
**Community Foundation
of North Texas, Inc.**
Consolidated Financial Statements
December 31, 2014

Community Foundation of North Texas, Inc.
Table of Contents

Independent Auditor's Report..... 1

Consolidated Financial Statements

Consolidated Statement of Financial Position 3

Consolidated Statement of Activities..... 4

Consolidated Statement of Cash Flows 5

Notes to Consolidated Financial Statements 6

Supplemental Schedule

Consolidated Administrative and Development Expenses 19

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., 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, 2014, 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 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, 2014, 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 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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 18, 2015

Community Foundation of North Texas, Inc.
Consolidated Statement of Financial Position
December 31, 2014, with Comparative Totals for 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 2,298,077	\$ 4,263,574
Restricted cash and cash equivalents	19,681,773	6,101,925
	<u>21,979,850</u>	<u>10,365,499</u>
Accrued interest and dividends	75,090	77,712
Contributions receivable, net	96,039	650,651
Prepaid expenses	9,846	21,008
Investments	184,492,454	187,849,252
Beneficial interest in trusts	736,848	1,087,749
Cash surrender value of life insurance	274,405	258,696
Property and equipment, at cost		
less accumulated depreciation of \$99,301	50,587	80,982
	<u>\$ 207,715,119</u>	<u>\$ 200,391,549</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 30,956	\$ 17,564
Grants payable	2,540,750	35,000
Agency fund payable	14,189,865	14,370,600
	<u>16,761,571</u>	<u>14,423,164</u>
Net Assets		
Unrestricted	151,328,349	145,833,722
Temporarily restricted	39,625,199	40,134,663
	<u>190,953,548</u>	<u>185,968,385</u>
	<u>\$ 207,715,119</u>	<u>\$ 200,391,549</u>

See accompanying notes to consolidated financial statements.

Community Foundation of North Texas, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2014, with Comparative Totals for 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Support				
Contributions	\$ 14,016,792	\$ 753,128	\$ 14,769,920	\$ 11,883,193
Revenue				
Investment return, net	9,640,338	1,438,712	11,079,050	32,086,311
Other income (loss)	243,192	(168,163)	75,029	83,440
Net assets released from restrictions	2,533,141	(2,533,141)	-	-
	<u>26,433,463</u>	<u>(509,464)</u>	<u>25,923,999</u>	<u>44,052,944</u>
Expenses				
Program services				
Grants	19,692,919		19,692,919	12,940,533
Other	382,295		382,295	287,165
	<u>20,075,214</u>	<u>-</u>	<u>20,075,214</u>	<u>13,227,698</u>
Supporting services				
Administrative	483,010		483,010	493,961
Development	380,612		380,612	237,568
	<u>20,938,836</u>	<u>-</u>	<u>20,938,836</u>	<u>13,959,227</u>
Change in Net Assets	<u>5,494,627</u>	<u>(509,464)</u>	<u>4,985,163</u>	<u>30,093,717</u>
Net Assets				
Beginning of Year	145,833,722	40,134,663	185,968,385	155,874,668
End of Year	<u>\$ 151,328,349</u>	<u>\$ 39,625,199</u>	<u>\$ 190,953,548</u>	<u>\$ 185,968,385</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, 2014, with Comparative Totals for 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 4,985,163	\$ 30,093,717
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(7,370,976)	(25,596,462)
Equity in earnings of partnerships, gross of dividends received of \$473,610 in 2014	(1,471,915)	(4,332,402)
Noncash contributions of investments	(6,361,815)	(3,510,039)
Change in value of beneficial interest in trusts	350,901	(194,508)
Change in value of cash surrender value of life insurance	(15,709)	5,557
Transfer of assets	46,218	
Loss on disposal of assets		1,678
Depreciation	9,658	10,207
Change in:		
Accrued interest and dividends	2,622	(28,205)
Contributions receivable	554,612	(649,650)
Prepaid expenses	11,162	(534)
Accounts payable	13,392	(11,814)
Grants payable	2,505,750	(124,450)
Agency fund payable	(180,735)	2,753,832
Net cash used in operating activities	<u>(6,921,672)</u>	<u>(1,583,073)</u>
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	75,002,934	40,053,385
Purchases of investments	(55,731,174)	(43,667,010)
Change from investing activities related to agency funds	(710,256)	(2,187,283)
Purchases of property and equipment	(25,481)	(68,813)
Net cash provided by (used in) investing activities	<u>18,536,023</u>	<u>(5,869,721)</u>
Net Change in Cash and Cash Equivalents	11,614,351	(7,452,794)
Cash and Cash Equivalents - Beginning of Year	<u>10,365,499</u>	<u>17,818,293</u>
Cash and Cash Equivalents - End of Year	\$ 21,979,850	\$ 10,365,499
Noncash Investing Activity		
Disposal of property and equipment		\$ 6,409

See accompanying notes to consolidated financial statements.

Community Foundation of North Texas, Inc.

Notes to Consolidated Financial Statements

1. History and Summary of Significant Accounting Policies

Organization and History

The Community Foundation of North Texas, Inc. (the "Community 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 Community Foundation administers more than 225 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 2014 the Foundation awarded 1,675 grants with a total value of \$19,692,919.

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

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 temporarily restricted until they are able to be appropriated, at which time the appropriation is reclassified to unrestricted net assets. Generally, if the corpus of a contribution may at some future time become available for spending, it is recorded as temporarily restricted. 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

Community Foundation of North Texas, Inc.

Notes to Consolidated Financial Statements

the current spending policy to allow its endowment to grow annually. 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, 2014, of the \$19,681,773 in restricted cash and cash equivalents, \$5,175,742 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, 2014, no provision was recorded.

Investments

Investments consists of marketable securities, investment in partnerships, other investments, and investment in real estate. The Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the consolidated statement of financial position. 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 and is accounted for using the equity method. 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 as of December 31, 2014, in any of its investment partnerships is limited to the value of the investment at December 31, 2014, plus any unfunded commitments. As of December 31, 2014, unfunded commitments were \$1,721,448.

The Foundation's other investments consist of equity securities in closely held companies with no readily determinable fair value 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. The Foundation received certain mineral rights valued at \$724,735 at the time of the contribution, which became the Foundation's cost basis.

Community Foundation of North Texas, Inc.

Notes to Consolidated Financial Statements

The Foundation's investment in real estate consists of land and a building and is carried at the lower of cost or fair value. Contributions of real estate to be held for investment purposes are recorded at the appraised value at the date of the contribution, which becomes the Foundation's cost basis.

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 statement of financial position. On July 25, 2014, the Foundation transferred Project Henry to the City of Fort Worth. The value of the assets transferred amounted to \$959,754, and the related liability was extinguished.

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.

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 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.

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. The Foundation's Form 990 filings for the years ended December 31, 2013, 2012, and 2011 are subject to examination by tax authorities, and may change upon examination.

Community Foundation of North Texas, Inc.

Notes to 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 techniques used to measure fair value into three broad levels.

Fair Values of Financial Instruments

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

Marketable securities and other investments: Fair values for marketable securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Other investments are carried at cost. The Foundation identified no events or changes in circumstances that might have an adverse effect on fair values of their investments at December 31, 2014. The Foundation has determined it is not cost effective to determine the fair values of these investments in closely held stock and, accordingly, the Foundation has not estimated the fair values of other investments.

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.

Agency fund payable: Carrying amount approximates fair value due to underlying assets.

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 and cash equivalents
- Restricted cash
- Contributions receivable
- Accrued interest and dividends
- Accounts payable
- Grants payable

Recently Issued Accounting Pronouncements

FASB ASU No. 2012-05, *Statement of Cash Flows (Topic 230) – Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force)*, which addresses the diversity in practice regarding the classification of cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows. The standard requires a not-for-profit to classify these cash receipts as cash flows from operating activities, provided that the receipts (1) were from the sale of donated financial assets that upon receipt were directed for sale without the not-for-profit imposing any limitations, and (2) were converted nearly immediately to cash. If, however, the donated securities

Community Foundation of North Texas, Inc.

Notes to Consolidated Financial Statements

satisfy the foregoing conditions, but were restricted to long-term purposes by the donor, the standard requires that the cash receipts be classified as cash flows from financing activities. Moreover, cash receipts from donated securities that do not satisfy any of the foregoing conditions are to be classified as cash flows from investing activities. This standard is effective prospectively for fiscal years beginning after June 15, 2013, but early adoption is permitted. The Foundation adopted this standard as of January 1, 2014 and does not foresee a material impact on the financial statements.

2. Investments

Investments consist of the following at December 31, 2014:

Marketable securities	\$ 144,053,093
Investment in partnerships	35,364,466
Other investments	4,877,430
Investment in real estate	197,465
	<u>\$ 184,492,454</u>

Investments in 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 and all debt securities are carried at fair value and are comprised of the following at December 31, 2014:

Certificates of deposit	\$ 1,549,820
Equity securities	101,256,367
Mutual funds (equity and/or bonds)	39,652,504
Bonds	1,594,402
	<u>\$ 144,053,093</u>

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

Investment in partnerships is comprised of the following at December 31, 2014:

	<u>Percent Owned</u>	<u>Amount</u>
Commonfund Multi-Strategy Equity Investors, LLC	1.79%	\$ 5,458,083
Commonfund Multi-Strategy Bond Investors, LLC	0.74%	1,356,085
Commonfund Strategic Solutions Equity Fund, LLC	0.79%	15,399,164
Commonfund Multi-Strategy Commodities Fund, Ltd.	0.20%	484,557
Commonfund Institutional High Quality Bond Fund, LLC	1.06%	1,834,616
Commonfund Institutional Global Bond Fund, LLC	0.50%	732,485
Commonfund Strategic Solutions Core Real Estate, LLC	1.47%	707,594
Commonfund Strategic Solutions Real Estate, LLC	1.47%	485,588
Commonfund Strategic Solutions Diversifying Company A01	1.12%	284,140
Commonfund Strategic Solutions Diversifying Company A32	11.73%	814,772
SSgA Global Natural Resource Stock Non-Lending QP Common Trust Fund	0.21%	723,625
Western Asset Short-Dated High Yield Portfolio, LLC	0.23%	798,961
Commonfund Strategic Solutions Relative Value & Event Driven Company A01	0.67%	2,568,974
Commonfund Equity Market Neutral Segregated Portfolio	2.99%	1,322,048
Commonfund Alpha Port Segregated Portfolio	1.28%	1,390,373
Contingent Asset Portfolio	0.46%	275,000
Non-marketable Fund Capital Partners V	3.29%	576,203
Non-marketable Fund Natural Resources Partners IX, LP	0.04%	152,198
		<u>\$ 35,364,466</u>

Other investments consist of equity securities in Martin Sprocket and Gear, Inc., LNW Family, L.P., The DreamVision Company, LLC, and mineral rights interest amounting to \$5,028,629 at December 31, 2014.

At December 31, 2014, investment in real estate consists of one commercial building and the related land located in Tarrant County, Texas.

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

The following schedule summarizes the investment return for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Total
Net investment income:			
Dividends and interest	\$ 2,060,522	\$ 338,583	\$ 2,399,105
Net investment gains:			
Net realized gains	4,055,526	718,611	4,774,137
Net unrealized gains	3,440,247	(133,152)	3,307,095
	<u>7,495,773</u>	<u>585,459</u>	<u>8,081,232</u>
Equity in earnings from partnerships, net	628,133	597,612	1,225,745
Other	(111,211)		(111,211)
	<u>10,073,217</u>	<u>1,521,654</u>	<u>11,594,871</u>
Fees	(432,879)	(82,942)	(515,821)
	<u>\$ 9,640,338</u>	<u>\$ 1,438,712</u>	<u>\$ 11,079,050</u>

Fees resulting from investing transactions during 2014 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 trust terms based on the designated beneficiaries' life expectancy, an estimated growth rate of 7.08%, and the use of a 9.55% discount rate, which amounted to \$736,848 at December 31, 2014. The change in the value of beneficial interest in trusts amounted to \$350,901 during 2014 and is included as an increase in temporarily restricted contributions in the statement of activities.

4. Grants Payable

Unconditional grants awarded to various not-for-profit organizations and unpaid at December 31, 2014, amounted to \$2,540,750, of which the full amount is payable in one year or less.

5. Net Assets

At December 31, 2014, unrestricted net assets consist of operational net assets of the Foundation's administrative fund amounting to \$975,422 and net assets of donor-advised and other funds maintained separately from the administrative fund amounting to \$150,352,927.

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 \$2,533,141 during 2014, 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 156 donor advised funds at December 31, 2014. 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 for marketable securities determined by reference to quoted market prices and other relevant information generated by market transactions are considered Level 1 measurements under generally accepted accounting principles. Fair value for the beneficial interest in trusts determined by calculating the present value of the future benefits expected to be received is considered Level 2 measurements under generally accepted accounting principles due to the significant other observable inputs used by the Foundation to estimate the fair value. Fair value for the agency fund payable determined by the fair value of the underlying marketable securities held is considered Level 1 measurements under generally accepted accounting principles. There were no changes during the year to the Foundation's valuation techniques used to measure fair value on a recurring basis.

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

Fair values of assets measured on a recurring basis at December 31, 2014, 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)
Assets				
Certificates of deposit	\$ 1,549,820	\$ 1,549,820	\$ -	\$ -
Stocks				
Domestic large cap value	12,729,130	12,729,130		
Domestic large cap blend	456,465	456,465		
Domestic large cap growth	75,427,282	75,427,282		
Domestic mid cap value	2,267,518	2,267,518		
Domestic mid cap blend	301,615	301,615		
Domestic mid cap growth	3,994,252	3,994,252		
Domestic small cap value	1,852,705	1,852,705		
Domestic small blend	1,902	1,902		
Domestic small growth	4,225,498	4,225,498		
Mutual funds				
Domestic large cap value	3,375,131	3,375,131		
Domestic large cap blend	3,556,494	3,556,494		
Domestic large cap growth	6,698,962	6,698,962		
Domestic mid cap value	77,104	77,104		
Domestic mid cap blend	1,400	1,400		
Domestic mid cap growth	2,404,778	2,404,778		
Domestic small cap value	59,911	59,911		
Domestic small cap blend	26,064	26,064		
Domestic small cap growth	2,548,022	2,548,022		
Foreign large cap	179,095	179,095		
Real estate	17,256	17,256		
Global bond fund	246,808	246,808		
Short term bonds	240,702	240,702		
Intermediate term bonds	20,185,889	20,185,889		
High yield bond fund	34,888	34,888		
Bonds				
Corporate bonds	722,873		722,873	
Government bonds	871,529		871,529	
Beneficial interest in trusts	736,848		736,848	
	<u>\$ 144,789,941</u>	<u>\$ 142,458,691</u>	<u>\$ 2,331,250</u>	<u>\$ -</u>
Liabilities				
Agency fund payable	\$ 14,189,865	\$ 14,189,865	\$ -	\$ -

The Foundation recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels during the year ended December 31, 2014.

Community Foundation of North Texas, Inc.

Notes to Consolidated Financial Statements

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 \$58,707 during 2014.

8. Commitments

The Foundation leases office space and equipment under noncancelable operating leases. The Foundation's rental expense during 2014 amounted to \$97,217. Future minimum lease payments on these lease obligations are as follows:

2015	\$ 79,902
2016	83,352
2017	83,260
2018	83,950
2019	65,550
	<u>\$396,014</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, 2014, the Foundation held cash amounting to \$2,795,371, which exceeded insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

Contributions received from donors, which individually exceeded five percent of contribution revenue, consisted of gifts from five donors amounting to \$6,981,679.

The Foundation currently invests primarily in debt obligations of the U.S. Government and other foreign governments, equity securities, mutual funds, corporate bonds, and partnerships. The Foundation has an investment in one corporate stock which comprises approximately 43% of equity securities, 27% of marketable securities, and 21% of total investments.

The Foundation has an investment in one mutual fund which comprises approximately 50% of the balance of mutual funds, 12% of marketable securities, and 10% of total investments.

The Foundation has an investment in one partnership that comprises approximately 43% of the balance in partnerships, and 8% of total investments. These investments noted above individually exceed five percent of total assets.

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

10. Subsequent Events

The Foundation has evaluated subsequent events through March 18, 2015, 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, 2014, with Comparative Totals for 2013

	2014			2013
	Administrative Expense	Development Expense	Total	Total
Salaries and wages	\$ 247,057	\$ 240,834	\$ 487,891	\$ 413,097
Employee benefits and pension	26,299	25,637	51,936	49,476
Payroll taxes	21,357	19,220	40,577	32,647
Occupancy	43,109	33,673	76,782	60,187
Telephone	2,672	1,657	4,329	3,896
Professional fees	40,327	7,200	47,527	52,316
Donor services	2,397	24,544	26,941	26,387
Membership dues	16,555	5,579	22,134	18,676
Board and staff development	15,235	184	15,419	8,385
Conferences and meetings	4,156	3,172	7,328	8,740
Local transportation	720	2,160	2,880	3,060
Insurance and miscellaneous	7,196		7,196	6,204
Supplies	3,840	2,382	6,222	4,952
Outside printing	13,510	10,265	23,775	3,556
Subscriptions	1,459		1,459	125
Equipment	26,173	245	26,418	25,704
Website		2,892	2,892	2,204
Postage and shipping	1,290	968	2,258	1,710
Depreciation	9,658		9,658	10,207
	<u>\$ 483,010</u>	<u>\$ 380,612</u>	<u>\$ 863,622</u>	<u>\$ 731,529</u>

See accompanying independent auditor's report.