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**Community Foundation  
of North Texas, Inc.**

***Consolidated Financial Statements***

**December 31, 2015**

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# **Community Foundation of North Texas, Inc.**

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## **Independent Auditor's Report**

To the Board of Directors  
Community Foundation of North Texas, Inc.

We have audited the accompanying consolidated financial statements of Community Foundation of North Texas, Inc. dba North Texas Community Foundation, and the Community Foundation Project Henry, LLC (collectively referred to as the "Foundation") (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of administrative and development expenses on page 19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Sproles Woodard LLP*

Fort Worth, Texas  
March 23, 2016

**Community Foundation of North Texas, Inc.**  
**Consolidated Statement of Financial Position**  
**December 31, 2015, with Comparative Totals for 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 588,112	\$ 2,298,077
Restricted cash and cash equivalents	<u>19,015,117</u>	<u>19,681,773</u>
	19,603,229	21,979,850
Accrued interest and dividends	80,747	75,090
Contributions receivable, net	850,812	96,039
Prepaid expenses	6,414	9,846
Investments	195,527,747	184,492,454
Beneficial interest in trusts	1,160,975	736,848
Cash surrender value of life insurance	295,057	274,405
Property and equipment, at cost		
less accumulated depreciation of \$109,814	<u>61,060</u>	<u>50,587</u>
	<u>\$ 217,586,041</u>	<u>\$ 207,715,119</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 21,358	\$ 30,956
Grants payable	300	2,540,750
Agency fund payable	<u>13,214,951</u>	<u>14,189,865</u>
	<u>13,236,609</u>	<u>16,761,571</u>
<b>Net Assets</b>		
Unrestricted	167,504,494	151,328,349
Temporarily restricted	<u>36,844,938</u>	<u>39,625,199</u>
	<u>204,349,432</u>	<u>190,953,548</u>
	<u>\$ 217,586,041</u>	<u>\$ 207,715,119</u>

*See accompanying notes to consolidated financial statements.*

**Community Foundation of North Texas, Inc.**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2015, with Comparative Totals for 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support</b>				
Contributions	\$ 23,991,135	\$ 969,974	\$ 24,961,109	\$ 14,769,920
<b>Revenue</b>				
Investment return, net	4,862,545	(1,015,559)	3,846,986	11,079,050
Other income (loss)	228,793	(163,710)	65,083	75,029
Net assets released from restrictions	2,570,966	(2,570,966)	-	-
	<u>31,653,439</u>	<u>(2,780,261)</u>	<u>28,873,178</u>	<u>25,923,999</u>
<b>Expenses</b>				
Program services				
Grants	14,058,896		14,058,896	19,692,919
Other	601,136		601,136	382,295
	<u>14,660,032</u>	<u>-</u>	<u>14,660,032</u>	<u>20,075,214</u>
Supporting services				
Administrative	420,347		420,347	483,010
Development	396,915		396,915	380,612
	<u>15,477,294</u>	<u>-</u>	<u>15,477,294</u>	<u>20,938,836</u>
<b>Change in Net Assets</b>	<u>16,176,145</u>	<u>(2,780,261)</u>	<u>13,395,884</u>	<u>4,985,163</u>
<b>Net Assets</b>				
Beginning of Year	<u>151,328,349</u>	<u>39,625,199</u>	<u>190,953,548</u>	<u>185,968,385</u>
End of Year	<u>\$ 167,504,494</u>	<u>\$ 36,844,938</u>	<u>\$ 204,349,432</u>	<u>\$ 190,953,548</u>

*See accompanying notes to consolidated financial statements.*

**Community Foundation of North Texas, Inc.**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2015, with Comparative Totals for 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 13,395,884	\$ 4,985,163
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(6,785,712)	(7,370,976)
Deficit (Equity) in earnings of partnerships, gross of dividends received of \$347,509 in 2015	4,328,763	(1,471,915)
Noncash contributions of investments	(12,596,221)	(6,361,815)
Change in value of beneficial interest in trusts	(12,377)	350,901
Change in value of cash surrender value of life insurance	(20,652)	(15,709)
Transfer of assets		46,218
Depreciation	10,513	9,658
Change in:		
Accrued interest and dividends	(5,657)	2,622
Contributions receivable	(754,773)	554,612
Prepaid expenses	3,432	11,162
Accounts payable	(9,598)	13,392
Grants payable	(2,540,450)	2,505,750
Agency fund payable	(974,914)	(180,735)
Net cash used in operating activities	<u>(5,961,762)</u>	<u>(6,921,672)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales and maturities of investments	134,469,156	75,002,934
Purchases of investments	(131,371,003)	(55,731,174)
Change from investing activities related to agency funds	507,974	(710,256)
Purchases of property and equipment	(20,986)	(25,481)
Net cash provided by investing activities	<u>3,585,141</u>	<u>18,536,023</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>(2,376,621)</u>	<u>11,614,351</u>
Cash and Cash Equivalents - Beginning of Year	<u>21,979,850</u>	<u>10,365,499</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 19,603,229</u>	<u>\$ 21,979,850</u>

*See accompanying notes to consolidated financial statements.*

# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

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### 1. History and Summary of Significant Accounting Policies

#### *Organization and History*

The Community Foundation of North Texas, Inc. (the "Foundation"), a nonprofit Texas corporation, was formed in 1989 to receive and manage donations of cash and property and to distribute grants exclusively for charitable purposes. The Foundation administers more than 248 funds comprised of donor advised, designated, field of interest, and discretionary funds, each established with a gift instrument. Primarily, all program expenses are related to these grant distributions. In 2015 the Foundation awarded 1,843 grants with a total value of \$14,058,896.

The consolidated financial statements include the accounts of The Community Foundation of North Texas, Inc., and its wholly-owned subsidiary, Community Foundation Project Henry, LLC (collectively referred to as the "Foundation"). All significant intercompany balances have been eliminated in consolidation.

#### *Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation reports information regarding its financial position and activities according to the following two classes of net assets:

Unrestricted net assets represent funds that have no external restrictions and may be used for any purpose designated by the Board.

Temporarily restricted net assets represent funds that have donor restrictions stipulating how or when the funds are to be used. The restrictions are satisfied either by passage of time or by actions of the Foundation.

#### *Use of Estimates*

The preparation of consolidated 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 consolidated financial statements and reported revenues and expenses during the reported period. Actual results could differ from those estimates.

#### *Net Asset Classification*

As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets this variance power to apply to time restrictions and endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. Since this variance power is incorporated by reference in most gift instruments, the Foundation views its variance power as an explicit expression of donor intent (see Note 5).



# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

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Most of the Foundation's contributions are received subject to the terms of a standard fund agreement. Under the terms of the standard fund agreement, the Foundation has the ability to distribute as much of the corpus of any gift, devise, bequest, or fund as the Board in its sole discretion shall determine under the Foundation's current spending policy. As a result of the ability to distribute corpus, the Foundation has determined that all contributions received subject to the standard fund agreement, and subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), are classified as unrestricted. Generally, if the corpus of a contribution may at some future time become available for spending, it is recorded as temporarily restricted until it is able to be appropriated, at which time the appropriation is reclassified to unrestricted net assets. If the corpus never becomes available for spending (i.e., variance power is not specifically incorporated in the gift instrument), it will be reported as permanently 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 addition to donor-imposed endowment restrictions, all contributions received with donor-imposed time restrictions are classified as temporarily restricted until the payments are received unless the respective gift is specifically designated for use in the current period by the donor. Contributions received under split-interest agreements, except for charitable gift annuities, are also classified as temporarily restricted due to the implied time restriction on the use of such assets.

### *Investment and Spending Policies*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s).

To satisfy its long-term rate-of-return objectives, the 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). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year an amount calculated based on a calculation weighted 80% based on the prior year spendable amount, adjusted for inflation, and weighted 20% based on four percent of the trailing 12 quarters average balance of the fund. The Foundation's annual appropriation is subject to a payout floor and ceiling of 3% and 6%, respectively, of the funds 12-quarter average market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually.

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## Community Foundation of North Texas, Inc.

### Notes to Consolidated Financial Statements

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This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### ***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents are donor-restricted amounts limited in use to the purchase of investments or payment of expenses for which the related funds were established. Cash equivalents are certain highly liquid investments with an initial maturity of three months or less held for investment purposes. As of December 31, 2015, of the \$19,015,117 in restricted cash and cash equivalents, \$12,505,401 was from cash equivalents.

#### ***Contributions Receivable***

Unconditional promises to give by donors are expected to be received by the Foundation within one year and are measured at net settlement value. The Foundation periodically reviews contributions receivable for amounts that are considered uncollectible and establishes a valuation allowance when such receivables, if any, are deemed uncollectible. At December 31, 2015, no provision was recorded.

#### ***Investments***

Investments consists of marketable securities (certificates of deposit, common and preferred stock, fixed income, and equity and fixed income mutual funds), partnership interests, shares of an investment holding company, interests in hedge funds, other investments, and investment in real estate. The Foundation reports investments in marketable securities with readily determinable fair values in the consolidated statement of financial position. The fair value of marketable securities is valued at the closing price on the last business day of the fiscal year. Investment return includes interest and dividends and realized and unrealized gains and losses, net of fees, on investments for the current period. Investment return is included in the consolidated statement of activities as an increase in unrestricted net assets, unless the income is restricted by the donor or law.

Investment in partnerships is comprised of interests in certain limited partnerships and limited liability corporations for which observable market prices in active markets do not exist. These investments are reported at fair value, as determined in good faith, by the Foundation's management with the assistance of third-party investment managers using methods they consider appropriate. The amounts realized upon disposition of these investments may differ from the value reflected in the consolidated financial statements and the differences could be material. Certain of the investment in partnerships are restricted as to resale and may require advance notice for redemption or withdrawal. The Foundation's share of earnings or losses is shown as partnership investment return in the consolidated statement of activities. The Foundation's investment in partnerships is subject to various risk factors arising from the investment activities of the underlying vehicles of the partnerships, including market, credit, and currency risk. The Foundation's risk of loss in any of its investments in partnerships is limited to the value of the investment at year end plus any unfunded commitments. As of December 31, 2015, unfunded commitments were \$1,424,448.

The Foundation has one investment in an investment holding company which is subject to a quarterly valuation analysis to determine fair market value. The valuation of the investment includes assumptions and methods that were prepared by an external third party and were reviewed by the Foundation's management. The investment is restricted as to resale and may require advance notice for redemption or withdrawal. An active market does not exist for this investment, and thus the estimated value is subject to inherent uncertainty and a material difference may be realized upon disposition.

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## **Community Foundation of North Texas, Inc.**

### **Notes to Consolidated Financial Statements**

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The fair value of the Foundation's investment in hedge funds for which quoted prices are not available is generally measured based on reported partner's capital or net asset value ("NAV") provided by the associated external investment managers. The reported partner's capital or NAV is subject to management's assessment that the valuation provided is representative of fair value. For these investments, the Foundation has concluded that the net asset value reported by the underlying fund is a practical expedient to estimating fair value. However, because these investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

The Foundation's other investments consist of equity securities in closely held companies with no readily determinable fair value, real estate which consists of land and a building, and certain mineral interest rights. These are carried at the lower of cost or fair value. Contributions of other investments are recorded at the appraised value at the date of contribution, which becomes the Foundation's cost basis.

All non-cash contributions of investments are recorded at fair value at the date of receipt. Stock is recorded at the average of the high and low selling price on the date received. Investments sold are recorded at the amount received.

#### ***Property and Equipment***

The Foundation capitalizes the cost of significant expenditures for leasehold improvements, equipment, and furniture and fixtures. Depreciation, as determined by the straight-line method, is provided over the estimated useful lives of the related assets, which range from three to ten years.

#### ***Agency Fund Payable***

The Foundation holds cash and marketable securities received from nonprofit organizations that are named as beneficiary. These organizations granted variance power over the funds to the Foundation, which has agreed to make distributions solely to the transferring organizations. The Foundation has recorded the resulting liability as an agency fund payable in the accompanying consolidated statement of financial position.

#### ***Contributions Received and Contributions Made***

Contributions are recognized when unconditional commitments are received or extended and recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Donated assets are recorded as revenue at their estimated fair values at the date of the gift and are classified as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Gifts of long-lived assets without donor stipulations regarding the length of use are shown as unrestricted support in the accompanying consolidated financial statements.

#### ***Grants Payable***

Grant commitments are measured at net settlement value, which approximates fair value. Grants payable over one year are discounted to present value when significant as determined by the Foundation.

# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

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### *Income Taxes*

The Foundation is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Management of the Foundation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Foundation's status as a not-for-profit entity. Management believes the Foundation met the requirements to maintain its tax-exempt status and has no material income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these consolidated financial statements.

### *Fair Value Measurements*

The Foundation follows FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*. Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as 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. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation inputs used to measure fair value into three broad levels to ensure consistency and comparability. The valuation hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobserved inputs (Level 3) described as follows:

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including general partner estimates and recent third-party appraisals.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate, for any given asset or liability, is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

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### *Fair Values of Financial Instruments*

The following methods and assumptions were used by the Foundation in estimating the fair values of its financial instruments on a recurring basis:

*Marketable securities:* All of the Foundation's marketable securities are valued by the custodian, broker, or the account manager using a nationally recognized third party pricing service. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date and classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.

*Non-marketable securities:* Partnerships, hedge funds, and an investment in a holding company are carried at fair value, which is based on the net asset value (NAV) per share of the fund as provided by the investment manager, except in certain circumstances such as when the fund is in liquidation, in which case the value of the investment is estimated at liquidation value. The Foundation classifies non-marketable securities carried at NAV as a Level 2 or Level 3 measurement, depending upon the timing of the redemption provisions. If the Foundation has the ability to redeem the investment at the stated price within ninety days of the measurement date, the Foundation classifies the input as Level 2; otherwise the investment is considered to be Level 3. Certain limited partnerships and the Foundation's investment in a holding company are carried at fair value as determined by management or independent appraisal. Due to the unobservable key inputs and non-redemable nature, these investments are classified as Level 3.

*Beneficial interest in trusts:* The Foundation estimates the fair value of its interest in various trusts by discounting to present value the future benefits expected to be received at the end of the trust terms based on the designated beneficiaries' life expectancy and an estimated growth rate. The Foundation classifies all such assets as Level 2.

*Agency fund payable:* Carrying amount approximates fair value due to underlying assets, and the Foundation classifies all such liabilities as Level 1.

*Closely held stock, real estate, and mineral interests:* The Foundation has determined it is not cost effective to determine the fair values of its investments in closely held stock, real estate, and mineral interests, and, accordingly, the Foundation has not estimated the fair values of these investments.

*Other:* The carrying amount reported in the consolidated statement of financial position for the following financial instruments approximates fair value because of the short maturities or underlying asset values:

- Cash, cash equivalents, and restricted cash
- Contributions receivable
- Accrued interest and dividends
- Accounts payable
- Grants payable

The Foundation identified no events or changes in circumstances that might have an adverse effect on fair values of their investments at December 31, 2015.

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# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

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### *Recently Issued Accounting Pronouncements*

FASB ASU No. 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which addresses the diversity in practice related to how certain investments measured at net asset value with redemption dates in the future (including periodic redemption dates) are categorized within the fair value hierarchy. The standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. The Foundation adopted this standard during fiscal year 2015 and does not foresee a material impact on the consolidated financial statements.

## 2. Investments

Investments consist of the following at December 31, 2015:

Marketable securities	\$ 182,599,260
Non-marketable securities	8,347,383
Other investments	4,383,639
Beneficial interest in trusts	1,160,975
Investment in real estate	197,465
	<u>\$ 196,688,722</u>

Investments in marketable and non-marketable securities are held by brokerage firms and in revocable trust accounts with a bank. The Foundation consults with investment advisory firms as to the placement of the investments.

Investments in marketable equity securities, non-marketable securities, and all debt securities are carried at fair value and are comprised of the following at December 31, 2015:

Equity securities	\$ 97,788,479
Mutual funds (equity and/or bonds)	68,842,782
Certificates of deposit	13,536,424
Hedge funds	3,982,260
Investment holding company	2,019,762
Bonds	2,431,575
Partnerships	2,345,361
Beneficial interest in trusts	1,160,975
	<u>\$ 192,107,618</u>

Other investments consist of closely held equity securities in Martin Sprocket and Gear, Inc.; LNW Family, L.P.; The DreamVision Company, LLC; HIG Holdings, LLC; Xpressdocs Holdings, Inc.; certain foreign currency; and mineral rights interest amounting to \$4,581,104 at December 31, 2015.

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**Community Foundation of North Texas, Inc.**  
**Notes to Consolidated Financial Statements**

At December 31, 2015, investment in real estate consists of one commercial building and the related land located in Tarrant County, Texas.

The following schedule summarizes the investment return for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Total
Net investment income:			
Dividends and interest	\$ 2,453,702	\$ 869,242	\$ 3,322,944
Net investment gains:			
Net realized gains	9,370,230	1,795,735	11,165,965
Net unrealized gains	(3,652,611)	(1,235,616)	(4,888,227)
	<u>5,717,619</u>	<u>560,119</u>	<u>6,277,738</u>
Equity in earnings from partnerships, net	(1,613,202)	(2,368,052)	(3,981,254)
Other	(1,350,121)		(1,350,121)
	<u>5,207,998</u>	<u>(938,691)</u>	<u>4,269,307</u>
Fees	(345,453)	(76,868)	(422,321)
	<u>\$ 4,862,545</u>	<u>\$ (1,015,559)</u>	<u>\$ 3,846,986</u>

Fees resulting from investing transactions during 2015 related to program services.

**3. Beneficial Interest in Trusts**

The Foundation is the remainder beneficiary of charitable remainder trusts established by various donors. The assets of the trusts are held by third-party trustees. Each trust provides for the payment of distributions to other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining trust assets are to be distributed to the Foundation. The Foundation estimates the present value of the future benefits expected to be received at the end of the trusts' terms based on the designated beneficiaries' life expectancy, an estimated growth rate of 3.15%, and the use of a 5.82% discount rate, which amounted to \$1,160,975 at December 31, 2015. The change in the value of beneficial interest in trusts amounted to \$12,377 during 2015 and is included as an increase in temporarily restricted contributions in the consolidated statement of activities.

**4. Grants Payable**

Unconditional grants awarded to various not-for-profit organizations and unpaid at December 31, 2015, amounted to \$300, of which the full amount is payable in one year or less.

**5. Net Assets**

At December 31, 2015, unrestricted net assets consist of operational net assets of the Foundation's administrative fund amounting to \$1,104,534 and net assets of donor-advised and other funds maintained separately from the administrative fund amounting to \$166,399,960.

# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

Temporarily restricted net assets include contributions received with time restrictions and those received under split-interest agreements with an implied time restriction. In addition, the Foundation continues to classify contributions (and related net assets) received under gift instruments (generally grants), which specifically do not reference variance power and require the return of assets if not used for the donor specified purpose until such funds are expended in accordance with the donor restricted purpose, as temporarily restricted. Temporarily restricted net assets released from restriction amounted to \$2,570,966 during 2015, and resulted from grant distributions to other charitable organizations and other program expenses, satisfying purposes as recommended by the donors.

Permanently restricted net assets include donor restricted endowment funds in which variance power is not referenced in the gift instrument and, based on the Foundation's legal opinion, are not spendable through action of the Board of Directors.

The Foundation manages more than 168 donor advised funds at December 31, 2015. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion of the use of these funds lies with the Board of Directors. Non-donor advised funds represent amounts held by the Foundation designated for specific purposes by donors and/or the Foundation.

### 6. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2015, are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
<b>Marketable securities:</b>				
Certificates of deposit	\$ 13,536,424	\$ 13,536,424	\$ -	\$ -
<b>Stocks</b>				
Domestic large cap	80,752,248	80,752,248		
Domestic mid cap	12,294,265	12,294,265		
Domestic small cap	3,821,201	3,821,201		
Foreign	916,329	916,329		
Preferred stock	4,436	4,436		
<b>Mutual funds equity</b>				
Domestic large cap	21,570,806	21,570,806		
Domestic mid cap	154,743	154,743		
Domestic small cap	4,425,314	4,425,314		
Foreign	6,952,146	6,952,146		
Tax aware	217,080	217,080		
Tactical allocation	22,357	22,357		
Long/short	100,794	100,794		
Energy equity & natural resources	1,391,363	1,391,363		
Real estate	7,443,565	7,443,565		



# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

Fair values of assets measured on a recurring basis at December 31, 2015, are as follows (continued):

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Mutual funds fixed income</b>				
Duration bonds	\$ 11,393,789	\$ 11,393,789	\$ -	\$ -
Global bond fund	6,114,334	6,114,334		
Inflation protected bonds	4,803,878	4,803,878		
Commodity bonds	3,851,621	3,851,621		
Corporate bonds	202,977	202,977		
Nontraditional bonds	105,945	105,945		
Multisector bonds	49,118	49,118		
High yield bond fund	42,952	42,952		
<b>Bonds</b>				
Corporate bonds	871,606		871,606	
Government bonds	1,559,969		1,559,969	
<b>Total marketable securities:</b>	<u>182,599,260</u>	<u>180,167,685</u>	<u>2,431,575</u>	<u>-</u>
<b>Non-marketable securities:</b>				
Hedge fund investments measured at net asset value <sup>(a)</sup>	3,982,260			
Partnerships	2,345,361			2,345,361
Investment holding company	2,019,762			2,019,762
<b>Total non-marketable securities:</b>	<u>8,347,383</u>	<u>-</u>	<u>-</u>	<u>4,365,123</u>
<b>Beneficial interest in trusts</b>	<u>1,160,975</u>		<u>1,160,975</u>	
	<u>\$ 192,107,618</u>	<u>\$ 180,167,685</u>	<u>\$ 3,592,550</u>	<u>\$ 4,365,123</u>
<b>Liabilities</b>				
Agency fund payable	<u>\$ 13,214,951</u>	<u>\$ 13,214,951</u>	<u>\$ -</u>	<u>\$ -</u>

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The following table summarizes the changes in the fair value of the Foundation's Level 3 financial assets:

	Partnerships	Investment Holding Company
Balance at December 31, 2014	\$ 35,364,466	\$ -
Investment income	347,509	
Net realized gains	3,165,294	
Net unrealized gains (losses)	(2,669,616)	2,019,762
Transfer out of Level 3	(6,317,975)	
Contributions		
Sales of investments	(33,928,204)	
Purchases	6,383,887	
<b>Balance at December 31, 2015</b>	<u>\$ 2,345,361</u>	<u>\$ 2,019,762</u>

## Community Foundation of North Texas, Inc.

### Notes to Consolidated Financial Statements

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's investments that are categorized within Level 3 of the fair value hierarchy at December 31, 2015:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range of Input Values
Partnerships	\$ 2,345,361	Independent or company valuation	Company financials	N/A
Investment holding company	2,019,762	Asset-based approach	Discount for lack of marketability Discount for lack of control	0% - 30% 0% - 10%

The Foundation's investments in certain entities that calculate net asset value per share include the following at December 31, 2015:

	Fair Value	Redemption or Liquidity	Redemption Notice Period
Multi-strategy	\$ 2,014,280	Quarterly	60 days
Fund of funds	1,149,439	Quarterly	95 days
Multi-strategy - global	798,247	Quarterly	60 days
Arbitrage fund	20,294	Illiquid	N/A

At December 31, 2015, the Foundation had no remaining lock-up periods for any of its investments, and the Foundation had no unfunded commitments in entities that calculate net asset value per share. A description of the significant investment strategies and additional relevant information for investments carried at NAV is summarized as follows:

*Multi-strategy fund:* Strategies that engage in a variety of investment strategies to achieve long-term capital appreciation. Strategies adopted in a multi-strategy fund may include, but are not limited to, securities, commodities, other financial instruments, affiliated and unaffiliated investment funds, and managed portfolios.

*Fund of funds:* This class seeks to use a multi-manager, marketable alternatives investment program to provide long-term returns that are favorable to those of equity and credit markets on a risk-adjusted basis.

*Multi-strategy global fund:* Strategies that engage in a variety of investment strategies with a focus on developing markets. The diversification is utilized to generate superior risk-adjusted returns and current income by opportunistically investing in financial instruments and investment vehicles across all geographic regions.

*Arbitrage fund:* This class seeks to structure a diverse portfolio with an emphasis on absolute returns through arbitrage, credit and market neutral strategies.

# Community Foundation of North Texas, Inc.

## Notes to Consolidated Financial Statements

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### 7. Retirement Plan

The Foundation sponsors a tax-deferred employee benefit plan for its full-time employees under the provisions of Internal Revenue Code Section 403(b). Under the plan, the Foundation makes periodic discretionary contributions. Employees are allowed to make contributions within limits established by the IRS. Employer contributions to the plan amounted to \$73,697 during 2015.

### 8. Commitments

The Foundation leases office space and equipment under noncancelable operating leases. The Foundation's rental expense during 2015 amounted to \$102,186. Future minimum lease payments on these lease obligations are as follows:

2016	\$ 83,352
2017	83,260
2018	83,950
2019	65,550
	<u>\$316,112</u>

The Foundation has a continuing employment agreement with its President. In the event of termination, the Foundation may be liable for amounts under this agreement.

### 9. Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk are cash and cash equivalents. The Foundation places its cash with financial institutions and periodically maintains deposits in amounts which exceed FDIC insurance coverage. At December 31, 2015, the Foundation held cash amounting to \$2,068,280, which exceeded insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

The majority of the Foundation's donors are located in Fort Worth, Texas and the surrounding areas. Contributions received from donors, which individually exceeded five percent of contribution revenue, consisted of gifts from two donors amounting to \$12,027,084 (49% of total contribution revenue).

The Foundation currently invests primarily in certificates of deposit, common and preferred stock, fixed income, equity and fixed income mutual funds, partnership interests, an investment holding company, interests in hedge funds, and closely held stock. The Foundation has an investment in one corporate stock which comprises approximately 40% of equity securities, 20% of marketable securities, and 19% of total investments.

### 10. Subsequent Events

The Foundation has evaluated subsequent events through March 23, 2016, which is the date the consolidated financial statements were available to be issued.

## **Supplemental Schedule**

**Community Foundation of North Texas, Inc.**  
**Consolidated Administrative and Development Expenses**  
**For the Year Ended December 31, 2015, with Comparative Totals for 2014**

	2015			2014
	Administrative Expense	Development Expense	Total	Total
Salaries and wages	\$ 214,862	\$ 261,563	\$ 476,425	\$ 487,891
Employee benefits and pension	23,602	28,732	52,334	51,936
Payroll taxes	18,402	22,562	40,964	40,577
Occupancy	29,709	33,458	63,167	76,782
Telephone	1,215	1,563	2,778	4,329
Professional fees	46,804	150	46,954	47,527
Donor services	2,491	24,582	27,073	26,941
Membership dues	13,312	2,080	15,392	22,134
Board and staff development	11,153	362	11,515	15,419
Conferences and meetings	2,854	3,673	6,527	7,328
Local transportation	1,440	1,440	2,880	2,880
Insurance and miscellaneous	4,603		4,603	7,196
Supplies	2,579	3,319	5,898	6,222
Outside printing	10,968	9,239	20,207	23,775
Subscriptions	818		818	1,459
Equipment	23,366	270	23,636	26,418
Website		2,681	2,681	2,892
Postage and shipping	1,655	1,241	2,896	2,258
Depreciation	10,514		10,514	9,658
	<u>\$ 420,347</u>	<u>\$ 396,915</u>	<u>\$ 817,262</u>	<u>\$ 863,622</u>

*See accompanying independent auditor's report.*