

COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS

COMBINED FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2009 AND 2008



the**community**foundation

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
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## **Independent Auditor's Report**

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

We have audited the accompanying combined statements of financial position of Community Foundation of Greater Greensboro, Inc. and Combined Supporting Organizations as of December 31, 2009 and 2008, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Community Foundation of Greater Greensboro, Inc. and Combined Supporting Organizations as of December 31, 2009 and 2008, and the changes in their combined net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

*Bernard Robinson & Company, LLP*

Greensboro, North Carolina  
May 18, 2010

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS  
Combined Statements of Financial Position  
December 31, 2009 and 2008**

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	<u>Assets</u>	
	<u>2009</u>	<u>2008</u>
Assets:		
Cash and cash equivalents	\$ 17,310,375	\$ 16,743,945
Investments	83,351,794	64,890,917
Pledges receivable, net	2,817,082	1,039,294
Notes receivable	70,864	79,364
Interests in closely-held businesses	-	744,559
Land	3,786,502	3,511,502
Property and equipment, net	126,546	107,068
Other assets	43,004	147,847
	<u>43,004</u>	<u>147,847</u>
Total Assets	<u>\$ 107,506,167</u>	<u>\$ 87,264,496</u>

	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 296,238	\$ 84,196
Grants payable	1,306,333	-
Liabilities under unitrust and annuity agreements	2,593,349	2,354,493
Funds held as organizational funds	18,840,731	14,510,674
Total Liabilities	<u>23,036,651</u>	<u>16,949,363</u>
Net Assets:		
Unrestricted	51,500,619	38,757,750
Temporarily restricted	10,497,058	31,557,383
Permanently restricted	22,471,839	-
Total Net Assets	<u>84,469,516</u>	<u>70,315,133</u>
Total Liabilities and Net Assets	<u>\$ 107,506,167</u>	<u>\$ 87,264,496</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Combined Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2009 and 2008**

	2009				2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:							
Contributions	\$ 10,003,217	\$ 2,232,486	\$ 2,515,980	\$ 14,751,683	\$ 9,680,481	\$ 3,806,363	\$ 13,486,844
Less contributions to organizational funds	-	(1,095,175)	-	(1,095,175)	-	(1,928,018)	(1,928,018)
	<u>10,003,217</u>	<u>1,137,311</u>	<u>2,515,980</u>	<u>13,656,508</u>	<u>9,680,481</u>	<u>1,878,345</u>	<u>11,558,826</u>
Interest and dividends	1,575,509	1,231,218	-	2,806,727	1,513,123	1,684,304	3,197,427
Investment gains (losses), net	7,641,907	8,569,088	-	16,210,995	(10,459,727)	(17,540,127)	(27,999,854)
Less (earnings) losses of organizational funds	-	(3,860,314)	-	(3,860,314)	-	5,039,247	5,039,247
	<u>9,217,416</u>	<u>5,939,992</u>	<u>-</u>	<u>15,157,408</u>	<u>(8,946,604)</u>	<u>(10,816,576)</u>	<u>(19,763,180)</u>
Change in value of unitrust and annuity assets	-	(107,504)	-	(107,504)	27,399	(221,754)	(194,355)
Other, net	136,094	-	-	136,094	148,978	70	149,048
Accumulations and transfers to endowment funds	(86,158)	-	86,158	-	-	-	-
Net assets released from restrictions	4,213,475	(4,213,475)	-	-	958,149	(958,149)	-
	<u>4,263,411</u>	<u>(4,320,979)</u>	<u>86,158</u>	<u>28,590</u>	<u>1,134,526</u>	<u>(1,179,833)</u>	<u>(45,307)</u>
Total Revenue	<u>23,484,044</u>	<u>2,756,324</u>	<u>2,602,138</u>	<u>28,842,506</u>	<u>1,868,403</u>	<u>(10,118,064)</u>	<u>(8,249,661)</u>
Expenses:							
Grants for charitable purposes	12,186,808	-	-	12,186,808	12,684,032	-	12,684,032
Less grants of organizational funds	(1,094,767)	-	-	(1,094,767)	(1,704,570)	-	(1,704,570)
	<u>11,092,041</u>	<u>-</u>	<u>-</u>	<u>11,092,041</u>	<u>10,979,462</u>	<u>-</u>	<u>10,979,462</u>
Functional expenses:							
Program	1,613,731	-	-	1,613,731	1,407,548	-	1,407,548
Fund-raising	221,205	-	-	221,205	282,596	-	282,596
Administrative	820,043	-	-	820,043	764,053	-	764,053
Total functional expenses	<u>2,654,979</u>	<u>-</u>	<u>-</u>	<u>2,654,979</u>	<u>2,454,197</u>	<u>-</u>	<u>2,454,197</u>
Income rights distributions	248,539	-	-	248,539	286,656	-	286,656
Total Expenses	<u>13,995,559</u>	<u>-</u>	<u>-</u>	<u>13,995,559</u>	<u>13,720,315</u>	<u>-</u>	<u>13,720,315</u>
Changes in net assets	9,488,485	2,756,324	2,602,138	14,846,947	(11,851,912)	(10,118,064)	(21,969,976)
Net assets, beginning	38,757,750	31,557,383	-	70,315,133	50,609,662	41,675,447	92,285,109
Reclassifications (see Note 4)	3,254,384	(23,816,649)	19,869,701	(692,564)	-	-	-
Net assets, ending	<u>\$ 51,500,619</u>	<u>\$ 10,497,058</u>	<u>\$ 22,471,839</u>	<u>\$ 84,469,516</u>	<u>\$ 38,757,750</u>	<u>\$ 31,557,383</u>	<u>\$ 70,315,133</u>

*See Notes to Combined Financial Statements*

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
Combined Statements of Functional Expenses  
Years Ended December 31, 2009 and 2008

	2009				2008			
	Program Expenses	Fund-Raising	Administrative	Total	Program Expenses	Fund-Raising	Administrative	Total
Salaries	\$ 513,869	\$ 129,812	\$ 250,598	\$ 894,279	\$ 482,877	\$ 116,248	\$ 295,092	\$ 894,217
Payroll taxes and employee benefits	129,991	32,838	63,392	226,221	107,456	25,869	65,667	198,992
Contract labor	50,602	-	8,238	58,840	50,650	-	31,043	81,693
Investment expenses, net of organizational fund expenses of \$217,772 - 2009 and \$252,052 - 2008	334,004	-	-	334,004	337,090	-	-	337,090
Professional fees	37,770	-	9,443	47,213	29,929	-	24,487	54,416
Auditing and accounting	-	-	36,834	36,834	-	-	32,170	32,170
Rent	57,132	10,652	29,050	96,834	61,004	10,167	30,502	101,673
Telephone	6,164	1,149	3,134	10,447	10,282	1,714	5,141	17,137
Repairs and maintenance	17,562	4,391	21,953	43,906	19,861	4,965	24,826	49,652
Insurance	-	-	11,568	11,568	-	-	9,861	9,861
Donor life insurance	1,067	-	-	1,067	573	-	-	573
Annual report and newsletter	-	-	7,564	7,564	-	-	28,920	28,920
Promotion and marketing	-	29,599	-	29,599	-	40,579	-	40,579
Supplies and printing	9,806	1,828	4,986	16,620	18,103	3,017	9,051	30,171
Postage	3,074	769	3,843	7,686	3,440	860	4,300	8,600
Parking and mileage	617	115	314	1,046	2,237	373	1,118	3,728
Staff and board development	-	-	4,177	4,177	-	-	22,450	22,450
Dues and subscriptions	-	-	21,618	21,618	-	-	37,917	37,917
Meetings, travel and entertainment	2,682	500	1,364	4,546	13,004	2,167	6,502	21,673
Event expenses	14,577	2,718	7,412	24,707	9,147	67,684	106,099	182,930
Provision for uncollectible pledges	170,090	-	62,910	233,000	200,000	-	-	200,000
Settlement related to contribution of closely-held stock	-	-	253,000	253,000	-	-	-	-
Unrelated business income tax on asset sale	228,065	-	-	228,065	-	-	-	-
Miscellaneous	3,740	697	1,906	6,343	35,127	2,509	12,549	50,185
	<u>1,580,812</u>	<u>215,068</u>	<u>803,304</u>	<u>2,599,184</u>	<u>1,380,780</u>	<u>276,152</u>	<u>747,695</u>	<u>2,404,627</u>
Depreciation	32,919	6,137	16,739	55,795	26,768	6,444	16,358	49,570
	<u>\$ 1,613,731</u>	<u>\$ 221,205</u>	<u>\$ 820,043</u>	<u>\$ 2,654,979</u>	<u>\$ 1,407,548</u>	<u>\$ 282,596</u>	<u>\$ 764,053</u>	<u>\$ 2,454,197</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS  
Combined Statements of Cash Flows  
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Changes in net assets	\$ 14,846,947	\$ (21,969,976)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	55,795	49,570
Non-cash contributions	-	(890,000)
Gain on sale of closely-held businesses	(461,441)	-
Realized investment (gains) losses	819,066	(209,253)
Unrealized investment (gains) losses	(16,590,857)	26,838,634
Impairment losses	-	1,350,877
Change in value of charitable remainder trusts and gift annuities	(107,504)	213,950
Reinvested earnings on investments	(1,887,355)	(1,927,215)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(1,777,788)	-
Other assets	11,307	(10,789)
Increase (decrease) in:		
Accounts payable and accrued expenses	212,042	48,888
Grants payable	1,306,333	-
Liabilities under unitrust and annuities agreements	238,856	(75,937)
Funds held as organizational funds	3,637,493	(5,067,852)
Net cash provided by (used in) operating activities	<u>302,894</u>	<u>(1,649,103)</u>
Cash flows from investing activities:		
Proceeds from the sale and maturity of investments	7,733,093	11,095,213
Purchase of investments	(8,427,319)	(11,322,011)
Purchase of property and equipment	(75,273)	(49,204)
Advances made on notes receivable	(48,750)	-
Payments received on notes receivable	57,250	-
Distributions received from interest in closely-held business	1,024,536	1,049,436
Net cash provided by investing activities	<u>263,537</u>	<u>773,434</u>
Net increase (decrease) in cash and cash equivalents	566,431	(875,669)
Cash and cash equivalents, beginning	<u>16,743,945</u>	<u>17,619,614</u>
Cash and cash equivalents, ending	<u>\$ 17,310,376</u>	<u>\$ 16,743,945</u>
Supplemental disclosure of non-cash investing activities:		
Amount held in escrow related to distributions from interest in closely-held business	<u>\$ -</u>	<u>\$ 93,536</u>
Land received in distribution of closely-held business	<u>\$ 275,000</u>	<u>\$ -</u>
Reclassification of organizational funds from net assets to funds held as organizational funds due to adoption of SPMIFA	<u>\$ 692,564</u>	<u>\$ -</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Notes to Combined Financial Statements**

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**NOTE 1 - NATURE OF ACTIVITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activity**

The Community Foundation of Greater Greensboro, Inc. ("Community Foundation"), established on August 1, 1983, is a charitable organization dedicated to strengthening its communities for present and future generations. The Foundation accepts gifts and bequests for current charitable distribution, builds and manages permanent endowments for emerging issues and opportunities, serves as a resource for achieving the philanthropic objectives of its donors, and provides leadership in addressing community issues.

The Community Foundation has four supporting organizations - The Community Foundation Real Estate Management Fund, Inc., The Stanley and Dorothy Frank Family Foundation, United Way of Greater Greensboro Foundation, and Gate City Company. The purpose of each is to serve exclusively as a supporting organization for the benefit of the Community Foundation by carrying out purposes which are consistent with and which support the purposes of the Community Foundation. The Board of Directors of the Community Foundation appoints the entire board of directors of The Community Foundation Real Estate Management Fund, Inc., a majority of the board of directors of The Stanley and Dorothy Frank Family Foundation, one member of the board of directors of the United Way of Greater Greensboro Foundation, and the entire board of directors of Gate City Company.

**Basis of Presentation**

The financial statements include the accounts of the entities referred to above which have been combined in accordance with generally accepted accounting principles. As used hereafter, the "Community Foundation" includes the Community Foundation of Greater Greensboro, Inc. and its four supporting organizations. All significant intercompany transactions have been eliminated in these combined financial statements.

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

**Accounting Standards Codification**

In June 2009, the Financial Accounting Standards Board ("FASB") issued new guidance related to U.S. generally accepted accounting principles ("GAAP") effective for financial statements issued for periods ending after September 15, 2009. The guidance established the FASB Accounting Standards Codification ("FASB ASC") as the sole source of authoritative guidance for GAAP. Adoption of this guidance did not have a material impact on the Community Foundation's combined financial statements.

**Cash and Cash Equivalents**

For purposes of reporting the combined statements of cash flows, the Community Foundation considers checking and money market accounts with financial institutions which are not part of an investment portfolio, to be cash equivalents.

Certain funds whose charitable objectives are best achieved through cash holdings are held in checking and money market accounts with financial institutions. Such accounts are also considered to be cash equivalents.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS  
Notes to Combined Financial Statements**

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NOTE 1 - NATURE OF ACTIVITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

**Investments and Credit Risk**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC 820), which establishes a framework for measuring fair values for assets and liabilities using one of the following valuation measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); or significant unobservable inputs (Level 3). Observable inputs reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity, while unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

The Community Foundation carries all investments in marketable debt, equity and other securities with readily determinable fair values at fair value in the combined statements of financial position. Changes in the fair value of investments are reflected as investment gains or losses in the accompanying combined statements of activities. Insurance revenue asset backed bonds are stated at face value. Investments in limited partnerships are stated at appraised value or tax-basis capital account value at the date of donation. Real estate is stated at the appraised fair value at the date of donation. Cash and cash equivalents and investments in marketable investments represent assets that are managed by the Community Foundation. Non-marketable investments represent assets, received by donor contributions, that are not managed under the Community Foundation's current investment strategies.

The Community Foundation maintains various types of investments that encompass many different investment funds and companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. Most of the Community Foundation's investments are traded in public markets and are subject to general fluctuations in the markets' overall performance. The Community Foundation performs periodic evaluations of the relative credit standing of the companies, funds and financial institutions in which it invests.

The Community Foundation places its cash, cash equivalents, and certificates of deposit with financial institutions in the United States. These deposits are protected by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). The insured coverage on cash balances for both is \$100,000 and \$500,000 for cash and securities. In May 2009, the FDIC temporarily increased coverage to \$250,000, for substantially all depository accounts. The increased coverage is scheduled to expire December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. Deposit accounts, at times, may exceed federally insured limits.

**Contributions**

Contributions and unconditional promises to give are recognized as revenue or expenses when made or a written promise to give is conveyed, whichever is earliest. Contributions of assets other than cash are recorded at estimated fair value at the date of donation. Contributions received with donor stipulations that restrict the use of the assets and promises to give that are receivable in future periods are reported as temporarily restricted revenue. When the use or time restriction is met, the amount is reported as unrestricted revenue and a reduction in temporarily restricted revenue.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Notes to Combined Financial Statements**

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NOTE 1 - NATURE OF ACTIVITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

**Endowments**

The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve an annualized total return, through appreciation and income, greater than the annual spending rate (payout and fees) plus inflation (as measured by the broad, domestic Consumer Price Index.) Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), net of investment management fees and expenses. The Community Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Community Foundation has a policy of appropriating for distribution each year a target payout percentage times the endowment fund's average fair value on the last business day of each of the 12 preceding quarters or each quarter of the fund's existence, if the fund was established within the preceding 12 quarters.

In determining the target payout percentage for any given year, the Community Foundation exercises ordinary business care and prudence under the facts and circumstance prevailing at the time of the decision and considers the following factors: long-term and short-term needs of the Foundation in carrying out its charitable purposes, the present and anticipated financial requirements of the Foundation, expected total return on the investments of the Foundation, price level trends, and general economic considerations.

**Property and Equipment**

The Community Foundation generally capitalizes expenditures of \$750 or more for property and equipment whose life exceeds one year. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

**Funds Held as Organizational Funds**

The Community Foundation accepts contributions from nonprofit organizations and agrees to use those assets for the benefit of the nonprofit organization. The Community Foundation recognizes a liability to the nonprofit beneficiary at the time it recognizes the assets received, and adjusts the liability for related contributions, earnings, grants, and expenses.

**Functional Classification of Expenses**

The Community Foundation allocates its expenses on a functional basis between programs, fund-raising and administrative expenses. Expenses which can be identified with a specific area are directly allocated. Other expenses that are common to all areas are allocated based on various relationships.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Notes to Combined Financial Statements**

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NOTE 1 - NATURE OF ACTIVITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

**Liabilities Under Unitrust or Annuity Agreements**

Charitable remainder unitrusts and annuity agreements provide for the payment of distributions to designated beneficiaries over the specified terms. Initial donations to the unitrusts are recognized as contributions, measured at the present value of the Community Foundation's irrevocable remainder interest in the assets of the unitrust or annuity. The assets of the unitrusts and annuity agreements are reported at the related assets' fair value or present value based on the donor's life expectancy and discount rates ranging from 2.6% to 5.8%. Liabilities are reported for the beneficial and remainder interest of others in unitrusts or the future payments to others required under annuity agreements. These liabilities are measured at the present value of anticipated distributions to other beneficiaries. Present values for these liabilities are calculated based on the life expectancy of the donor or recipient and use discount rates ranging from 3.8% to 8.8%. The unitrust agreements primarily provide for quarterly or annual payments to beneficiaries ranging from 6% to 12% of the unitrusts' net fair market value. Annuity agreements call for a fixed payment, either quarterly or annually, to be paid to the beneficiaries.

**Net Assets**

Unrestricted net assets are those assets presently available for use by the Community Foundation at the discretion of the Board of Directors. Included in this category are donor-advised assets which consist of unrestricted contributions received from donors who may recommend the manner in which the assets may be spent, but not required by the donor's stipulation at the time of the contribution. At December 31, **2009** and 2008, unrestricted net assets included **\$35,728,403** and \$30,080,256, respectively, of donor-advised funds, which consist of unrestricted contributions received from donors who may recommend the manner in which the assets may be spent.

Temporarily restricted net assets are those assets or earnings on assets which have been donated with donor-imposed time or purpose restrictions. When a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Included in this category are net assets associated with charitable remainder trusts and charitable gift annuities, restricted due to the Community Foundation's limited ability to use these assets until the related trust or annuity agreement is terminated. At December 31, 2009, temporarily restricted net assets consisted of \$2,418,837 (\$951,681 at December 31, 2008) in split-interest agreements and \$5,885,577 (\$6,069,890 at December 31, 2008) in purpose restricted net assets and \$2,192,644 in time restricted net assets. Purpose restricted net assets represent real estate and investments to address housing, revitalization and related community needs.

Permanently restricted net assets are those contributions from donors which establish endowment funds, restricted in perpetuity, for specific nonprofit organizations, projects or areas of focus of the Community Foundation. The income earned by the investment of these donations enables the Community Foundation to make grants to various nonprofit organizations or for charitable purposes and is recorded as temporarily restricted net assets.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS  
Notes to Combined Financial Statements**

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NOTE 1 - NATURE OF ACTIVITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

**Tax Status**

The Community Foundation of Greater Greensboro, Inc. and its supporting organizations are exempt from income tax, under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business tax. Contributions to the Community Foundation are tax deductible by the donor.

It is the Community Foundation's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the combined financial statements. No material uncertain tax positions were identified during 2009. Currently, the statute of limitations remain open subsequent to and including 2007; however, no examinations are in progress or anticipated.

**Estimates**

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

For financial statement presentation, balances previously reported may be reclassified to be consistent with the classifications used in the current year.

**Subsequent Events**

Management has performed an evaluation of subsequent events through May 18, 2010 which is the date the combined financial statements were available to be issued.

**Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of the following financial instruments:

*Cash and cash equivalents:* The carrying amounts approximate fair value because of the short maturity of those instruments.

*Pledges and notes receivable:* The carrying amounts approximate fair value because they represent the present value of future expected cash flows under a Level 2 measurement input.

*Property and equipment:* It is not practical to estimate the fair value of property and equipment because no reliable market data exists that reflects the market value of the property and equipment. Accordingly, property and equipment are carried at cost net of accumulated depreciation.

*Other assets, accounts payable, accrued expenses, and funds held as organizational funds:* The carrying amounts of these items approximate fair value due to their short-term nature.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS  
Notes to Combined Financial Statements**

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NOTE 2 - INVESTMENTS

Investments consist of the following at December 31, 2009 and 2008:

	2009	
	<u>Cost</u>	<u>Reported Value</u>
<i>Cash and equivalents:</i>		
Cash held for short-term investments	\$ 1,871,737	\$ 1,876,134
Certificate of deposit	288,728	288,728
<b><i>Subtotal of cash and equivalents</i></b>	<b><u>2,160,465</u></b>	<b><u>2,164,862</u></b>
<i>Marketable investments:</i>		
Equity security funds	53,062,115	52,437,132
Fixed income funds	14,151,098	14,826,313
Equity securities - common and preferred stocks	874,483	970,156
U.S. Government obligations	429,547	424,440
Corporate bonds	573,464	694,414
Hedge funds	7,550,000	8,560,140
Annuity contracts	581,334	662,658
<b><i>Subtotal of marketable investments</i></b>	<b><u>77,222,041</u></b>	<b><u>78,575,253</u></b>
<i>Non-marketable investments:</i>		
Limited partnership interests	753,679	753,679
Insurance revenue asset backed bonds	1,858,000	1,858,000
<b><i>Subtotal of non-marketable investments</i></b>	<b><u>2,611,679</u></b>	<b><u>2,611,679</u></b>
<b>Total investments</b>	<b><u>\$81,994,185</u></b>	<b><u>\$83,351,794</u></b>
	2008	
	<u>Cost</u>	<u>Reported Value</u>
<i>Cash and equivalents:</i>		
Cash held for short-term investments	\$ 2,394,449	\$ 2,404,875
Certificate of deposit	275,280	275,280
<b><i>Subtotal of cash and equivalents</i></b>	<b><u>2,669,729</u></b>	<b><u>2,680,155</u></b>
<i>Marketable investments:</i>		
Equity security funds	47,839,027	33,452,421
Fixed income funds	15,468,859	15,065,005
Equity securities - common and preferred stocks	2,312,355	1,908,373
U.S. Government obligations	360,621	396,404
Corporate bonds	664,093	606,521
Hedge funds	7,550,000	7,507,992
Annuity contracts	579,627	542,040
<b><i>Subtotal of marketable investments</i></b>	<b><u>74,774,582</u></b>	<b><u>59,478,756</u></b>
<i>Non-marketable investments:</i>		
Limited partnership interests	874,007	874,007
Insurance revenue asset backed bonds	1,858,000	1,858,000
<b><i>Subtotal of non-marketable investments</i></b>	<b><u>2,732,007</u></b>	<b><u>2,732,007</u></b>
<b>Total investments</b>	<b><u>\$80,176,318</u></b>	<b><u>\$64,890,918</u></b>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Notes to Combined Financial Statements**

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NOTE 2 - INVESTMENTS (Continued)

Investments are allocated as follows at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Investments in debt, equity, and other marketable securities, hedge funds, and annuity contracts	<b>\$79,504,217</b>	\$61,534,619
Charitable remainder trust and gift annuities held as trustee	<b>3,847,577</b>	3,356,298
	<b><u>\$83,351,794</u></b>	<b><u>\$64,890,917</u></b>

Charitable remainder trust and gift annuity agreements held by the Community Foundation in trust are reflected in the accompanying combined financial statements at December 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Charitable remainder trust and gift annuities assets	<b>\$ 3,847,577</b>	\$ 3,356,298
Liability under unitrust and annuity agreements	<b>(2,593,349)</b>	(2,354,493)
Other assets (liabilities) of the trust	<b>68,378</b>	(50,124)
Split-interest agreements, net	<b><u>\$ 1,322,606</u></b>	<b><u>\$ 951,681</u></b>

Certain investments held by the Community Foundation are in unrealized loss positions at year-end and, with the assistance of brokers, were evaluated for the severity and duration of each unrealized loss. These holdings were not considered impaired due to the Community Foundation's ability and intent to hold these investments for a reasonable period of time sufficient to recover any fair value deficits.

Investments at year end include the following unrealized loss positions with unrealized losses of twelve months or less:

<u>Description of securities</u>	<u>2009</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
U.S. Government Obligations	<b><u>\$ 285,795</u></b>	<b><u>\$ (7,435)</u></b>

  

<u>Description of securities</u>	<u>2008</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equity security funds	\$26,885,897	(\$11,499,863)
Fixed income funds	2,970,764	(654,546)
Equity securities - common and preferred stocks	1,776,509	(366,643)
Annuity contracts	542,040	(37,587)
Corporate bonds	606,477	(57,574)
Hedge funds	4,903,934	(646,066)
	<b><u>\$37,685,621</u></b>	<b><u>(\$13,262,279)</u></b>

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NOTE 2 - INVESTMENTS (Continued)

Investments at year end include the following unrealized loss positions with unrealized losses of twelve months or more:

<u>Description of securities</u>	<b>2009</b>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equity security funds	<b>\$31,508,283</b>	<b>\$ (3,894,941)</b>
Fixed income funds	<b>2,079,697</b>	<b>(93,317)</b>
Hedge fund	<b>2,512,917</b>	<b>(37,083)</b>
Corporate bonds	<b>3,894</b>	<b>(2,110)</b>
Equity securities - preferred stocks	<b>1,150</b>	<b>(12,296)</b>
	<b><u>\$36,105,941</u></b>	<b><u>\$ (4,039,747)</u></b>

  

<u>Description of securities</u>	<b>2008</b>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Equity security funds	\$ 3,715,128	\$ (2,925,511)
Fixed income funds	306,729	(34,322)
Equity securities - common and preferred stocks	120,874	(37,338)
	<b><u>\$ 4,142,731</u></b>	<b><u>\$ (2,997,171)</u></b>

NOTE 3 - FAIR VALUE MEASUREMENTS

All cash and cash equivalents and marketable securities are carried at fair value on a recurring basis as noted below. All non-marketable securities are carried at cost and evaluated for impairment periodically. There was no impairment loss noted at December 31, 2009.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$71,517,317</u>	<u>\$ 662,658</u>	<u>\$ 8,560,140</u>

The following is a reconciliation of beginning and ending balances for assets and liabilities measured using Level Three technique:

	<u>Hedge funds</u>
Beginning Balance	\$ 7,507,992
Unrealized gains (losses)	1,052,148
Ending balance	<u>\$ 8,560,140</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
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**Notes to Combined Financial Statements**

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NOTE 4 - ENDOWMENTS

The Community Foundation's endowments consist of donor-restricted funds established for a variety of charitable purposes that the Foundation must hold in perpetuity. In March 2009, the State Prudent Management of Institutional Funds Act ("SPMIFA") became effective. The Board of Directors of the Community Foundation has interpreted SPMIFA as requiring the preservation of the fair value of gift(s) as of the gift date(s) of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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 in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purpose of the Community Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the Community Foundation; and (7) the investment policies of the Community Foundation.

In all events, the actual accumulation or payout from any endowment fund shall be increased or reduced to the extent necessary to avoid a violation of the specific terms of the instrument by which the endowment fund was created.

The Community Foundation had the following activity in endowment net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowments, beginning of the year	\$ -	\$ 17,252,860	\$ -	\$17,252,860
Reclassifications of beginning balances due to law change	(2,967,555)	(16,902,146)	19,869,701	-
Contributions	-	-	2,515,980	2,515,980
Interest and dividends	257,423	280,545	-	537,968
Net appreciation of assets, net of investment fees	1,823,426	1,987,206	-	3,810,632
Accumulations and transfers to endowments	-	-	86,158	86,158
Appropriations	159,963	(930,251)	-	(770,288)
Endowments, end of the year	<u>\$ (726,743)</u>	<u>\$ 1,688,214</u>	<u>\$22,471,839</u>	<u>\$23,433,310</u>

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or SPMIFA requires the Community Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. Permanently restricted endowment assets are less than the donor's basis by approximately \$887,000 as of December 31, 2009. These deficiencies resulted from unfavorable market fluctuations over time and continued appropriations for certain programs that were deemed prudent by the Board of Directors.

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**NOTE 5 - INTEREST IN CLOSELY-HELD BUSINESSES**

The Community Foundation holds shares of stock in closely-held businesses at December 31, 2009 and 2008, which have a carrying value as follows:

	<u>2009</u>	<u>2008</u>
196.92 shares of common stock, representing a 41.03% minority interest in a closely-held business (original value of \$744,559)	<u>\$ -</u>	<u>\$ 744,559</u>

During 2009, the assets in the closely held business in which the Community Foundation held 196.92 shares were sold. Upon distribution, the Community Foundation received cash of \$931,500 and land valued at \$275,000, and incurred a tax liability on the gain of the sale of \$182,000, which was accrued at December 31, 2009.

**NOTE 6 - NOTES RECEIVABLE**

Notes receivable are unsecured and represent funds loaned to local not-for-profit organizations to provide affordable housing in the community. The repayments terms vary for each note. Interest rates on the notes range from non-interest bearing to 3% per annum.

**NOTE 7 - PLEDGES RECEIVABLE**

Pledges receivable includes amounts due from the following: (1) remainder interests in unitrusts in which the Community Foundation is not the trustee, (2) endowment campaigns in which written pledges have been received, (3) other pledges of which the Community Foundation has been notified prior to December 31, 2009.

Pledges receivable at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Amount receivable in one year	<u>\$ 1,820,820</u>	<u>\$ 114,940</u>
Amount receivable in two to five years	<u>854,003</u>	<u>685,060</u>
Amount due in greater than five years	<u>1,853,617</u>	<u>1,575,712</u>
Total unconditional promises to give	<u>4,528,440</u>	<u>2,375,712</u>
Discount to present value for future pledges	<u>(1,341,358)</u>	<u>(1,136,418)</u>
Allowance for doubtful pledges	<u>(370,000)</u>	<u>(200,000)</u>
Pledges receivable, net	<u>\$ 2,817,082</u>	<u>\$ 1,039,294</u>

**NOTE 8 - LAND**

A real estate limited liability corporation, which is included in the Community Foundation's combined financial statements as a supporting organization, owns approximately 20% of Center City Park's land in downtown Greensboro. The other approximate 80% of land is owned by another local not-for-profit organization. Center City Park is operated by a third unrelated not-for-profit organization. In addition, the Community Foundation owns other land, in Guilford County, North Carolina, which was contributed for future charitable programs.

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
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NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 236,111	\$ 164,755
Furnishings	84,297	84,297
Leasehold improvements	<u>18,608</u>	<u>22,201</u>
	339,016	271,253
Less accumulated depreciation	<u>212,470</u>	<u>164,185</u>
	<u>\$ 126,546</u>	<u>\$ 107,068</u>

NOTE 10 - LEASE AND RENT EXPENSE

The Community Foundation leases office equipment under noncancelable operating leases which expire at various dates through 2011 and leases office space on a month-to-month basis. Rental expense for the years ended December 31, **2009** and 2008 was approximately **\$127,000** and \$132,000, respectively.

Future minimum lease payments under the noncancelable operating leases are as follows:

2010	\$ 8,440
2011	<u>8,440</u>
	<u>\$ 16,880</u>

NOTE 11 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Community Foundation provides a defined contribution retirement plan covering substantially all its employees. Total expense related to the plan was approximately **\$67,000** and \$47,000 for the years ended December 31, **2009** and 2008, respectively.