

**Financial Statements**  
**Year Ended June 30, 2020**  
**(with comparative totals for 2019)**

# **High Point Community Foundation**



**Sharrard, McGee & Co., PA**

*Strategy Meets Challenges*

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# HIGH POINT COMMUNITY FOUNDATION

## Organization and Business

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### **STATE OF INCORPORATION**

North Carolina

### **MAIN OFFICE**

High Point, North Carolina

### **EXECUTIVE COMMITTEE**

Harvey Lowd	-	Chairperson
John Bencini	-	Vice-Chairman
Ann Busby	-	Past-Chairman
Mark Nelson	-	Treasurer
Chuck Portaro	-	Secretary
David Miller		
Shane Stutts		

### **TRUSTEES**

Joe Blosser		Megan Oglesby
Iv Culp		Timothy Peoples
Alyce Hill		Leah Price
John Kennett		Barry Safrit
Angela Kreinbrink		Dawn Spencer
William Laney		Ashley Williams
Eva Ogden		Stephanie Young

Paul Lessard	-	President
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**Independent Auditors' Report**

High Point Community Foundation  
High Point, North Carolina

We have audited the accompanying financial statements of High Point Community Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Point Community Foundation as of June 30, 2020, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

**Report on Summarized Comparative Information**

We have previously audited High Point Community Foundation's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sharrard, McLee + Co., P.A.*

High Point, North Carolina  
February 26, 2021

**HIGH POINT COMMUNITY FOUNDATION**  
**Statement of Financial Position**  
**June 30, 2020 (with comparative totals for 2019)**

	June 30,	
	2020	2019
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 349,130	\$ 199,469
Restricted cash for donor advised money market	52,962	89,660
Money market held for Downtown Transformational Fund	26,738,498	23,159,491
Short-term investments	3,122,810	1,733,672
Investments	82,556,336	83,129,671
Receivables and prepaid expenses	87,411	88,345
Pledges receivable, net	677,053	1,442,803
Pledges receivable restricted for Downtown Transformational Fund, net	570,480	3,466,113
Property and equipment	15,823	5,926
Total assets	<u>\$ 114,170,503</u>	<u>\$ 113,315,150</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 8,792	\$ 7,690
Accrued compensation	18,000	28,266
Paycheck Protection Program	91,193	-
Organizational endowments	5,009,828	5,143,509
Total liabilities	<u>5,127,813</u>	<u>5,179,465</u>
<b><u>NET ASSETS</u></b>		
Net assets:		
Without donor restrictions:		
Donor advised	41,612,544	41,266,452
Undesignated	14,956,551	15,200,306
Total without donor restrictions	56,569,095	56,466,758
With donor restrictions	52,473,595	51,668,927
Total net assets	<u>109,042,690</u>	<u>108,135,685</u>
Total liabilities and net assets	<u>\$ 114,170,503</u>	<u>\$ 113,315,150</u>

*See accompanying summary of accounting  
policies and notes to financial statements.*

# HIGH POINT COMMUNITY FOUNDATION

## Statement of Activities

Year Ended June 30, 2020 (with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
<b>REVENUE AND SUPPORT:</b>				
Contributions	\$ 8,174,965	\$ 348,658	\$ 8,523,623	\$ 9,086,837
Contributions restricted for				
Downtown Transformational Fund	-	4,000,000	4,000,000	4,000,000
Administrative fees	28,970	-	28,970	30,588
Net investment income	1,215,416	754,319	1,969,735	3,922,959
Pledges receivable released from obligation to pay Foundation	-	-	-	(7,660,000)
Provision for losses on pledges receivable	-	44,550	44,550	(701,800)
Transfers between funds	(449,378)	449,378	-	-
Net assets released from restrictions	4,792,237	(4,792,237)	-	-
<b>Total revenue and support</b>	<b>13,762,210</b>	<b>804,668</b>	<b>14,566,878</b>	<b>8,678,584</b>
<b>EXPENSES:</b>				
Grants to charitable organizations	8,833,357	-	8,833,357	5,204,385
Grants for Downtown Transformational Fund	4,095,123	-	4,095,123	4,955,150
	12,928,480	-	12,928,480	10,159,535
Functional expenses:				
Program services	159,617	-	159,617	168,459
Management and general	265,751	-	265,751	285,180
Fundraising	306,025	-	306,025	303,754
<b>Total functional expenses</b>	<b>731,393</b>	<b>-</b>	<b>731,393</b>	<b>757,393</b>
<b>Total expenses</b>	<b>13,659,873</b>	<b>-</b>	<b>13,659,873</b>	<b>10,916,928</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>102,337</b>	<b>804,668</b>	<b>907,005</b>	<b>(2,238,344)</b>
<b>NET ASSETS, beginning of year</b>	<b>56,466,758</b>	<b>51,668,927</b>	<b>108,135,685</b>	<b>110,374,029</b>
<b>NET ASSETS, end of year</b>	<b>\$ 56,569,095</b>	<b>\$ 52,473,595</b>	<b>\$ 109,042,690</b>	<b>\$ 108,135,685</b>

See accompanying summary of accounting  
policies and notes to financial statements.

# HIGH POINT COMMUNITY FOUNDATION

## Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	Program Services	Management and General	Fundraising	Totals	
				2020	2019
Salaries	\$ 77,078	\$ 186,393	\$ 190,920	\$ 454,391	\$ 482,731
Group insurance	7,205	17,424	17,847	42,476	42,165
Office expense	10,879	7,252	19,094	37,225	16,709
Payroll taxes	5,462	13,209	13,529	32,200	34,362
Special events	23,799	-	-	23,799	15,925
Newsletter	-	1,775	15,975	17,750	3,500
Professional services	-	17,508	-	17,508	30,875
Contract services	7,150	-	7,150	14,300	15,600
Retirement plan expense	2,134	5,068	5,390	12,592	15,006
Dues and subscriptions	5,879	588	5,291	11,758	24,132
Publicity and promotion	-	-	11,629	11,629	11,465
Rent	2,912	1,941	4,853	9,706	9,239
Meals and entertainment	374	749	6,365	7,488	7,963
General insurance	330	6,268	-	6,598	6,351
Fiduciary services	6,500	-	-	6,500	6,000
Telephone	2,235	319	3,832	6,386	6,021
Awards and recognition	6,043	-	-	6,043	7,192
Training	127	2,407	-	2,534	2,589
Printing and design	-	182	1,640	1,822	2,710
Depreciation	538	359	897	1,794	1,343
Conferences and meetings	-	1,663	-	1,663	2,756
Payroll services	-	1,530	-	1,530	1,405
Initiative fund expense	972	-	-	972	8,000
Bank charges	-	991	-	991	1,019
Postage	-	48	919	967	1,237
Travel	-	77	694	771	1,098
Total	<u>\$ 159,617</u>	<u>\$ 265,751</u>	<u>\$ 306,025</u>	<u>\$ 731,393</u>	<u>\$ 757,393</u>

See accompanying summary of accounting  
policies and notes to financial statements.



# HIGH POINT COMMUNITY FOUNDATION

## Statement of Cash Flows

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020	2019
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 907,005	\$ (2,238,344)
Adjustments to reconcile to net cash provided by operating activities:		
Unrealized investment gains	(223,360)	(1,478,816)
Realized investment gains	(1,746,375)	(707,709)
Depreciation	1,794	1,343
(Increase) decrease in assets:		
Prepaid expenses and other	934	(6,289)
Unconditional promises to give	765,750	1,448,733
Unconditional promises to give for Downtown Transformational Fund	2,895,633	10,213,281
Increase (decrease) in liabilities:		
Accounts payable	1,102	(31,029)
Accrued expenses	(10,266)	20,266
Paycheck Protection Program loan	91,193	-
<b>Net cash provided by operating activities</b>	<b>2,683,410</b>	<b>7,221,436</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(11,691)	(1,572)
Cash received from sale of real estate	-	-
Net proceeds from (purchase of) investments	1,020,251	(4,480,123)
<b>Net cash provided by (used in) investing activities</b>	<b>1,008,560</b>	<b>(4,481,695)</b>
<b>Increase in cash, cash equivalents, and restricted cash</b>	<b>3,691,970</b>	<b>2,739,741</b>
<b>Cash, cash equivalents, and restricted cash at beginning of year</b>	<b>23,448,620</b>	<b>20,708,879</b>
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 27,140,590</b>	<b>\$ 23,448,620</b>
<b>RECONCILIATION TO CASH REPORTED WITHIN THE STATEMENT OF FINANCIAL POSITION:</b>		
Cash and cash equivalents	\$ 349,130	\$ 199,469
Cash and cash equivalents with donor restrictions	52,962	89,660
Money market held for Downtown Transformational Fund	26,738,498	23,159,491
<b>Total cash and cash equivalents</b>	<b>\$ 27,140,590</b>	<b>\$ 23,448,620</b>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES:</b>		
Unrealized gains (losses) on investments	\$ 223,360	\$ (1,478,816)

See accompanying summary of accounting policies and notes to financial statements.

# **HIGH POINT COMMUNITY FOUNDATION**

## **Summary of Accounting Policies**

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### ***BASIS OF ACCOUNTING***

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Gifts received by the Foundation that are presently available for use by the Community Foundation at the discretion of the Board of Directors. Net assets without donor restrictions are used to underwrite discretionary grants made to nonprofit organizations and to support the Foundation's operational expenses. Included in this classification are donor-advised funds that are contributions received from donors who have an opportunity to make recommendations for the disbursements of these funds.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when stipulated purpose for which the resource was restricted has been fulfilled or both.

The Foundation records receivables to reflect the promises of donors to make future unconditional contributions. Contributions received and unconditional promises to give are measured at their fair market values and are reported as an increase in net assets. If the donor grants the Foundation variance power to redirect the use of the transferred assets, the contributions are considered to be without donor restriction.

### ***ORGANIZATIONAL ENDOWMENTS***

Nonprofit organizations may set up an organizational endowment. These assets are for use and benefit of the nonprofit organization that created it. The Foundation recognizes a liability to the nonprofit at the time the assets are received and adjusts the liability for the related additions, earnings, and expenses.

### ***CASH EQUIVALENTS***

For purposes of the Statements of Cash Flows, the Foundation considers cash equivalents to be checking and money market accounts with financial institutions and all highly-liquid debt instruments purchased with a maturity of three months or less and which are not part of an investment portfolio.

### ***CONTRIBUTIONS AND UNCONDITIONAL PROMISES TO GIVE***

Contributions are recognized as revenue when the donor makes an unconditional promise to give to the Foundation. All contributions are available for unrestricted use unless the donor specifically restricts its use. Restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, donor restricted net assets are reclassified to without donor restricted net assets. The Foundation records multi-year pledges at their discounted present value using a risk free rate of return.

Management evaluates unconditional promises to give for collectability at least annually. The Foundation provides a provision for losses on uncollectible pledges equal to the estimated uncollectible amounts. Management's estimate is based on historical charge-offs, factors related to the specific donors' ability to pay, donor giving history, and current economic trends.

# **HIGH POINT COMMUNITY FOUNDATION**

## **Summary of Accounting Policies (Continued)**

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### **INVESTMENTS**

Investments are reported at fair value in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less internal and external investment expenses.

### **PROPERTY, EQUIPMENT, AND DEPRECIATION**

Major additions and betterments are capitalized while maintenance and repairs which do not improve or extend the useful lives of the respective assets are charged to current expense. The Organization follows the practice of capitalizing all expenditures over \$500 for property and equipment; the fair market value of donated property and equipment is similarly capitalized. Property and equipment purchased by the Organization are carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

### **FUNCTIONAL ALLOCATION OF EXPENSES**

The Foundation allocates expenses on a functional basis. The directly identifiable expenses are charged to program services, fundraising, or management and general services. Expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis. Expenses such as salaries, benefits, payroll taxes, professional services, office expenses, insurance, and others are allocated based on the estimates of times and effort.

### **MANAGEMENT ESTIMATES**

The presentation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **PAYCHECK PROTECTION PROGRAM**

Under FASB *Accounting Standards Codification* (ASC) 470, *Debt*, the proceeds from the Paycheck Protection Program have been accounted for as a financial liability. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been released from the obligation, or (2) the Organization pays off the loan. In the event the loan is, in part or wholly, forgiven the Organization will reduce the liability by the amount forgiven and record gain on extinguishment.

### **EVENTS OCCURRING AFTER REPORTING DATE**

The Foundation has evaluated events and transactions that occurred between June 30, 2020 and February 26, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

# HIGH POINT COMMUNITY FOUNDATION

## Notes to Financial Statements

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### NOTE 1 - THE ORGANIZATION

High Point Community Foundation is a nonprofit corporation that serves as a catalyst for positive change that promotes philanthropy, administers an expanding grants program, and serves as a trustworthy partner in responding to community needs.

### NOTE 2 - LIQUIDITY AND AVAILABILITY

The following represents High Point Community Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general operating expenditures within one year of the balance sheet date due to the long-term nature or Board and donor-imposed restrictions limiting their use.

Total assets at June 30, 2020	\$ 114,170,503
Less:	
Restricted cash	(52,962)
Restricted money market funds	(26,738,498)
Property and equipment	(15,823)
Restricted Donor advised investments	(24,434,602)
Designated Donor advised investments	(41,612,544)
Organizational endowments	(5,009,828)
Restricted pledges receivables, net	(1,247,533)
Board designated operating reserves	<u>(1,500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,558,713</u>

High Point Community Foundation is supported primarily by contributions, some of which have donor restrictions. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of daily requirements in money market funds and investments.

The Foundation has adopted a policy to distribute a percentage of the fair market value of the unrestricted investment assets of the Foundation each fiscal year. The Board of Trustees has established the amount of annual distributions and grants to be four percent of the fair market value of the unrestricted investment assets. The Board periodically evaluates this percentage. The Foundation uses an average of fair market values of the unrestricted investment assets as of the end of the twelve calendar quarters preceding and including June 30 of the most recently concluded fiscal year.

The Board of Advisors of a Donor Advised Fund may request either a percentage of the fair market value of the assets of the fund or a specific dollar amount to be distributed, unless otherwise specified in the fund agreement.

### NOTE 3 - PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recognized at the present value of estimated future cash flows. The discounts on those amounts are computed using the current zero coupon US Treasury rate.

# **HIGH POINT COMMUNITY FOUNDATION** **Notes to Financial Statements (Continued)**

## **NOTE 3 - PLEDGES RECEIVABLE (Continued)**

As of June 30, 2020, the total amount pledged to the Say Yes to Education Fund is estimated to be \$10,605,000, payable over 1 to 5 years. As of June 30, 2020, the Foundation has received \$8,538,547 toward the original pledged amount and has written off \$44,000 as uncollectible. Of the remaining \$2,022,453 gross pledge receivables, approximately \$495,000 is expected to be transferred from the Foundation's existing donor-advised funds. Thus the gross revenue receivable at June 30, 2020 is \$1,527,453.

As of June 30, 2020, the total amount pledged to the Downtown Transformational Fund is \$39,100,000, payable over 1 to 4 years. As of June 30, 2020, the Foundation has received \$30,863,520 toward the original pledged amount. Pledges receivable of \$7,660,000 were released from the obligation to pay the pledge. The majority of these released pledges were invested into other downtown revitalization initiatives directly by the donor. Of the remaining \$576,480 gross pledge receivables, none is expected to be transferred from the Foundation's existing donor-advised funds. Thus the gross receivable at June 30, 2020 is \$576,480.

As of June 30, 2020, the total amount pledged to the Women in Motion Fund is estimated to be \$44,850, payable over 1 to 5 years. As of June 30, 2020, the Foundation has received \$28,500 toward the original pledged amount. Of the remaining \$16,350 gross pledge receivables, approximately \$10,000 is expected to be transferred from the Foundation's existing donor-advised funds. Thus, the gross revenue receivable at June 30, 2020 is \$6,350.

The Foundation's Say Yes to Education, Downtown Transformational, and Women In Motion Fund pledges receivable have been recorded at net present value, less an allowance for uncollectible promises as follows:

	2020	2019
<b>Say Yes to Education receivable</b>	\$ 1,527,453	\$ 2,293,453
Less - net present value reserve	-	(5,000)
Less - allowance for uncollectible promises to give	(855,000)	(855,000)
Net Say Yes to Education receivable	672,453	1,433,453
<b>Downtown Transformational Fund receivable</b>	576,480	3,513,113
Less - net present value reserve	-	(11,000)
Less - allowance for uncollectible promises to give	(6,000)	(36,000)
Net Downtown Transformational Fund receivable	570,480	3,466,113
<b>Women in Motion receivable</b>	6,350	9,650
Less - allowance for uncollectible promises to give	(1,750)	(300)
Net Women in Motion receivable	4,600	9,350
<b>Total pledges receivable, net</b>	<u>\$ 1,247,533</u>	<u>\$ 4,908,916</u>
Amounts due in:		
Less than one year	\$ 1,247,533	\$ 4,068,783
One to five years	-	840,133
	<u>\$ 1,247,533</u>	<u>\$ 4,908,916</u>



## **HIGH POINT COMMUNITY FOUNDATION**

### **Notes to Financial Statements (Continued)**

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#### **NOTE 4 - INVESTMENTS**

Professional accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All investments are managed by outside investment management companies. The following is a description of the valuation methodologies used for assets measured at fair value.

Publicly traded common stocks, equity mutual funds, and U.S. Government securities are valued at the closing price reported on the active market on which the security trades.

Fixed income debt securities, corporate bonds, and bond funds that are exchange traded are valued at the closing price reported on such exchange.

Alternative assets in hedge funds, diversified strategy and multi-strategy funds, tactical opportunities, real estate investments, private income and private equity securities, and partnerships attempt to diversify risks and reduce volatility. There is no readily determinable fair value for these investments and therefore the valuation is based on significant unobservable inputs, and are therefore classified as Level 3 investments. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the investment managers. However, fair value may be significantly different due to transfer restrictions, lack of ready marketability, minority ownership, and other factors.

# **HIGH POINT COMMUNITY FOUNDATION** **Notes to Financial Statements (Continued)**

## **NOTE 4 - INVESTMENTS (Continued)**

Fair value of investments by hierarchy levels, as defined by ASC 820, at June 30, 2020 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 49,147,557	\$ -	\$ -	\$ 49,147,557
Fixed income funds	18,756,100	-	-	18,756,100
Multi-strategy funds	-	-	56,395	56,395
Real estate and REITs	-	-	132,937	132,937
Hedge funds	-	-	2,858,872	2,858,872
Alternative investments	-	-	11,364,729	11,364,729
Tactical opportunities	-	-	239,746	239,746
Total	<u>\$ 67,903,657</u>	<u>\$ -</u>	<u>\$ 14,652,679</u>	<u>\$ 82,556,336</u>

Investments include Agency accounts (refundable advances) with a cost of \$4,914,605 and a fair value of \$5,009,828.

Fair value of investments by hierarchy levels, as defined by ASC 820, at June 30, 2019 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 49,893,048	\$ -	\$ -	\$ 49,893,048
Fixed income funds	18,172,838	-	-	18,172,838
Multi-strategy funds	-	-	88,865	88,865
Real estate and REITs	-	-	139,594	139,594
Hedge funds	-	-	2,944,446	2,944,446
Alternative investments	-	-	11,454,860	11,454,860
Tactical opportunities	-	-	436,020	436,020
Total	<u>\$ 68,065,886</u>	<u>\$ -</u>	<u>\$ 15,063,785</u>	<u>\$ 83,129,671</u>

Investments include Agency accounts (refundable advances) with a cost of \$5,016,177 and a fair value of \$5,143,509.

# **HIGH POINT COMMUNITY FOUNDATION** **Notes to Financial Statements (Continued)**

## **NOTE 4 - INVESTMENTS (Continued)**

Unrealized appreciation of investments at June 30, 2020 is as follows:

	Cost	Fair Value	Accumulated Appreciation (Depreciation)
Equity funds	\$ 46,820,223	\$ 49,147,557	\$ 2,327,334
Fixed income funds	18,408,523	18,756,100	347,577
Multi-strategy funds	62,552	56,395	(6,157)
Real estate and REITs	131,744	132,937	1,193
Hedge funds	2,333,564	2,858,872	525,308
Alternative investments	10,053,280	11,364,729	1,311,449
Tactical opportunities	310,902	239,746	(71,156)
Total investments	<u>\$ 78,120,788</u>	<u>\$ 82,556,336</u>	<u>\$ 4,435,548</u>

Unrealized appreciation of investments at June 30, 2019 is as follows:

	Cost	Fair Value	Accumulated Appreciation
Equity funds	\$ 46,894,148	\$ 49,893,048	\$ 2,998,900
Fixed income funds	18,030,295	18,172,838	142,543
Multi-strategy funds	87,344	88,865	1,521
Real estate and REITs	136,647	139,594	2,947
Hedge funds	2,431,874	2,944,446	512,572
Alternative investments	10,866,394	11,454,860	588,466
Tactical opportunities	429,971	436,020	6,049
Total investments	<u>\$ 78,876,673</u>	<u>\$ 83,129,671</u>	<u>\$ 4,252,998</u>

The following schedule summarizes the total investment return for the year ended June 30, 2020 and 2019. Changes during the year in level 3 assets are not determinable.

	2020	2019
Interest and dividends	\$ 2,047,299	\$ 2,147,549
Net investment income	355,787	2,186,525
Investment expenses	<u>(433,351)</u>	<u>(411,115)</u>
Total investment return	<u>\$ 1,969,735</u>	<u>\$ 3,922,959</u>



## HIGH POINT COMMUNITY FOUNDATION

### Notes to Financial Statements (Continued)

#### NOTE 5 - PROPERTY AND EQUIPMENT

The classifications of property and equipment consist of the following:

	2020	2019
Office furniture and equipment	\$ 25,163	\$ 21,471
Leasehold improvements	13,487	5,487
	38,650	26,958
Less accumulated depreciation	22,827	21,032
Net property and equipment	\$ 15,823	\$ 5,926

#### NOTE 6 - ENDOWMENTS

The Foundation's endowment funds consist of 120 individual donor-advised funds established for a variety of charitable purposes. Some funds are designated by the foundation as general endowments to support the mission of the community foundation. Some funds are established by the donor to be held in perpetuity.

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board interprets this act as requiring the preservation of the fair value of the gifts of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets the original value of gifts donated, the original value of any subsequent gifts donated, plus accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The fair value of individual endowment funds may fall below the level that the donor or UPMIFA requires to be retained as restricted.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the 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.

# **HIGH POINT COMMUNITY FOUNDATION** **Notes to Financial Statements (Continued)**

## **NOTE 6 - ENDOWMENTS (Continued)**

As of June 30, 2020, the following is the endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor advised endowment funds	\$ 41,612,544	\$ 38,243,000	\$ 79,855,544
Donor-restricted endowment funds -			
Original donor-restricted gift plus amounts required to be maintained in perpetuity	-	14,230,595	14,230,595
	<u>\$ 41,612,544</u>	<u>\$ 52,473,595</u>	<u>\$ 94,086,139</u>

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. Endowment assets are below the level required by donor stipulations by approximately \$371,306 and \$369,857 as of June 30, 2020 and 2019, 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.

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 41,258,952	\$ 51,676,427	\$ 92,935,379
Investment return, net	888,203	621,175	1,509,378
Contributions	8,174,965	4,394,897	12,569,862
Grants and distributions	(8,136,243)	(4,792,237)	(12,928,480)
Pledge payments collected	-	-	-
Interfund transfers	(573,333)	573,333	-
	<u>\$ 41,612,544</u>	<u>\$ 52,473,595</u>	<u>\$ 94,086,139</u>

# **HIGH POINT COMMUNITY FOUNDATION** **Notes to Financial Statements (Continued)**

## **NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Subject to expenditure for a specified purpose:		
Scholarship	\$ 194,378	\$ 146,925
Education	10,043,018	10,060,480
Women's initiatives	4,600	23,689
Culture and arts	600,107	610,697
Community outreach	91,919	101,193
Downtown transformation	27,308,978	26,625,604
	<u>38,243,000</u>	<u>37,568,588</u>
Permanent Endowments:		
Endowed donor advised funds	14,601,901	14,470,196
Underwater endowments	(371,306)	(369,857)
	<u>14,230,595</u>	<u>14,100,339</u>
	<u>\$ 52,473,595</u>	<u>\$ 51,668,927</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

Satisfaction of purpose restrictions:		
Scholarship	\$ 3,000	\$ 50,000
Education	353,315	146,711
Women's initiatives	21,825	19,724
Culture and arts	30,650	9,000
Community outreach	288,324	331,006
Downtown transformation	4,095,123	4,955,150
	<u>\$ 4,792,237</u>	<u>\$ 5,511,591</u>

# **HIGH POINT COMMUNITY FOUNDATION** **Notes to Financial Statements (Continued)**

## **NOTE 8 - DOWNTOWN TRANSFORMATIONAL FUND**

In November 2017, a charitable purpose fund (Downtown Transformational Fund) was established for the specific activities of revitalizing downtown High Point by supporting the efforts to establish a children's museum, events center, educational cinema, park, and playground. The fund was established for a period of one year but can be extended for a longer period at the end of that year if determined by the Foundation Board of Trustees. Funds are invested in a money market account held by a regional bank. If the project is not completed within the period of one year, or if the minimum fund balance requirement is not met, or if all funds raised are not needed for the project, the Foundation Board of Trustees will review the agreement to determine whether to extend the term or to determine how any remaining assets of the fund will be used for similar charitable purposes. No administrative expenses are charged to the fund.

The components of the Downtown Transformational Fund included in the current year financial statements are as follows:

	2020	2019
<b>Statement of Financial Position:</b>		
Money market held for Downtown Transformational Fund	\$ 26,738,498	\$ 23,159,491
Pledges receivable restricted for Downtown Transformational Fund	570,480	3,466,113
Total assets restricted for Downtown Transformational Fund	<u>\$ 27,308,978</u>	<u>\$ 26,625,604</u>
<b>Statement of Activities - With Donor Restriction:</b>		
Contributions restricted for Downtown Transformational Fund	\$ 4,000,000	\$ 4,000,000
Transfers between funds	333,333	333,333
Present value adjustment and allowance on pledges receivable	41,000	342,000
Total contributions for Downtown Transformational Fund	4,374,333	4,675,333
Net investment income	404,164	462,987
Income before net assets released from restrictions	4,778,497	5,138,320
Net assets released from restrictions	(4,095,123)	(4,955,175)
Pledges released from obligation to pay to foundation	-	(7,660,000)
Net increase (decrease) in Downtown Transformational Fund	<u>\$ 683,374</u>	<u>\$ (7,476,855)</u>

## **NOTE 9 - INCOME TAXES**

High Point Community Foundation is a nonprofit corporation which received tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and comparable status under North Carolina law; therefore, no taxes are reflected in the financial statements.

## HIGH POINT COMMUNITY FOUNDATION

### Notes to Financial Statements (Continued)

#### **NOTE 10 - LEASE AGREEMENT**

The Foundation leases office space under a lease agreement expiring June 30, 2021 and office equipment under a lease agreement expiring March 2021. The Foundation signed a ten-year lease for office space as of November 1, 2020, with lease payments beginning February 1, 2021. This lease has the option to renew two times, for ten-year terms each. At June 30, 2020, the required future minimum lease payments are as follows:

2021	\$	24,725
2022		40,512
2023		41,732
2024		42,984
2025		44,268
Thereafter		<u>259,364</u>
	\$	<u>453,585</u>

Rental expense amounted to \$9,705 and \$9,239 for the years ended June 30, 2020 and 2019, respectively.

#### **NOTE 11 - RETIREMENT PLAN**

High Point Community Foundation has adopted a Safe Harbor 401(k) Plan. All employees who are at least 21 years of age with a minimum of one year of service are eligible to participate. The Foundation will match 100% of the salary deferrals of 3% or less of compensation plus 50% of salary deferrals between 3% and 5% of compensation. For any plan year when the Plan is not a "safe harbor" plan, a discretionary Qualified Non-Elective Contribution may be made.

The retirement expense was \$12,592 and \$15,006 for the years ended June 30, 2020 and 2019, respectively.

#### **NOTE 12 - CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents with various financial institutions located in North Carolina. From time to time deposits may exceed FDIC insurance limits; however, the Foundation believes there is minimal credit risk relative to these deposits.

#### **NOTE 13 - DEFERRED GIFTS**

The Foundation has been notified as a beneficiary in several wills. These conditional promises are not included in the Foundation's financial statements. They will be recorded as donations and bequests upon receipt. The total amount conditionally pledged to the Foundation is estimated to be \$2,250,000 as of June 30, 2020.

# **HIGH POINT COMMUNITY FOUNDATION**

## **Notes to Financial Statements (Continued)**

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### **NOTE 14 - RISK AND UNCERTAINTIES**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported in the statement of activities.

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. As the global spread of COVID-19 continues, there may be financial or operational impact though the extent of such impact is unpredictable at this time. The financial statements do not reflect any adjustments as a result of the ongoing increase in economic uncertainty.