, the uninsured balance was approximately \$35,700. Included in investments 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 \$250,000. The Foundation's money market funds are fully covered by SIPC at December 31, 2014.

#### **Note 11 - Summary Disclosure of Significant Contingencies**

##### **Risk Management**

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees and volunteers, and natural disasters. The Foundation carries commercial insurance for risks of loss. Claims have not exceeded coverage in any period since inception.

## **Note 12 - 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

### **Open Tax Years**

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for the years ended December 31, 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they are filed.

## **Note 13 - Subsequent Events**

Management has evaluated subsequent events through April 10, 2015, 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, 2014  
(With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
Advancing the arts and humanities	\$ 43,519	\$ 81,780
Improving human services	723,487	212,254
Enhancing our environment	28,088	32,230
Improving educational opportunities	123,462	118,468
Promoting access to quality health care	115,644	103,505
Religion	162,518	118,497
Building the community and economic vitality	<u>13,642</u>	<u>9,584</u>
Total	<u>\$ 1,210,360</u>	<u>\$ 676,318</u>