

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

COMBINED FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2008 AND 2007



**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, 2008 and 2007, 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, 2008 and 2007, 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 15, 2009

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Combined Statements of Financial Position**  
**December 31, 2008 and 2007**

	<u>Assets</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents	\$ 16,743,945	\$ 17,619,614
Investments	65,930,211	91,012,194
Notes receivable	79,364	79,364
Interests in closely-held businesses	744,559	2,845,743
Land	3,511,502	2,621,502
Property and equipment, net of accumulated depreciation	107,068	107,435
Other assets	147,847	43,521
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 87,264,496</u>	<u>\$ 114,329,373</u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 84,196	\$ 35,308
Liabilities under unitrust and annuity agreements	2,354,493	2,430,430
Funds held as organizational funds	14,510,674	19,578,526
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>16,949,363</u>	<u>22,044,264</u>
Net Assets:		
Unrestricted:		
Donor-advised	30,080,256	37,103,682
Other	8,677,494	13,505,980
	<u>                    </u>	<u>                    </u>
	38,757,750	50,609,662
Temporarily restricted:		
Quasi-endowments	24,535,812	33,981,873
Special purpose	6,069,890	5,503,798
Split-interest agreements	951,681	2,189,776
	<u>                    </u>	<u>                    </u>
	31,557,383	41,675,447
	<u>                    </u>	<u>                    </u>
Total Net Assets	<u>70,315,133</u>	<u>92,285,109</u>
Total Liabilities and Net Assets	<u>\$ 87,264,496</u>	<u>\$ 114,329,373</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
Combined Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Contributions, gross	\$ 9,680,481	\$ 3,806,363	\$ 13,486,844	\$ 12,266,578	\$ 5,246,371	\$ 17,512,949
Less contributions to organizational funds	-	(1,928,018)	(1,928,018)	-	(3,751,178)	(3,751,178)
	<u>9,680,481</u>	<u>1,878,345</u>	<u>11,558,826</u>	<u>12,266,578</u>	<u>1,495,193</u>	<u>13,761,771</u>
Interest and dividends	1,513,123	1,684,304	3,197,427	2,491,178	2,786,636	5,277,814
Investment gains (losses), net	(10,459,727)	(17,520,532)	(27,980,259)	1,387,334	1,628,150	3,015,484
Less organizational funds	-	5,039,247	5,039,247	-	(1,376,258)	(1,376,258)
	<u>(8,946,604)</u>	<u>(10,796,981)</u>	<u>(19,743,585)</u>	<u>3,878,512</u>	<u>3,038,528</u>	<u>6,917,040</u>
Change in value of unitrust and annuity assets	27,399	(241,349)	(213,950)	33,402	202,538	235,940
Other, net	148,978	70	149,048	72,236	4,832	77,068
Net assets released from restrictions, donor purpose restrictions satisfied	958,149	(958,149)	-	2,685,287	(2,685,287)	-
	<u>1,134,526</u>	<u>(1,199,428)</u>	<u>(64,902)</u>	<u>2,790,925</u>	<u>(2,477,917)</u>	<u>313,008</u>
Total Revenue	<u>1,868,403</u>	<u>(10,118,064)</u>	<u>(8,249,661)</u>	<u>18,936,015</u>	<u>2,055,804</u>	<u>20,991,819</u>
Expenses:						
Gifts for charitable purposes, gross	12,684,032	-	12,684,032	11,652,797	-	11,652,797
Less organizational funds	(1,704,570)	-	(1,704,570)	(579,832)	-	(579,832)
	<u>10,979,462</u>	<u>-</u>	<u>10,979,462</u>	<u>11,072,965</u>	<u>-</u>	<u>11,072,965</u>
Functional expenses:						
Program	870,458	-	870,458	499,198	-	499,198
Fund-raising	282,596	-	282,596	356,520	-	356,520
Administrative	1,301,143	-	1,301,143	1,012,910	-	1,012,910
Income rights distributions	286,656	-	286,656	292,504	-	292,504
Total Expenses	<u>13,720,315</u>	<u>-</u>	<u>13,720,315</u>	<u>13,234,097</u>	<u>-</u>	<u>13,234,097</u>
Changes in net assets	<u>(11,851,912)</u>	<u>(10,118,064)</u>	<u>(21,969,976)</u>	<u>5,701,918</u>	<u>2,055,804</u>	<u>7,757,722</u>
Net assets, beginning	<u>50,609,662</u>	<u>41,675,447</u>	<u>92,285,109</u>	<u>44,907,744</u>	<u>39,619,643</u>	<u>84,527,387</u>
Net assets, ending	<u>\$ 38,757,750</u>	<u>\$ 31,557,383</u>	<u>\$ 70,315,133</u>	<u>\$ 50,609,662</u>	<u>\$ 41,675,447</u>	<u>\$ 92,285,109</u>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
Combined Statements of Functional Expenses  
Years Ended December 31, 2008 and 2007

	2008				2007			
	Program Expenses	Fund-Raising	Administrative	Total	Program Expenses	Fund-Raising	Administrative	Total
Salaries	\$ 482,877	\$ 116,248	\$ 295,092	\$ 894,217	\$ 309,165	\$ 180,975	\$ 263,921	\$ 754,061
Payroll taxes and employee benefits	107,456	25,869	65,667	198,992	71,727	41,987	61,231	174,945
Contract labor	50,650	-	31,043	81,693	-	-	6,777	6,777
Investment expenses, net of organizational fund expenses of \$252,052 - 2008 and \$247,876 - 2007	-	-	337,090	337,090	-	-	350,944	350,944
Professional fees	29,929	-	24,487	54,416	-	-	26,405	26,405
Auditing and accounting	-	-	32,170	32,170	-	-	29,450	29,450
Rent	61,004	10,167	30,502	101,673	38,959	22,805	33,258	95,022
Telephone	10,282	1,714	5,141	17,137	7,342	4,298	6,268	17,908
Repairs and maintenance	19,861	4,965	24,826	49,652	12,974	7,595	11,076	31,645
Insurance	-	-	9,861	9,861	-	-	12,181	12,181
Donor life insurance	573	-	-	573	7,202	-	-	7,202
Annual report and newsletter	-	-	28,920	28,920	-	-	25,839	25,839
Promotion and marketing	-	40,579	-	40,579	-	-	-	-
Supplies and printing	18,103	3,017	9,051	30,171	23,807	13,936	20,323	58,066
Postage	3,440	860	4,300	8,600	3,823	2,238	3,263	9,324
Parking and mileage	2,237	373	1,118	3,728	1,625	951	1,388	3,964
Staff and board development	-	-	22,450	22,450	-	-	34,808	34,808
Dues and subscriptions	-	-	37,917	37,917	-	-	20,919	20,919
Meetings, travel and entertainment	13,004	2,167	6,502	21,673	6,380	3,735	5,446	15,561
Event expenses	9,147	67,684	106,099	182,930	-	68,521	25,781	94,302
Provision for uncollectible pledges	-	-	200,000	200,000	-	-	-	-
Miscellaneous	35,127	2,509	12,549	50,185	-	-	59,808	59,808
	<b>843,690</b>	<b>276,152</b>	<b>1,284,785</b>	<b>2,404,627</b>	<b>483,004</b>	<b>347,041</b>	<b>999,086</b>	<b>1,829,131</b>
Depreciation	26,768	6,444	16,358	49,570	16,194	9,479	13,824	39,497
	<b>\$ 870,458</b>	<b>\$ 282,596</b>	<b>\$ 1,301,143</b>	<b>\$ 2,454,197</b>	<b>\$ 499,198</b>	<b>\$ 356,520</b>	<b>\$ 1,012,910</b>	<b>\$ 1,868,628</b>

**COMMUNITY FOUNDATION OF GREATER GREENSBORO, INC.  
AND COMBINED SUPPORTING ORGANIZATIONS**  
**Combined Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Changes in net assets	\$ (21,969,976)	\$ 7,757,722
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	49,571	39,497
Non-cash contributions	(890,000)	(755,722)
Realized investment gains	(209,253)	(4,450,724)
Unrealized investment losses	26,838,634	1,435,240
Impairment losses	1,350,877	-
Change in value of charitable remainder trusts and gift annuities	213,950	235,940
Reinvested earnings on investments	(1,927,215)	(3,465,058)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Other assets	(10,790)	18,329
Increase (decrease) in:		
Accounts payable and accrued expenses	48,888	(25,973)
Liabilities under unitrust and annuities agreements	(75,937)	(146,476)
Funds held as organizational funds	(5,067,852)	4,292,228
Net cash provided by (used in) operating activities	<u>(1,649,103)</u>	<u>4,935,003</u>
Cash flows from investing activities:		
Proceeds from the sale and maturity of investments	11,095,213	15,174,101
Purchase of investments	(11,322,011)	(17,552,623)
Purchase of property and equipment	(49,204)	(47,869)
Advances made on notes receivable	-	(8,657)
Payments received on notes receivable	-	110,702
Distributions received from interest in closely-held business	1,049,436	-
Net cash provided by (used in) investing activities	<u>773,434</u>	<u>(2,324,346)</u>
Net increase (decrease) in cash and cash equivalents	(875,669)	2,610,657
Cash and cash equivalents, beginning	<u>17,619,614</u>	<u>15,008,957</u>
Cash and cash equivalents, ending	<u>\$ 16,743,945</u>	<u>\$ 17,619,614</u>
Supplemental disclosure of noncash investing activities:		
Amount held in escrow related to distributions from interest in closely-held business	<u>\$ 93,536</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**

Community Foundation of Greater Greensboro, Inc. ("Community Foundation") was established on August 1, 1983, and receives gifts and bequests for the purpose of making charitable donations to approved organizations.

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:

**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 met through cash holdings are held in checking and money market accounts with financial institutions. Such accounts are also considered to be cash equivalents.

**Investments and Credit Risk**

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 family 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.

**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 (Continued)

**Investments and Credit Risk (Continued)**

The Community Foundation's investments potentially subject it to concentrations of credit risk. Various types of investments are maintained 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. However, as most of the Community Foundation's investments are traded in public markets, they 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.

**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.

**Liabilities Under Unitrust or Annuity Agreements**

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 3.4% to 5.6%. 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. Liabilities are reported for the beneficial interest of others in unitrusts, which includes amounts due to other beneficiaries of the unitrusts, portions of remainder interests in unitrusts that are irrevocable, or the future payments to others required under the annuity agreement. 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 3.6% 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. Certain unitrust agreements specify other not-for-profit organizations as additional remainder beneficiaries with remainder interests ranging from 40% to 90%.

**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.

**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 (Continued)

**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.

Temporarily restricted net assets are those 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. Quasi-endowments include gifts from donors to enable the Community Foundation to make grants, generally from net appreciation and income on investments, to various specific not-for-profit organizations or charitable purposes. Special purpose funds include gifts received for specific projects or areas of focus of the Community Foundation. Temporarily restricted net assets associated with charitable remainder trusts and charitable gift annuities are restricted due to the Community Foundation's limited ability to use these assets until the related trust or annuity agreement is terminated.

**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. Due to the uncertainty of collection of promises to give, the Community Foundation has recognized an allowance for non-collectability equal to \$200,000.

**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.

**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. Accordingly, no provision for income taxes is reflected in the accompanying combined financial statements. Contributions to the Community Foundation are tax deductible by the donor.

**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 (Continued)

**Tax Status (Continued)**

It is the Community Foundation's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a "more-likely-than-not" threshold to determine if the benefit of any uncertain tax position should be recognized in the combined financial statements. Any changes in the amount of a tax position will be recognized in the period the change occurs.

**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.

NOTE 2 - INVESTMENTS

Investments consist of the following at December 31, 2008 and 2007:

	<b>2008</b>	
	Cost	Fair Value
<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>Subtotal of cash and equivalents</b>	<b>2,669,729</b>	<b>2,680,155</b>
<i>Marketable investments:</i>		
Equity security funds	47,839,027	33,452,420
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
<b>Subtotal of marketable investments</b>	<b>74,194,955</b>	<b>58,936,715</b>
<i>Non-marketable investments:</i>		
Remainder interest in securities	1,039,294	1,039,294
Limited partnership interests	874,007	874,007
Insurance revenue asset backed bonds	1,858,000	1,858,000
Annuity contracts	579,627	542,040
<b>Subtotal of non-marketable investments</b>	<b>4,350,928</b>	<b>4,313,341</b>
<b>Total investments</b>	<b>\$ 81,215,612</b>	<b>\$ 65,930,211</b>

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

NOTE 2 - INVESTMENTS (Continued)

	2007	
	Cost	Fair Value
<i>Cash and equivalents:</i>		
Cash held for short-term investments	\$ 1,649,043	\$ 1,648,020
Certificate of deposit	262,424	262,424
<b>Subtotal of cash and equivalents</b>	<b>1,911,467</b>	<b>1,910,444</b>
<i>Marketable investments:</i>		
Equity security funds	47,371,310	56,608,980
Fixed income funds	16,566,712	16,753,994
Equity securities - common and preferred stocks	2,881,218	3,242,717
U.S. Government obligations	374,385	389,181
Corporate bonds	1,044,526	1,061,782
Hedge funds	4,550,000	6,071,325
<b>Subtotal of marketable investments</b>	<b>72,788,151</b>	<b>84,127,979</b>
<i>Non-marketable investments:</i>		
Remainder interest in securities	1,389,584	1,309,584
Limited partnership interests	1,070,970	1,070,970
Insurance revenue asset backed bonds	1,858,000	1,858,000
Annuity contracts	576,321	735,217
<b>Subtotal of non-marketable investments</b>	<b>4,894,875</b>	<b>4,973,771</b>
<b>Total investments</b>	<b>\$ 79,594,493</b>	<b>\$ 91,012,194</b>

Investments are allocated as follows at December 31, 2008 and 2007:

	2008	2007
Investments in debt, equity, and other marketable securities, hedge funds, and annuity contracts	<b>\$ 61,534,619</b>	\$ 85,225,562
Charitable remainder trust and gift annuities held as trustee	<b>3,356,298</b>	4,477,048
Charitable remainder trust and gift annuities held by trustees	<b>1,039,294</b>	1,309,584
	<b>\$ 65,930,211</b>	<b>\$ 91,012,194</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, 2008 and 2007 as follows:

	2008	2007
Charitable remainder trust and gift annuities assets	<b>\$ 3,356,298</b>	\$ 4,477,048
Liability under unitrust and annuity agreements	<b>(2,354,493)</b>	(2,430,430)
Other assets (liabilities) of the trust	<b>(50,124)</b>	143,158
Net assets, split-interest agreements	<b>\$ 951,681</b>	<b>\$ 2,189,776</b>

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

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NOTE 2 - INVESTMENTS (Continued)

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:

<b>2008</b>		
Description of securities	Fair Value	Unrealized Losses
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)
	<u>\$ 37,685,621</u>	<u>\$ (13,262,279)</u>
<b>2007</b>		
Description of securities	Fair Value	Unrealized Losses
Equity security funds	\$ 5,584,330	\$ (901,106)
Equity securities - common and preferred stocks	408,100	(64,646)
	<u>\$ 5,992,430</u>	<u>\$ (965,752)</u>

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

<b>2008</b>		
Description of securities	Fair Value	Unrealized Losses
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)
	<u>\$ 4,142,731</u>	<u>\$ (2,997,171)</u>
<b>2007</b>		
Description of securities	Fair Value	Unrealized Losses
Fixed income funds	\$ 964,550	\$ (39,931)

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NOTE 2 - INVESTMENTS (Continued)

The Community Foundation recognized an other-than-temporary impairment loss of \$392,665 at December 31, 2008. The impairment loss was recognized because the Community Foundation did not feel that the value of certain investments would return to the carrying value of the investment within the near-term.

NOTE 3 - INTEREST IN CLOSELY-HELD BUSINESSES

The Community Foundation holds shares of stock in closely-held businesses at December 31, 2008 and 2007, which have a carrying value as follows:

	<u>2008</u>	<u>2007</u>
14,091 shares of non-voting common stock, representing a 22.31% minority interest in a closely-held business (original value \$3,300,000).	\$ -	\$ 2,101,184
196.92 shares of common stock, representing a 41.03% minority interest in a closely-held business (original value of \$744,559).	<u>744,559</u>	<u>744,559</u>
	<u>\$ 744,559</u>	<u>\$ 2,845,743</u>

During September 2008, the assets in one of the closely held businesses in which the Community Foundation held 14,091 shares were sold. As of December 31, 2008, the Community Foundation had received \$1,049,436 in distributions and \$93,536, which is shown in other assets, was being held in escrow related to the sale. The carrying value of the investment was reduced by these amounts. Based on communications with the parties involved, it is management's opinion that no other amounts will be received related to the sale. As the total of the amounts to be realized is less than the carrying value of the investment, management has recognized an impairment charge of \$958,212, resulting in a zero carrying value of this investment as of December 31, 2008.

NOTE 4 - 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 of the notes range from payable on demand, payable in 2009, or payable when the related property is sold. Interest rates on the notes range from non-interest bearing to 2% per annum. Subsequent to year end, the Community Foundation received payments totaling \$50,000 to pay off one of the notes receivable, and one note was extended to 2011.

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NOTE 5 - 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. At December 31, 2008 and 2007, the Community Foundation's carrying value for this land was \$2,651,502.

In 2008, the Community Foundation received a contribution of land located near downtown Greensboro, North Carolina and recorded at its appraised value of \$890,000.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Office equipment	\$ 164,755	\$ 149,015
Furnishings	84,297	66,183
Leasehold improvements	<u>22,201</u>	<u>22,201</u>
	271,253	237,399
Less accumulated depreciation	<u>(164,185)</u>	<u>(129,964)</u>
	<u>\$ 107,068</u>	<u>\$ 107,435</u>

NOTE 7 - LEASE AND RENT EXPENSE

The Community Foundation leases office equipment under noncancelable operating leases which expire at various dates through 2011 and lease office space under a noncancelable agreement that expired on December 31, 2008. The office lease was extended at year end under month-to-month terms until a new rental agreement could be negotiated. Rental expense for the years ended December 31, 2008 and 2007 was approximately \$132,000 and \$121,000, respectively.

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

2009	\$ 8,440
2010	8,440
2011	<u>8,440</u>
	<u>\$ 25,320</u>

NOTE 8 - 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 \$46,722 and \$40,139 for the years ended December 31, 2008 and 2007, respectively.

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**NOTE 9 - CONCENTRATION OF CREDIT RISKS**

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 October and November 2008, the FDIC temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provided unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2009, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. At times, the Community Foundation may have amounts on deposit in excess of the insured limits. At December 31, 2008, the Community Foundation has approximately \$2,500,000 in excess of these insured limits.

**NOTE 10 - NEWLY ISSUED ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 was originally effective for certain nonpublic enterprises, including nonpublic not-for-profit organizations for fiscal years beginning after December 15, 2007.

The Community Foundation has elected to defer the application of FIN 48, as provided by FASB Staff Position ("FSP") FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 defers the effective date of FIN 48 for certain nonpublic enterprises, including nonpublic not-for-profit organizations and pass-through entities, to fiscal years beginning after December 15, 2008.

The Community Foundation does not expect the effect of this interpretation to have an effect on its combined financial statements.