

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

COMBINED FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010



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 (collectively the "Foundation") as of December 31, 2011 and 2010, and the related combined statements of activities and changes in net assets, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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, 2011 and 2010, and the changes in their combined net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
May 17, 2012

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Combined Statements of Financial Position**  
**December 31, 2011 and 2010**

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	<u>Assets</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 8,991,771	\$ 9,271,963
Investments	100,073,153	102,255,458
Pledges receivable, net	5,808,837	2,496,112
Notes receivable	45,000	37,000
Real estate held, net	5,056,961	4,707,745
Equipment and furniture, net	39,093	78,732
Other assets	73,394	460,015
	<u>73,394</u>	<u>460,015</u>
Total Assets	<u>\$ 120,088,209</u>	<u>\$ 119,307,025</u>

**Liabilities and Net Assets**

Liabilities:		
Accounts payable and accrued expenses	\$ 88,819	\$ 309,081
Notes payable	559,561	559,561
Grants payable	1,127,583	1,474,333
Deferred revenue	17,815	42,396
Liabilities under unitrust and annuity agreements	2,446,186	2,697,112
Funds held as organizational funds	21,495,170	22,269,962
Total Liabilities	<u>25,735,134</u>	<u>27,352,445</u>
Net Assets:		
Unrestricted	54,669,960	54,959,608
Temporarily restricted	12,156,265	12,974,466
Permanently restricted	27,526,850	24,020,506
Total Net Assets	<u>94,353,075</u>	<u>91,954,580</u>
Total Liabilities and Net Assets	<u>\$ 120,088,209</u>	<u>\$ 119,307,025</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
Combined Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:								
Contributions	\$ 12,856,730	\$ 734,271	\$ 3,232,906	\$ 16,823,907	\$ 6,117,941	\$ 2,001,451	\$ 2,169,155	\$ 10,288,547
Less contributions to organizational funds	-	(724,325)	-	(724,325)	-	(1,548,792)	-	(1,548,792)
	<u>12,856,730</u>	<u>9,946</u>	<u>3,232,906</u>	<u>16,099,582</u>	<u>6,117,941</u>	<u>452,659</u>	<u>2,169,155</u>	<u>8,739,755</u>
Interest and dividends	2,753,329	939,879	-	3,693,208	1,463,065	1,276,316	-	2,739,381
Investment gains (losses), net	(4,944,500)	(1,691,672)	-	(6,636,172)	4,600,980	5,765,735	-	10,366,715
Less (earnings) losses of organizational funds	-	856,138	-	856,138	-	(2,969,257)	-	(2,969,257)
	<u>(2,191,171)</u>	<u>104,345</u>	<u>-</u>	<u>(2,086,826)</u>	<u>6,064,045</u>	<u>4,072,794</u>	<u>-</u>	<u>10,136,839</u>
Change in value of unitrusts and annuities	10,602	220,090	-	230,692	-	(38,084)	-	(38,084)
Grants and other income, net	74,113	526,995	-	601,108	19,038	389,516	-	408,554
Accumulations and transfers to endowment funds	(326,500)	(67,163)	393,663	-	(119,659)	-	119,659	-
Net assets released from restrictions	1,676,754	(1,664,367)	(12,387)	-	2,222,925	(2,222,925)	-	-
	<u>1,434,969</u>	<u>(984,445)</u>	<u>381,276</u>	<u>831,800</u>	<u>2,122,304</u>	<u>(1,871,493)</u>	<u>119,659</u>	<u>370,470</u>
Total Revenue	<u>12,100,528</u>	<u>(870,154)</u>	<u>3,614,182</u>	<u>14,844,556</u>	<u>14,304,290</u>	<u>2,653,960</u>	<u>2,288,814</u>	<u>19,247,064</u>
Expenses:								
Grants for charitable purposes	11,007,503	-	-	11,007,503	10,505,812	-	-	10,505,812
Less grants of organizational funds	(642,857)	-	-	(642,857)	(1,223,148)	-	-	(1,223,148)
	<u>10,364,646</u>	<u>-</u>	<u>-</u>	<u>10,364,646</u>	<u>9,282,664</u>	<u>-</u>	<u>-</u>	<u>9,282,664</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Combined Statements of Activities and Changes in Net Assets (Continued)**  
**Years Ended December 31, 2011 and 2010**

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Functional expenses:								
Program	\$ 819,878	\$ -	\$ -	\$ 819,878	\$ 1,025,067	\$ -	\$ -	\$ 1,025,067
Fund-raising	204,110	-	-	204,110	230,723	-	-	230,723
Administrative	700,601	-	-	700,601	492,232	-	-	492,232
Total functional expenses	<u>1,724,589</u>	<u>-</u>	<u>-</u>	<u>1,724,589</u>	<u>1,748,022</u>	<u>-</u>	<u>-</u>	<u>1,748,022</u>
Income rights distributions	<u>356,826</u>	<u>-</u>	<u>-</u>	<u>356,826</u>	<u>311,831</u>	<u>-</u>	<u>-</u>	<u>311,831</u>
Total Expenses	<u>12,446,061</u>	<u>-</u>	<u>-</u>	<u>12,446,061</u>	<u>11,342,517</u>	<u>-</u>	<u>-</u>	<u>11,342,517</u>
Changes in net assets	(345,533)	(870,154)	3,614,182	2,398,495	2,961,773	2,653,960	2,288,814	7,904,547
Net assets, beginning	54,959,608	12,974,466	24,020,506	91,954,580	51,677,171	10,320,506	22,471,839	84,469,516
Reclassification of endowment funds	<u>55,885</u>	<u>51,953</u>	<u>(107,838)</u>	<u>-</u>	<u>320,664</u>	<u>-</u>	<u>(740,147)</u>	<u>(419,483)</u>
Net assets, ending	<u>\$ 54,669,960</u>	<u>\$ 12,156,265</u>	<u>\$ 27,526,850</u>	<u>\$ 94,353,075</u>	<u>\$ 54,959,608</u>	<u>\$ 12,974,466</u>	<u>\$ 24,020,506</u>	<u>\$ 91,954,580</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Combined Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Changes in net assets	\$ 2,398,495	\$ 7,904,547
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	68,578	57,974
Realized investment (gains) losses	(1,207,252)	(1,572,026)
Unrealized investment (gains) losses	7,192,689	(8,819,954)
Change in value of charitable remainder trusts and gift annuities	230,692	(38,084)
Reinvested earnings on investments	(2,766,744)	(1,810,430)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(3,312,725)	320,970
Other assets	386,621	(417,012)
Increase (decrease) in:		
Accounts payable and accrued expenses	(220,262)	12,843
Grants payable	(346,750)	168,000
Deferred revenue	(24,581)	42,396
Liabilities under unitrust and annuities agreements	(250,926)	103,763
Funds held as organizational funds	(774,792)	3,009,748
Net cash provided by (used in) operating activities	<u>1,373,043</u>	<u>(1,037,265)</u>
Cash flows from investing activities:		
Proceeds from the sale and maturity of investments	9,085,388	12,453,170
Purchase of investments	(10,352,468)	(14,269,688)
Purchase of property and equipment	(4,042)	(10,159)
Purchase of and improvements to real estate	(374,113)	(921,243)
Advances made on notes receivable	(20,000)	(25,000)
Payments received on notes receivable	12,000	58,864
Net cash used in investing activities	<u>(1,653,235)</u>	<u>(2,714,056)</u>
Cash flows from financing activities:		
Issuance of notes payable	-	559,561
Net cash provided by financing activities	<u>-</u>	<u>559,561</u>
Net decrease in cash and cash equivalents	(280,192)	(3,191,760)
Cash and cash equivalents, beginning	<u>9,271,963</u>	<u>12,463,723</u>
Cash and cash equivalents, ending	<u>\$ 8,991,771</u>	<u>\$ 9,271,963</u>
Supplemental disclosures of cash flow information:		
Transfer of net assets to organizational funds, net	<u>\$ -</u>	<u>\$ 419,483</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") was established on August 1, 1983, as a charitable organization dedicated to strengthening its communities for present and future generations. The Community Foundation accepts contributions 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.

As of December 31, 2011, the Community Foundation has three supporting organizations - The Community Foundation Real Estate Management Fund, Inc., The Stanley and Dorothy Frank Family 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.

During 2010, the board of directors of the United Way of Greater Greensboro Foundation, previously a supporting organization of the Community Foundation, dissolved the foundation and executed organizational fund agreements for the benefit of the United Way of Greater Greensboro. The Board of Directors of the Community Foundation appointed one member to the Board of United Way of Greater Greensboro 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, and the entire board of directors of Gate City Company.

The Community Foundation has an agreement to administer charitable funds on behalf of The Alamance Foundation, an incorporated nonprofit organization (affiliated funds), located in a surrounding geographic area. Should The Alamance Foundation form a qualifying charitable organization, its Board may request and the Community Foundation will not unreasonably withhold a grant distribution of the affiliated funds, which comprise approximately \$9,900,000 and \$10,600,000 of the Community Foundation's assets at December 31, 2011 and 2010, respectively.

**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 supporting organizations. All significant intercompany transactions have been eliminated in these combined financial statements.



**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**

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

**Cash and Cash Equivalents**

The Community Foundation considers checking and money market accounts, which are not part of an investment portfolio, to be cash equivalents. Also, certain funds which charitable objectives are best achieved through cash holdings with financial institutions are considered to be cash equivalents.

**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 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 and closely held stock 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 marketable investments represent assets that are managed by the Community Foundation. Non-marketable investments represent assets, received by donor contributions, which are not managed under the Community Foundation's current investment strategies. The carrying amounts of financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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.

**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 (Continued)**

The Community Foundation places its cash, cash equivalents, and certificates of deposit with financial institutions in the United States. These deposits are protected by either the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). The SIPC insured coverage on all balances is \$500,000 including \$250,000 for cash balances. Under FDIC, all noninterest bearing transaction accounts are fully insured through December 31, 2012. This unlimited coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution. The FDIC coverage is \$250,000 for substantially all other depository accounts. 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.

**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.

Annually, the Community Foundation appropriates for distribution an amount equal to the 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.

**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 (Continued)**

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.

**Real Estate, Equipment and Furniture**

The Community Foundation generally capitalizes expenditures of \$750 or more for real estate, and for equipment and furniture which have expected lives exceeding 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.

**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.

**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**

**Net Assets**

*Unrestricted net assets* are those assets presently available for use by the Community Foundation at the discretion of the Board of Directors.

*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 ("split interest"), restricted due to the Community Foundation's limited ability to use these assets until the related trust or annuity agreement is terminated. 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 nonprofit organizations ("special interest"), projects or areas of focus ("field of interest") of the Community Foundation. The income earned by the investment of these donations is recorded as temporarily restricted net assets.

**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 income 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 the impact, if any, the effect of the uncertain tax position may have on the combined financial statements.

No material uncertain tax positions were identified during 2011 and 2010. Currently, the statute of limitations remains open subsequent to and including 2008; however, no examinations are in progress or anticipated.

**Estimates**

The preparation of combined financial statements in conformity with U.S. 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.

**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

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

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

**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 17, 2012, which is the date the combined financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments consist of the following at December 31, 2011 and 2010:

	Reported Value	
	2011	2010
<i>Cash and equivalents:</i>		
Cash held for short-term investments	\$ 3,979,858	\$ 3,542,630
Certificate of deposit	300,839	302,833
Subtotal of cash and equivalents	<u>4,280,697</u>	<u>3,845,463</u>
<i>Marketable investments:</i>		
Equity security funds	61,261,330	64,777,554
Fixed income funds	20,721,594	19,905,627
Equity securities - common and preferred stocks	591,766	638,904
U.S. Government obligations	162,640	123,515
Corporate bonds	539,351	609,211
Hedge funds	9,220,677	9,089,526
Annuity contracts	642,328	712,898
Subtotal of marketable investments	<u>93,139,686</u>	<u>95,857,235</u>

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

NOTE 2 - INVESTMENTS (Continued)

	Reported Value	
	2011	2010
<i>Non-marketable investments:</i>		
Limited partnership interests and closely held stock	\$ 794,770	\$ 694,760
Insurance revenue asset backed bonds	1,858,000	1,858,000
Subtotal of non-marketable investments	2,652,770	2,552,760
Total investments	<u>\$100,073,153</u>	<u>\$102,255,458</u>

Investments are allocated as follows at December 31, 2011 and 2010:

	2011	2010
Investments in debt, equity, and other marketable securities, hedge funds, and annuity contracts	\$ 95,808,440	\$ 97,666,806
Charitable remainder trusts and gift annuities held as trustee	4,264,713	4,588,652
	<u>\$100,073,153</u>	<u>\$102,255,458</u>

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, 2011 and 2010 as follows:

	2011	2010
Charitable remainder trusts and gift annuities assets	\$ 4,264,713	\$ 4,588,652
Liability under unitrust and annuity agreements	(2,446,186)	(2,697,112)
Other assets (liabilities) of the trust	52,482	63,909
Split-interest agreements, net	<u>\$ 1,871,009</u>	<u>\$ 1,955,449</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

Cash and cash equivalents and marketable securities are carried at fair value on a recurring basis as noted below.

	2011		
	Level 1	Level 2	Level 3
Investments	<u>\$87,557,378</u>	<u>\$ 642,328</u>	<u>\$ 9,220,677</u>
	2010		
	Level 1	Level 2	Level 3
Investments	<u>\$89,900,097</u>	<u>\$ 712,898</u>	<u>\$ 9,089,703</u>

The following is a reconciliation of beginning and ending balances for assets and liabilities measured using Level 3 technique:

	Hedge funds
Beginning balance	\$ 9,089,703
Unrealized gain	130,974
Ending balance	<u>\$ 9,220,677</u>

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

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NOTE 4 - PLEDGES RECEIVABLE

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

Pledges receivable at December 31, 2011 and 2010 are as follows:

	2011	2010
Amount receivable in one year	\$ 4,906,550	\$ 1,453,583
Amount receivable in two to five years	826,557	1,052,199
Amount due in greater than five years	2,045,080	2,237,420
Total unconditional promises to give	7,778,187	4,743,202
Discount to present value for future pledges	(1,529,438)	(1,739,680)
Allowance for doubtful pledges	(439,912)	(507,410)
Pledges receivable, net	<u>\$ 5,808,837</u>	<u>\$ 2,496,112</u>

NOTE 5 - NOTES RECEIVABLE

Notes receivable are generally unsecured and represent funds loaned to local not-for-profit organizations to further charitable programs in the community. The repayment terms vary for each note. Interest rates on the notes range from non-interest bearing to 4% per annum.

NOTE 6 - REAL ESTATE HELD AND NOTES PAYABLE

A real estate limited liability corporation (“LLC”), 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.

During 2010, the LLC executed a long term building lease, on contributed property, with an unrelated nonprofit corporation which operates a community resource center to support the homeless population of Greensboro. Coincident with the lease, LLC entered a construction contract for the renovation of the building and was awarded grant funds from Guilford County and the City of Greensboro (“City”). The building renovation was completed in June 2011 and accumulated depreciation as of December 31, 2011 is \$24,898.

Also during 2010, the Gate City Company, under an agreement with the City, purchased residential housing within designated areas targeted for the City’s Neighborhood Stabilization Program. The City reimbursed Gate City Company for acquisition costs and Gate City Company executed non-interest bearing notes payable to the City due upon the sale of these properties to qualified buyers.

In addition, the Community Foundation owns other land, in Guilford County, North Carolina, which was contributed for future charitable programs.

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NOTE 7 - EQUIPMENT AND FURNITURE

Equipment and furniture at December 31, 2011 and 2010 consists of the following:

	2011	2010
Office equipment	\$ 224,700	\$ 221,172
Furnishings	84,297	84,297
Leasehold improvements	18,608	18,608
	<u>327,605</u>	<u>324,077</u>
Less accumulated depreciation	(288,512)	(245,345)
	<u>\$ 39,093</u>	<u>\$ 78,732</u>

NOTE 8 - ENDOWMENTS

The Community Foundation's endowments consist of donor-restricted funds established for a variety of charitable purposes that must be held in perpetuity. These endowments are subject to the State Prudent Management of Institutional Funds Act ("SPMIFA"). The Board of Directors of the Community Foundation has interpreted SPMIFA as requiring the preservation of the fair value of contribution(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 contributions 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.



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NOTE 8 - ENDOWMENTS (Continued)

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 below the level required by donor stipulations by approximately \$1,261,000 and \$306,000 as of December 31, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations over time and continued appropriations for certain programs that were deemed prudent by the Board of Directors.

The Community Foundation had the following activity in endowment net assets for 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	\$ 15,669	\$ 3,690,115	\$ 24,020,506	\$ 27,726,290
Contributions	-	-	3,232,906	3,232,906
Interest and dividends	988,378	155,975	-	1,144,353
Appreciation (depreciation) of assets, net of investment fees	(2,321,292)	(94,261)	-	(2,415,553)
Accumulations and transfers to endowments	-	-	393,663	393,663
Reclassification of endowment funds	55,885	51,953	(107,838)	-
Appropriations and transfers from endowments	41,088	(1,276,476)	(12,387)	(1,247,775)
End of the year	<u>\$ (1,220,272)</u>	<u>\$ 2,527,306</u>	<u>\$ 27,526,850</u>	<u>\$ 28,833,884</u>

The Community Foundation had the following activity in endowment net assets for 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	\$ (726,743)	\$ 1,688,214	\$ 22,471,839	\$ 23,433,310
Transfer of supporting organization endowments	63,989	-	(740,147)	(676,158)
Contributions	-	-	2,169,155	2,169,155
Interest and dividends	58,063	536,015	-	594,078
Net appreciation of assets, net of investment fees	297,062	2,448,164	-	2,745,226
Accumulations and transfers to endowments	-	-	119,659	119,659
Appropriations	323,298	(982,278)	-	(658,980)
End of the year	<u>\$ 15,669</u>	<u>\$ 3,690,115</u>	<u>\$ 24,020,506</u>	<u>\$ 27,726,290</u>

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NOTE 9 - NET ASSETS

Unrestricted net assets consisted of the following at December 31:

	2011	2010
Non-endowed donor advised	\$ 39,822,142	\$ 37,408,940
Board designated:		
Field of interest	6,230,771	6,735,431
Foundation operations	1,637,543	1,610,530
Initiatives	774,902	1,083,463
Appropriations (deficiencies) of endowment funds, net	(1,220,272)	15,669
General purpose	7,424,874	8,105,575
	<u>\$ 54,669,960</u>	<u>\$ 54,959,608</u>

Temporarily restricted net assets consisted of the following at December 31:

	2011	2010
Split interest agreements	\$ 2,492,344	\$ 2,607,619
Appreciation of and pledges for endowments	3,097,706	4,246,339
Purpose restrictions	6,566,215	6,120,508
	<u>\$ 12,156,265</u>	<u>\$ 12,974,466</u>

Permanently restricted net assets consisted of the following at December 31:

	2011	2010
Endowed donor advised	\$ 11,946,688	\$ 9,726,192
Field of interest	4,671,610	4,106,448
Special interest	8,734,921	8,443,685
Scholarships	2,173,631	1,744,181
	<u>\$ 27,526,850</u>	<u>\$ 24,020,506</u>

NOTE 10 - OPERATING AND RETIREMENT EXPENSES

Operating expenses for the Community Foundation were as follows for years ended December 31:

	2011	2010
Salary and benefits	\$ 1,146,024	\$ 1,236,715
Rent and occupancy costs	124,229	122,543
Professional fees	109,965	64,464
Technology	86,084	96,751
Meetings, conferences and events	172,890	92,453
Office expense	97,997	91,236
Estimated tax liability (refund)	-	(30,550)
Allowance for uncollectible pledges, net	(37,498)	74,410
Depreciation on real estate held	24,898	-
	<u>\$ 1,724,589</u>	<u>\$ 1,748,022</u>

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NOTE 10 - OPERATING AND RETIREMENT EXPENSES (Continued)

The Community Foundation provides a defined contribution retirement plan covering substantially all its employees. Total expense related to the plan was \$61,291 and \$64,286 for the years ended December 31, 2011 and 2010, respectively.

NOTE 11 - LEASE AND COMMITMENTS

The Community Foundation leases office equipment under noncancelable operating leases which expire at various dates through 2015 and leases office space on a month-to-month basis. Rental expense for each of the years ended December 31, 2011 and 2010 was approximately \$130,000.

Future minimum lease payments under the noncancelable operating leases as of December 31, 2011 are as follows:

<u>Year Ended</u>	
2012	\$ 15,504
2013	13,803
2014	8,700
2015	<u>2,175</u>
	<u><u>\$ 40,182</u></u>