

# **The Winston-Salem Foundation**

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**Combined Financial Statements and  
Supplementary Combining Information**

**Years Ended December 31, 2019 and 2018**

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## **Independent Auditors' Report**

Audit Committee  
The Winston-Salem Foundation  
Winston-Salem, North Carolina

We have audited the accompanying combined financial statements (modified cash basis) of The Winston-Salem Foundation and its supporting organizations (the "Foundation"), which comprise the combined statements of assets, liabilities, and net assets (modified cash basis) as of December 31, 2019 and 2018, and the related combined statements of receipts, disbursements and changes in net assets (modified cash basis) for the years then ended, and the related notes to the combined financial statements (modified cash basis).

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

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the combined financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 combined financial statements (modified cash basis) referred to above present fairly, in all material respects, the net assets of the Foundation at December 31, 2019 and 2018, and their receipts, disbursements and changes in net assets for the years then ended, on the basis of accounting described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 of the combined financial statements (modified cash basis), which describes the basis of accounting. These combined financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Dixon Hughes Goodman LLP*

**Winston-Salem, North Carolina  
June 15, 2020**

**The Winston-Salem Foundation**  
**Combined Statements of Assets, Liabilities and Net Assets (Modified Cash Basis)**  
**December 31, 2019 and 2018**

|  | <u>2019</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>                                  |                       |                       |
| Cash and cash equivalents                      | \$ 47,921,857         | \$ 37,633,584         |
| Securities - Note 4                            | 489,401,400           | 464,993,758           |
| Receivables:                                   |                       |                       |
| Student loans                                  | 242,324               | 316,564               |
| Notes  | 3,606,424             | 3,594,683             |
| Assets held in trust - Note 7                  | 4,016,275             | 4,016,275             |
| Investments in partnerships - Note 8           | 20,113,985            | 20,410,068            |
| Building, leasehold improvements and equipment | 1,308,523             | 1,308,523             |
| Other assets                                   | 1,089,063             | 1,148,770             |
|  | <u>567,699,851</u>    | <u>533,422,225</u>    |
| Total assets                                   | <u>\$ 567,699,851</u> | <u>\$ 533,422,225</u> |
| <b>LIABILITIES AND NET ASSETS</b>              |                       |                       |
| Liabilities:                                   |                       |                       |
| Amounts withheld from employees                | \$ 2,963              | \$ 1,423              |
| Deferred compensation liability                | 62,623                | 34,002                |
| Agency deposits                                | 23,818,713            | 21,767,383            |
|  | <u>23,884,299</u>     | <u>21,802,808</u>     |
| Total liabilities                              | <u>23,884,299</u>     | <u>21,802,808</u>     |
| Net assets:                                    |                       |                       |
| Without donor restrictions - Note 9            | <u>543,815,552</u>    | <u>511,619,417</u>    |
|  | <u>543,815,552</u>    | <u>511,619,417</u>    |
| Total net assets                               | <u>543,815,552</u>    | <u>511,619,417</u>    |
|  | <u>\$ 567,699,851</u> | <u>\$ 533,422,225</u> |
| Total liabilities and net assets               | <u>\$ 567,699,851</u> | <u>\$ 533,422,225</u> |

See accompanying notes.

**The Winston-Salem Foundation**  
**Combined Statements of Receipts, Disbursements and Changes in Net Assets**  
**(Modified Cash Basis)**  
**Years Ended December 31, 2019 and 2018**

|   | <u>2019</u>           | <u>2018</u>           |
|---|-----------------------|-----------------------|
| Receipts:   |                       |                       |
| Donations and bequests  | \$ 38,379,673         | \$ 44,134,404         |
| Interest, dividends, and other investment income                              | 9,773,449             | 9,647,161             |
| Fees assessed on agency deposits  | 224,803               | 225,338               |
| Other receipts  | <u>73,657</u>         | <u>699,052</u>        |
| Total receipts  | <u>48,451,582</u>     | <u>54,705,955</u>     |
| Disbursements:  |                       |                       |
| Grants  | 57,912,395            | 57,629,213            |
| Executive office operations   | 4,461,739             | 4,090,177             |
| Trustee banks' and investment management fees                                 | 1,454,328             | 1,482,867             |
| Brokerage fees  | 67,192                | 31,252                |
| Other disbursements   | <u>192,135</u>        | <u>121,950</u>        |
| Total disbursements   | <u>64,087,789</u>     | <u>63,355,459</u>     |
| Disbursements over receipts before net realized and unrealized gains (losses) | (15,636,207)          | (8,649,504)           |
| Net realized and unrealized gains (losses) - Note 13                          | <u>47,832,342</u>     | <u>(21,372,450)</u>   |
| Increase (decrease) in net assets without donor restrictions                  | 32,196,135            | (30,021,954)          |
| Net assets without donor restrictions, beginning of year                      | <u>511,619,417</u>    | <u>541,641,371</u>    |
| Net assets without donor restrictions, end of year                            | <u>\$ 543,815,552</u> | <u>\$ 511,619,417</u> |

## **Notes to Combined Financial Statements (Modified Cash Basis)**

### **1. Organization**

The Winston-Salem Foundation is a publicly supported community trust established in 1919 for the receipt and distribution of charitable funds. Its assets are held in trust funds maintained by various trustees.

The Winston-Salem Foundation, Inc. was established on January 1, 1984 for the purpose of processing certain charitable receipts and distributions previously processed by the trustees and for maintaining the operations of the executive office of the Winston-Salem Foundation.

The WSF Land Holding Company was established on June 9, 1998 as a component part of the Winston-Salem Foundation. Its primary purpose is to hold real property gifted to the Winston-Salem Foundation and limit potential liabilities until such property is converted to cash.

In addition, the Winston-Salem Foundation has a relationship with a supporting organization. The Millennium Fund is a nonprofit organization established in 2002 to address the private sector's responsibilities in dealing with the needs of the Winston-Salem community with a focus towards community development.

### **2. Significant Accounting Policies**

#### ***Combined financial statement presentation***

The combined financial statements include the accounts of The Winston-Salem Foundation, The Winston-Salem Foundation, Inc., the WSF Land Holding Company, and The Millennium Fund (collectively, the "Foundation"). Inter-entity transactions have been eliminated in combination.

#### ***Modified basis of accounting***

The Foundation prepares its combined financial statements on the basis of cash receipts and disbursements modified to record securities and other investments at fair value and to record contributed assets when received or, in the case of deferred gifts received, when the Foundation has the right to use those assets to meet its charitable purpose. Under this basis, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Furthermore, the capitalized costs of buildings, leasehold improvements and equipment are not depreciated. Instead, these assets are written-off when they are no longer in service or no longer have value to the Foundation.

#### ***Agency deposits***

The Foundation's method of accounting for agency deposits conforms with authoritative guidance under generally accepted accounting principles relating to the transfer of assets to a not-for-profit organization that raises or holds contributions for others. This guidance requires a recipient organization that accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or to transfer those assets, the return on investment of those assets, or both to the donor or an affiliated beneficiary, to recognize the fair value of those assets as a liability to the beneficiary concurrent with recognition of the assets received from the donor.

## **The Winston-Salem Foundation**

### **Notes to Combined Financial Statements (Modified Cash Basis)**

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#### ***Classification of net assets***

The state of North Carolina adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 23, 2009. The Winston-Salem Foundation Committee, (the "Committee"), on the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to The Winston-Salem Foundation 1993 Amended and Restated Declaration of Trust (ARDT) and most contributions are subject to its terms. Certain contributions are received subject to other trust instruments, or are subject to specific agreements with the Foundation.

Under the terms of the ARDT, the Winston-Salem Foundation Committee has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the Committee in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions unrelated to the Foundation's supporting organizations are classified as net assets without donor restrictions for financial statement purposes. As of December 31, 2019 and 2018, the Foundation's supporting organizations do not hold any net assets with donor restrictions.

**Net assets without donor restrictions** consist of assets, net of liabilities, related to the Foundation's regular activities, which are available at the discretion of the Winston-Salem Foundation Committee. These are amounts that are available for use in carrying out the mission of the Foundation consist of expendable resources, including funds designated for special use by the Foundation Committee and funds subject to the variance power established by the ARDT, and unexpendable resources invested in property and equipment. Variance power provides the Foundation with the ability to modify donor stipulations that are incapable of fulfillment or inconsistent with the charitable purposes of the Foundation.

#### ***Endowment investment and spending policies***

The Foundation has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation's investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current objective is a 7% nominal return, net of investment fees. Actual returns in any given year may vary from this amount.

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 that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

The current spending policy is to distribute an amount equal to 4% of a moving three-year average of the endowment market value, plus an additional amount to cover the Foundation's administrative fees which average 1% annually.

#### ***Cash and cash equivalents***

The Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less, when purchased to be cash equivalents.

At times, the Foundation maintains cash deposits with financial institutions which exceed federally insured limits. Management monitors the stability of these financial institutions and believes the Foundation's risk is negligible.

#### ***Securities***

Investments in securities are stated at fair market value. Realized and unrealized gains and losses are computed based on the cost of purchased securities or the estimated fair value of donated securities at the date of receipt using the average cost method.

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

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***Fair value measurements***

Fair value is defined as an exit price, representing 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. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability and establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

***Student loans and notes receivable***

Student loans and notes receivable are evaluated periodically for collectability by management. Amounts deemed ultimately uncollectible are charged to disbursements in the period such determination is made.

***Building, leasehold improvements and equipment***

Purchased property and equipment are stated at cost. Property and equipment received as donations and bequests are stated at estimated fair values at the date of receipt by the Foundation. Property and equipment are not depreciated; however, such assets are written off when they are no longer used by, or of no further value to, the Foundation. The foundation capitalizes all fixed asset purchases over \$2,500.

***Use of estimates***

The preparation of combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from these estimates.

***Evaluation of subsequent events***

The Foundation evaluated the effect subsequent events would have on the combined financial statements through June 15, 2020, which is the date the combined financial statements were available to be issued.

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

**3. Liquidity and Availability**

As part of its liquidity management, the Foundation has a policy to maintain sufficient financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily operating funds in short-term investments such as treasury bills, certificates of deposit, and money market funds.

The following schedule explains the Foundation's financial assets to meet cash needs for general expenditures within one year. The financial assets were derived from the total assets on the combined statements of assets, liabilities and net assets (modified cash basis) by excluding the assets that are unavailable for general expenditures. The Foundation seeks to maintain sufficient liquid assets to cover three months' operating and capital expenditures.

|                           | <u>2019</u>          | <u>2018</u>          |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 47,921,857        | \$ 37,633,584        |
| Securities                | <u>7,049,940</u>     | <u>14,348,676</u>    |
|                           | <u>\$ 54,971,797</u> | <u>\$ 51,982,260</u> |

The Foundation has budgeted to spend an estimated \$54,971,797 from cash and cash equivalents and securities for general expenditures, including grants, within one year. Accordingly, these assets have been included in the qualitative information above. Additionally, the Foundation has other investments that could be made available, if necessary.

**4. Securities**

Securities are presented in the combined financial statements in the aggregate at fair value. Investments as of December 31 are comprised of the following:

|                            | <u>2019</u>        |                       | <u>2018</u>        |                       |
|----------------------------|--------------------|-----------------------|--------------------|-----------------------|
|                            | <u>Fair Value</u>  | <u>Assigned Value</u> | <u>Fair Value</u>  | <u>Assigned Value</u> |
| Individual securities:     |                    |                       |                    |                       |
| Domestic equity            | \$ 11,510,786      | \$ 9,102,902          | \$ 11,423,252      | \$ 11,550,658         |
| International equity       | 1,282,661          | 1,126,289             | 619,251            | 689,981               |
| Domestic fixed income      | <u>102,235,084</u> | <u>101,072,553</u>    | <u>120,928,992</u> | <u>121,207,718</u>    |
|                            | <u>115,028,531</u> | <u>111,301,744</u>    | <u>132,971,495</u> | <u>133,448,357</u>    |
| Mutual funds and ETFs:     |                    |                       |                    |                       |
| Domestic equity            | 63,463,782         | 43,979,870            | 51,835,442         | 44,328,710            |
| International equity       | 37,841,286         | 32,134,251            | 32,303,726         | 32,562,661            |
| Global equity              | 8,774,769          | 8,163,419             | 6,124,145          | 6,673,646             |
| Domestic fixed income      | 12,410,106         | 12,318,210            | 7,469,843          | 7,719,131             |
| International fixed income | 5,920,088          | 6,101,499             | 5,835,511          | 6,593,876             |
| Global fixed income        | 22,512,704         | 22,506,684            | 22,606,316         | 24,104,599            |
| Equity/fixed income blend  | 2,183,575          | 2,167,357             | 1,493,043          | 1,637,093             |
| Special purpose            | <u>13,998,275</u>  | <u>15,714,661</u>     | <u>17,829,967</u>  | <u>20,914,362</u>     |
|                            | <u>167,104,585</u> | <u>143,085,951</u>    | <u>145,497,993</u> | <u>144,534,078</u>    |

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

|                            |                       |                       |                       |                       |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Commingled funds:          |                       |                       |                       |                       |
| Domestic equity            | 5,586,494             | 4,030,743             | 3,595,591             | 2,987,469             |
| International equity       | 4,775,433             | 4,536,318             | 4,497,151             | 5,071,711             |
| Domestic fixed income      | 6,440,830             | 6,465,713             | 5,636,900             | 5,876,312             |
| International fixed income | -                     | -                     | 414,870               | 431,039               |
|                            | <u>16,802,757</u>     | <u>15,032,774</u>     | <u>14,144,512</u>     | <u>14,366,531</u>     |
| Hedge funds:               |                       |                       |                       |                       |
| Multi-strategy             | 185,923,175           | 110,542,615           | 168,167,820           | 109,111,969           |
| Private equity             | 1,951,795             | 1,526,496             | 1,657,891             | 1,351,395             |
| Real estate                | 1,368,344             | 1,098,554             | 1,319,535             | 1,171,262             |
| Special purpose            | 1,222,213             | 1,200,000             | 1,234,512             | 1,200,000             |
|                            | <u>190,465,527</u>    | <u>114,367,665</u>    | <u>172,379,758</u>    | <u>112,834,626</u>    |
| Total investments          | <u>\$ 489,401,400</u> | <u>\$ 383,788,134</u> | <u>\$ 464,993,758</u> | <u>\$ 405,183,592</u> |

## 5. Endowments

The Foundation's endowments consist of approximately 840 individual funds established for a variety of purposes.

As of December 31, 2019 and 2018, all endowment funds were designated by the Winston-Salem Foundation Committee as general endowment funds to support the mission of the Foundation. Since all endowment funds resulted from an internal designation and are not donor-restricted, all endowment funds are classified and reported as net assets without donor restrictions.

Changes in endowment net assets for the years ended December 31:

|  | <u>2019</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|
| Endowment net assets, beginning of year              | \$ 317,746,811        | \$ 330,028,705        |
| Contributions  | 27,877,749            | 25,454,145            |
| Principal withdrawals                                | (17,000,311)          | (10,147,093)          |
| Investment income                                    | 6,851,723             | 6,783,433             |
| Net appreciation / (depreciation)                    | 42,330,763            | (21,551,097)          |
| Amounts appropriated for expenditure                 | (10,100,907)          | (9,391,789)           |
| Winston-Salem Foundation fees assessed to endowments | <u>(3,538,488)</u>    | <u>(3,429,493)</u>    |
| Endowment net assets, end of year                    | <u>\$ 364,167,340</u> | <u>\$ 317,746,811</u> |

Endowment funds are reported as a part of net assets without donor restrictions on the combined statements of assets, liabilities and net assets (modified cash basis).

## 6. Fair Value of Assets

The Foundation applies fair value accounting for all financial assets that are recognized or disclosed at fair value in the combined financial statements on a recurring basis. The Foundation defines fair value as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets, which are recorded at fair value, the Foundation considers the market-based risk measurements or assumptions that market participants would use in pricing the asset, such as inherent risk, transfer restrictions, and credit risk.

## **The Winston-Salem Foundation**

### **Notes to Combined Financial Statements (Modified Cash Basis)**

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The Foundation applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

**Level 1** - Quoted prices in active markets for identical assets or liabilities.

**Level 2** - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, 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** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

#### ***Level 1 investment categories***

The Foundation invests in equity securities, mutual funds, and exchange traded funds that are publicly traded and readily available in active markets in which the securities are traded. The investment accounts held by the Foundation which include these securities have daily quoted active market prices accessible by the Foundation.

#### ***Level 2 investment categories***

The Foundation invests in fixed income obligations and certain commingled funds that are not publicly traded in active markets. Fixed income obligations are valued at the mid-point of two or more bid and ask indicative quotations obtained from unaffiliated market makers and other financial institutions that regularly trade such securities and from relevant pricing services where the mid-point of the bid-ask spread or range is most representative of fair value. Shares of commingled funds do not have daily quoted active market values, however the Foundation has access to a detailed listing of the underlying assets of these funds, the majority of which are publicly traded and readily available in active markets. Investments in these funds are valued per share based on the market prices of the underlying assets.

#### ***Level 3 investment categories***

There is limited or no observable market data for the prices of partnership investments that are held by the Foundation, and the resulting fair value of these securities are categorized as Level 3. As of December 31, 2019 and 2018, the Foundation holds \$18,613,985 and \$18,146,544 in certain partnership investments, respectively. The fair value of these partnership investments as of December 31, 2019 and 2018 was estimated based upon the sum of outstanding loans and accrued interest receivable from the partners, along with cash and equity investments held in the partnerships multiplied by the Foundation's partnership interest. The partnership interests may be sold to another partner at any time at a mutually agreed upon price, but it is the Foundation's intention to hold these assets until the partnerships dissolve in the year 2050 when full redemption at fair value of the investment is expected.

At December 31, 2019 and 2018, the Foundation holds an interest in a real estate limited liability company (LLC) valued at \$1,500,000. A certified appraiser assisted in the determination of the per share fair value of the LLC. The per share fair value of the LLC was estimated using the income approach based on expected cash flows to be received by the investors of the LLC over a 25-year period. The income approach employed a discount rate of approximately 11.5% that resulted in a valuation of \$1.00 per share. Foundation management feels this estimate of fair value is reasonable in all material respects as of December 31, 2019 and 2018, respectively. This amount is included as a component of investments in partnerships on the combined statements of assets, liabilities and net assets (modified cash basis).

At December 31, 2018, the Fund held an interest in a joint venture valued at \$763,524, respectively, related to the purchase of property (Note 8). This value represents the original investment and approximates fair value to the Fund that it would be able to recover of its original investment under a take-out provision in the partnership agreement. The Fund's management feels this estimate of fair value is reasonable in all material respects as of December 31, 2018, respectively. This amount is included as a component of other assets on the combined statements of assets, liabilities, and net assets (modified cash basis).

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

There were no changes during the years ended December 31, 2019 and 2018 to the Foundation's valuation techniques used to measure asset fair values on a recurring basis.

The determination of fair value above incorporates various factors including the credit standing of the counterparties involved and the impact of credit enhancements.

The Foundation invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. These funds have investments in assets located both in and outside the United States. In accordance with Accounting Standards Update ("ASU") 2015-07, investments in this category are not classified within the fair value hierarchy but are included in total to permit reconciliation of the fair value hierarchy to the Combined Statements of Assets, Liabilities and Net Assets (Modified Cash Basis). As of December 31, 2019 and 2018, the Foundation holds \$190,465,527 and \$172,379,758 in hedge funds, respectively. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers. Redemptions are generally permitted after some period of time after initial investment, either on a quarterly, semi-annual, or annual basis, subject to certain restrictions, which include a redemption period of 65-100 days.

The Foundation has \$47,921,857 and \$37,633,584 in cash and certificates of deposit as of December 31, 2019 and 2018, respectively, which are not classified in the fair value hierarchy.

The following tables set forth by level within the fair value hierarchy the Foundation's assets accounted for at fair value on a recurring basis as of December 31, 2019 and 2018. Assets are classified in their entirety 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 requires judgment, and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. As of December 31, 2019 and 2018, there were no liabilities accounted for at fair value with the exception of agency deposits (Note 2).

|                            | <b>Fair Value as of December 31, 2019</b> |                              |                             |                              |
|----------------------------|---|------------------------------|-----------------------------|------------------------------|
|                            | <u>Level 1</u>                            | <u>Level 2</u>               | <u>Level 3</u>              | <u>Total</u>                 |
| Individual securities:     |   |                              |                             |                              |
| Domestic equity            | \$ 11,510,786                             | \$ -                         | \$ -                        | \$ 11,510,786                |
| International equity       | 1,282,661                                 | -                            | -                           | 1,282,661                    |
| Domestic fixed income      | -   | 102,235,084                  | -                           | 102,235,084                  |
| Mutual funds and ETFs:     |   |                              |                             |                              |
| Domestic equity            | 63,463,782                                | -                            | -                           | 63,463,782                   |
| International equity       | 37,841,286                                | -                            | -                           | 37,841,286                   |
| Global equity              | 8,774,769                                 | -                            | -                           | 8,774,769                    |
| Domestic fixed income      | 12,410,106                                | -                            | -                           | 12,410,106                   |
| International fixed income | 5,920,088                                 | -                            | -                           | 5,920,088                    |
| Global fixed income        | 22,512,704                                | -                            | -                           | 22,512,704                   |
| Equity/fixed income blend  | 2,183,575                                 | -                            | -                           | 2,183,575                    |
| Special purpose            | 13,998,275                                | -                            | -                           | 13,998,275                   |
| Commingled funds:          |   |                              |                             |                              |
| Domestic equity            | -   | 5,586,494                    | -                           | 5,586,494                    |
| International equity       | -   | 4,775,433                    | -                           | 4,775,433                    |
| Domestic fixed income      | -   | 6,440,830                    | -                           | 6,440,830                    |
| *Hedge funds:              |   |                              |                             |                              |
| Multi-strategy             | -   | -                            | -                           | 185,923,175                  |
| International Equity       | -   | -                            | -                           | 1,951,795                    |
| Real estate                | -   | -                            | -                           | 1,368,344                    |
| Special purpose            | -   | -                            | -                           | 1,222,213                    |
| Investment in partnerships | -   | -                            | 20,113,985                  | 20,113,985                   |
| <b>Total investments</b>   | <b><u>\$ 179,898,032</u></b>              | <b><u>\$ 119,037,841</u></b> | <b><u>\$ 20,113,985</u></b> | <b><u>\$ 509,515,385</u></b> |

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

|                            | <b>Fair Value as of December 31, 2018</b> |                       |                      |                       |
|----------------------------|---|-----------------------|----------------------|-----------------------|
|                            | <u>Level 1</u>                            | <u>Level 2</u>        | <u>Level 3</u>       | <u>Total</u>          |
| Individual securities:     |   |                       |                      |                       |
| Domestic equity            | \$ 11,423,252                             | \$ -                  | \$ -                 | \$ 11,423,252         |
| International equity       | 619,251                                   | -                     | -                    | 619,251               |
| Domestic fixed income      | -   | 120,928,992           | -                    | 120,928,992           |
| Mutual funds and ETFs:     |   |                       |                      |                       |
| Domestic equity            | 51,835,442                                | -                     | -                    | 51,835,442            |
| International equity       | 32,303,726                                | -                     | -                    | 32,303,726            |
| Global equity              | 6,124,145                                 | -                     | -                    | 6,124,145             |
| Domestic fixed income      | 7,469,843                                 | -                     | -                    | 7,469,843             |
| International fixed income | 5,835,511                                 | -                     | -                    | 5,835,511             |
| Global fixed income        | 22,606,316                                | -                     | -                    | 22,606,316            |
| Equity/fixed income blend  | 1,493,043                                 | -                     | -                    | 1,493,043             |
| Special purpose            | 17,829,967                                | -                     | -                    | 17,829,967            |
| Commingled funds:          |   |                       |                      |                       |
| Domestic equity            | -   | 3,595,591             | -                    | 3,595,591             |
| International equity       | -   | 4,497,151             | -                    | 4,497,151             |
| Domestic fixed income      | -   | 5,636,900             | -                    | 5,636,900             |
| Special purpose            | -   | 414,870               | -                    | 414,870               |
| *Hedge funds:              |   |                       |                      |                       |
| Multi-strategy             | -   | -                     | -                    | 168,167,820           |
| International Equity       | -   | -                     | -                    | 1,657,891             |
| Real estate                | -   | -                     | -                    | 1,319,535             |
| Special purpose            | -   | -                     | -                    | 1,234,512             |
| Investment in partnerships | -   | -                     | 20,410,068           | 20,410,068            |
| Total investments          | <u>\$ 157,540,496</u>                     | <u>\$ 135,073,504</u> | <u>\$ 20,410,068</u> | <u>\$ 485,403,826</u> |

\*In accordance with ASU 2015-07, investments measured using net asset value per share are not classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the hierarchy to the Combined Statement of Assets, Liabilities and Net Assets (Modified Cash Basis).

The following table illustrates the activity of Level 3 assets during the years ended December 31:

|                               | <u>2019</u>          | <u>2018</u>          |
|-------------------------------|----------------------|----------------------|
| Fair value, beginning of year | \$ 20,410,068        | \$ 20,025,644        |
| Interests sold                | (763,494)            | -                    |
| Unrealized gains              | 467,411              | 384,424              |
| Fair value, end of year       | <u>\$ 20,113,985</u> | <u>\$ 20,410,068</u> |

## 7. Assets Held in Trust

Assets held in trust primarily consist of community properties maintained by various occupant agencies. There were no rental income or disbursements related to these properties during the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the value of these assets was \$4,016,275.

## **8. Investments in Partnerships**

The Foundation is the recipient of two gifts that are ownership interests in limited partnerships. The primary purpose of these partnerships is to acquire, own, manage and sell or otherwise dispose of property for investment purposes. The Foundation shares in the profits and losses at the rate of its partnership interest which is 98 percent. The Foundation's share in the combined value of two partnerships was \$18,613,985 and \$18,146,544 as of December 31, 2019 and 2018, respectively.

These amounts consisted of cash and cash equivalents of \$1,690 and \$3,726, investments in debt and equity securities of \$420,262 and \$364,197, and notes receivable of \$10,445,511 and \$10,445,511, plus accrued interest of \$7,746,522 and \$7,333,110 as of December 31, 2019 and 2018, respectively (Note 6).

In 2009, the Foundation invested \$1,000,000 and the Millennium Fund invested \$300,000 in the Series A shares of a real estate LLC. In addition, the Foundation received gifts valued at \$200,000 in the LLC since December 31, 2009. The total \$1,500,000 investment held as of December 31, 2019 and 2018 represents a 25% interest in the entity (Note 6).

In 2012, the Millennium Fund invested in a joint venture to purchase land from Dell Products L.P. that included a take-out provision where the investment could be recovered if the land did not sell by August 22, 2013. The Millennium Fund's management elected to forego its withdrawal at that time and to remain in the joint venture with the understanding that it can recover its investment at any time. The Millennium Fund's share in the partnership was \$763,524 as of December 31, 2018 (Note 6). During 2019, the Fund received payment for its original investment and its interest in the joint venture has been cancelled.

## **9. Net Assets Without Donor Restrictions**

Gifts received by the Foundation are accounted for in certain unrestricted net asset groups, which have been combined for presentation purposes as follows:

### ***Discretionary***

Represent gifts, the income from which may be distributed solely at the discretion of the Foundation Committee.

### ***Field of interest***

Represent gifts, the income from which may be distributed to support programs operating in a specific field of interest in accordance with the donor's intent.

### ***Scholarship***

Represent gifts, the income from which may be distributed to assist students attending post-secondary educational institutions.

### ***Student loan***

Represent gifts, the income/principal from which may be loaned to assist students attending post-secondary educational institutions. Students are required to repay these funds plus interest charged.

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

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***Donor advised***

Represent gifts, the income from which may be distributed for purposes consistent with the Foundation Committee's policies. Some funds also allow the disbursement of principal. Donors have an opportunity to make suggestions for the disbursements of these funds.

***Donor designated***

Represent gifts, the income from which may be distributed to specific nonprofit organizations in accordance with the donor's intent. The Foundation Committee monitors beneficiary compliance with any fund requirements and assesses whether the funds could be used more appropriately elsewhere.

***Real estate***

Represent gifts of cash and real estate titled to the Foundation for use by nonprofit organizations. The Foundation provides continuing oversight of the use and care of the property as well as responsibility for disposition should the designated use become impractical or undesirable.

***Administrative***

Represents gifts, investment income and management fees assessed by the Foundation on the above funds and office equipment to provide administrative support.

Net assets without donor restrictions reported by group classification are as follows:

|                   | <u>2019</u>           | <u>2018</u>           |
|-------------------|-----------------------|-----------------------|
| Discretionary     | \$ 48,683,454         | \$ 42,172,919         |
| Field of interest | 34,693,445            | 30,334,521            |
| Scholarship       | 36,540,971            | 26,481,293            |
| Student loan      | 350,909               | 334,119               |
| Donor advised     | 289,802,072           | 294,675,343           |
| Donor designated  | 123,181,795           | 109,365,033           |
| Real estate       | 3,566,141             | 3,566,141             |
| Administrative    | <u>6,996,765</u>      | <u>4,690,048</u>      |
|                   | <u>\$ 543,815,552</u> | <u>\$ 511,619,417</u> |

**10. Grant Commitments**

Unpaid grant commitments from endowed funds approved by the Winston-Salem Foundation Committee amounted to \$1,526,323 and \$1,848,652 at December 31, 2019 and 2018, respectively. There were no unpaid grant commitments approved by the Millennium Fund Oversight Committee at December 31, 2019 and 2018, respectively.

**11. Lease Commitments**

The Foundation leases office space under an operating lease agreement. The lease agreement is for 10.75 years and gives the Foundation the option to extend the lease for two additional terms of five years each, subject to various contingencies. The original lease agreement includes nine months of deferred rent with payments beginning in 2015 that escalate in future years. Payments made under this lease agreement were \$395,701 in 2019 and \$388,709 in 2018.

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

The remaining future commitments under the original lease agreement are as follows:

| <b>Year Ending<br/>December 31,</b> |           |                  |
|-------------------------------------|-----------|------------------|
| 2020                                | \$        | 402,869          |
| 2021                                |           | 410,216          |
| 2022                                |           | 417,746          |
| 2023                                |           | 425,465          |
| 2024                                |           | 433,377          |
| Thereafter                          |           | <u>181,961</u>   |
|                                     | <u>\$</u> | <u>2,271,634</u> |

**12. Executive Office Operations**

Payment of administrative expenses of the executive office of the Foundation is made from an operating fund maintained by the Winston-Salem Foundation, Inc. Funding is obtained from assessments against individual trust funds in custody of trustees, from the investment returns on The Winston-Salem Foundation, Inc.'s cash management accounts, and gifts to support the Foundation's community leadership efforts.

**13. Realized and Unrealized Gains (Losses)**

Net realized and unrealized gains (losses) on securities, assets held in trust, and partnership interests are summarized as follows:

|                            | <b>Year Ended December 31,</b>             |   |  |   |
|----------------------------|--|---|--|---|
|                            | <b>2019</b>                                |   | <b>2018</b>                                |   |
|                            | <b>Net Realized<br/>Gains<br/>(Losses)</b> | <b>Net Change<br/>in Unrealized<br/>Appreciation<br/>(Depreciation)</b> | <b>Net Realized<br/>Gains<br/>(Losses)</b> | <b>Net Change<br/>in Unrealized<br/>Appreciation<br/>(Depreciation)</b> |
| Individual securities:     |  |   |  |   |
| Domestic equity            | \$ 88,976                                  | \$ 2,535,290  | \$ 674,424                                 | \$ (1,983,087)  |
| International equity       | 19,968                                     | 227,102   | 32,199                                     | (154,457)   |
| Domestic fixed income      | 237,560                                    | 1,441,257   | (91,605)                                   | (38,799)  |
| Mutual funds and ETFs:     |  |   |  |   |
| Domestic equity            | 930,122                                    | 11,977,180  | 1,407,288                                  | (6,422,183)   |
| International equity       | 274,054                                    | 5,965,970   | 36,599                                     | (6,680,695)   |
| Global equity              | 109,663                                    | 1,160,851   | 100,912                                    | (1,207,248)   |
| Domestic fixed income      | 5,597                                      | 341,184   | (215,223)                                  | (97,093)  |
| International fixed income | (89,867)                                   | 576,954   | 4,715                                      | (650,339)   |
| Global fixed income        | (128,631)                                  | 1,504,303   | (277,336)                                  | (1,085,424)   |
| Equity/fixed income blend  | (2,322)                                    | 160,268   | (2,218)                                    | (175,952)   |
| Special purpose            | (186,647)                                  | 1,368,009   | (1,333,865)                                | (959,863)   |

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

|   | Year Ended December 31,           |   |                                   |   |
|---|-----------------------------------|---|-----------------------------------|---|
|   | 2019                              |   | 2018                              |   |
|   | Net Realized<br>Gains<br>(Losses) | Net Change<br>in Unrealized<br>Appreciation<br>(Depreciation) | Net Realized<br>Gains<br>(Losses) | Net Change<br>in Unrealized<br>Appreciation<br>(Depreciation) |
| Commingled funds:                       |                                   |   |                                   |   |
| Domestic equity                         | \$ 58,274                         | \$ 947,629  | \$ 340,999                        | \$ (667,033)  |
| International equity                    | (35,393)                          | 813,675   | 225,121                           | (1,229,147)   |
| Domestic fixed income                   | (10,599)                          | 214,529   | (59,096)                          | (86,320)  |
| Global fixed income                     | -                                 | -   | (9,202)                           | (1,879)   |
| Special purpose                         | (9,520)                           | 16,169  | 6,752                             | (50,736)  |
| Hedge funds:                            |                                   |   |                                   |   |
| Multi-strategy                          | 2,872,486                         | 16,324,709  | 794,025                           | (2,880,985)   |
| Private equity                          | -                                 | 118,804   | -                                 | 184,171   |
| Real estate                             | 39,611                            | 121,517   | 39,681                            | (1,123)   |
| Special purpose                         | -                                 | (12,299)  | -                                 | 32,811  |
| Partnership interests                   | -                                 | 453,202   | -                                 | 384,424   |
|   | <u>4,173,332</u>                  | <u>46,256,303</u>   | <u>1,674,170</u>                  | <u>(23,770,957)</u>   |
| Less amounts related to agency deposits | <u>447,123</u>                    | <u>2,150,170</u>  | <u>371,674</u>                    | <u>(1,096,011)</u>  |
|   | <u>\$ 3,726,209</u>               | <u>\$ 44,106,133</u>  | <u>\$ 1,302,496</u>               | <u>\$ (22,674,946)</u>  |

#### 14. Tax Status

The Foundation and its supporting organizations have been granted tax-exempt status under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in these combined financial statements. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2019 and 2018.

#### 15. Retirement Plan

The Winston-Salem Foundation provides a defined contribution retirement plan for all full-time employees meeting certain eligibility requirements. The Foundation contributes 10% of each participant's salary to this plan annually. Participants may also make contributions to the plan through payroll deferral up to annual maximums allowed by the Internal Revenue Code. The Foundation's contributions to the plan were \$199,461 and \$205,187 during the years ended December 31, 2019 and 2018, respectively.

The Foundation established a defined contribution retirement plan effective January 1, 2017 that provides benefits to an executive of the Foundation. Contributions to the plan are made annually as long as the executive remains in continuous service to the Foundation. The executive is fully vested in the plan from inception. The annual contributions are made based on the lesser of a fixed payment schedule or the allowable amount under section 457(b)(2) of the Internal Revenue Code. Contributions to the plan were \$19,000 and \$18,500 during the years ended December 31, 2019 and 2018, respectively.

#### 16. Deferred Gifts

In 1997, the Foundation was the recipient of a gift of land in which the donor retained a life interest to use the property. On the date of the gift the fair value of this property was \$1,231,849. Upon the death of the donor, the Foundation will recognize this gift as revenue at the fair value as of that date.

**The Winston-Salem Foundation**  
**Notes to Combined Financial Statements (Modified Cash Basis)**

The Foundation serves as trustee for several charitable remainder trusts, the assets of which are not included in the Foundation's combined financial statements. These deferred gifts represent principal held in trust for the life of a beneficiary who receives the income generated during his/her lifetime. At the death of the beneficiary, the principal earmarked for the Foundation will be recorded as an outright gift. Deferred gifts as of December 31 were as follows:

|                                       | <u>2019</u>   | <u>2018</u>   |
|---------------------------------------|---------------|---------------|
| Total fair value                      | \$ 21,445,849 | \$ 20,138,077 |
| Portion designated for the Foundation | 19,726,450    | 18,119,272    |

Also, the Foundation serves as trustee for two charitable lead annuity trusts and one charitable lead unitrust, the assets of which are not included in the Foundation's combined financial statements. These deferred gifts will generate annual distributions for a specified number of years, after which time the principal will transfer to the donor's designated beneficiaries. A portion of each annual distribution is earmarked for the Foundation and will be recorded as donations and bequests upon receipt:

|  | <u>Years Ended December 31,</u> |               |
|--|---------------------------------|---------------|
|  | <u>2019</u>                     | <u>2018</u>   |
| Total disbursements  | \$ 680,000                      | \$ 680,000    |
| Portion designated for the Foundation  | 350,720                         | 350,720       |
| Total market value   | \$ 18,006,998                   | \$ 14,774,723 |
| Estimated remaining distributions  | \$ 1,112,243                    | \$ 1,792,243  |
| Portion designated for the Foundation  | 572,892                         | 923,612       |
| Estimated present value of remaining distributions at a 1.60% discount rate (2.46% rate used for 2018) | \$ 1,087,776                    | \$ 1,712,571  |
| Portion designated for the Foundation  | 560,305                         | 882,584       |

**17. Subsequent Event**

Subsequent to year-end, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic. The coronavirus outbreak is disrupting economic activity across a range of industries and has negatively impacted financial markets. The extent of the impact of the outbreak on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on financial markets and economic activity, and the related impacts on the Foundation's donors, employees and other stakeholders. The Foundation carries a significant balance of investments. As of the date of the financial statements were available to be issued, the economic uncertainty caused by the outbreak has resulted in a decline in certain market values. The combined financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

***Supplementary Combining Information***

## **Independent Auditors' Report on Supplementary Combining Information**

Audit Committee  
The Winston-Salem Foundation  
Winston-Salem, North Carolina

We have audited the combined financial statements (modified cash basis) of The Winston-Salem Foundation and supporting organizations as of and for the years ended December 31, 2019 and 2018, and issued our report thereon dated June 15, 2020, which expressed an unmodified opinion on those combined financial statements (modified cash basis), appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The following combining financial information on pages 19 through 22 is presented for purposes of additional analysis and is not intended to present the financial position (modified cash basis) and results of operations (modified cash basis) of the individual entities. 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 combined financial statements (modified cash basis). The information has been subjected to the auditing procedures applied in the audit of the combined financial statements (modified cash basis) and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements (modified cash basis) or to the combined financial statements (modified cash basis) 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 basic combined financial statements (modified cash basis) as of December 31, 2019 and 2018 and the years then ended, taken as a whole.

*Dixon Hughes Goodman LLP*

**Winston-Salem, North Carolina  
June 15, 2020**

**The Winston-Salem Foundation**  
**Combining Schedule of Assets, Liabilities and Net Assets (Modified Cash Basis)**  
**December 31, 2019**

|   | The Winston-Salem<br>Foundation<br>Combined | The<br>Millennium<br>Fund | Total                 | Combination<br>Adjustments | Combined              |
|---|---|---------------------------|-----------------------|----------------------------|-----------------------|
| <b>ASSETS</b>                                     |   |                           |                       |                            |                       |
| Cash and cash equivalents                         | \$ 47,921,857                               | \$ 1,797,003              | \$ 49,718,860         | \$ (1,797,003)             | \$ 47,921,857         |
| Securities  | 489,401,400                                 | -                         | 489,401,400           | -                          | 489,401,400           |
| Receivables:                                      |   |                           |                       |                            |                       |
| Student loans                                     | 242,324                                     | -                         | 242,324               | -                          | 242,324               |
| Notes   | 465,000                                     | 3,296,424                 | 3,761,424             | (155,000)                  | 3,606,424             |
| Assets held in trust                              | 4,016,275                                   | -                         | 4,016,275             | -                          | 4,016,275             |
| Investments in partnerships                       | 20,113,985                                  | 300,000                   | 20,413,985            | (300,000)                  | 20,113,985            |
| Building, leasehold improvements<br>and equipment | 1,308,523                                   | -                         | 1,308,523             | -                          | 1,308,523             |
| Other assets                                      | 1,089,063                                   | -                         | 1,089,063             | -                          | 1,089,063             |
|   | <u>564,558,427</u>                          | <u>5,393,427</u>          | <u>569,951,854</u>    | <u>(2,252,003)</u>         | <u>567,699,851</u>    |
| Total assets                                      | <u>\$ 564,558,427</u>                       | <u>\$ 5,393,427</u>       | <u>\$ 569,951,854</u> | <u>\$ (2,252,003)</u>      | <u>\$ 567,699,851</u> |
| <b>LIABILITIES AND NET ASSETS</b>                 |   |                           |                       |                            |                       |
| Liabilities:                                      |   |                           |                       |                            |                       |
| Amounts withheld from employees                   | \$ 2,963                                    | \$ -                      | \$ 2,963              | \$ -                       | \$ 2,963              |
| Deferred compensation liability                   | 62,623                                      | -                         | 62,623                | -                          | 62,623                |
| Agency deposits                                   | 26,070,716                                  | -                         | 26,070,716            | (2,252,003)                | 23,818,713            |
|   | <u>26,136,302</u>                           | <u>-</u>                  | <u>26,136,302</u>     | <u>(2,252,003)</u>         | <u>23,884,299</u>     |
| Total liabilities                                 | <u>26,136,302</u>                           | <u>-</u>                  | <u>26,136,302</u>     | <u>(2,252,003)</u>         | <u>23,884,299</u>     |
| Net assets:                                       |   |                           |                       |                            |                       |
| Without donor restrictions                        | 538,422,125                                 | 5,393,427                 | 543,815,552           | -                          | 543,815,552           |
|   | <u>538,422,125</u>                          | <u>5,393,427</u>          | <u>543,815,552</u>    | <u>-</u>                   | <u>543,815,552</u>    |
| Total net assets                                  | <u>538,422,125</u>                          | <u>5,393,427</u>          | <u>543,815,552</u>    | <u>-</u>                   | <u>543,815,552</u>    |
|   | <u>\$ 564,558,427</u>                       | <u>\$ 5,393,427</u>       | <u>\$ 569,951,854</u> | <u>\$ (2,252,003)</u>      | <u>\$ 567,699,851</u> |
| Total liabilities net assets                      | <u>\$ 564,558,427</u>                       | <u>\$ 5,393,427</u>       | <u>\$ 569,951,854</u> | <u>\$ (2,252,003)</u>      | <u>\$ 567,699,851</u> |

**The Winston-Salem Foundation**  
**Combining Schedule of Assets, Liabilities and Net Assets (Modified Cash Basis)**  
**December 31, 2018**

|   | <b>The Winston-Salem<br/>Foundation<br/>Combined</b> | <b>The<br/>Millennium<br/>Fund</b> | <b>Total</b>          | <b>Combination<br/>Adjustments</b> | <b>Combined</b>       |
|---|--|------------------------------------|-----------------------|------------------------------------|-----------------------|
| <b>ASSETS</b>                                     |  |                                    |                       |                                    |                       |
| Cash and cash equivalents                         | \$ 37,633,584  | \$ 372,191                         | \$ 38,005,775         | \$ (372,191)                       | \$ 37,633,584         |
| Securities  | 464,993,758  | -                                  | 464,993,758           | -                                  | 464,993,758           |
| Receivables:                                      |  |                                    |                       |                                    |                       |
| Student loans                                     | 316,564  | -                                  | 316,564               | -                                  | 316,564               |
| Notes   | 465,000  | 3,284,683                          | 3,749,683             | (155,000)                          | 3,594,683             |
| Assets held in trust                              | 4,016,275  | -                                  | 4,016,275             | -                                  | 4,016,275             |
| Investments in partnerships                       | 19,646,544   | 1,063,524                          | 20,710,068            | (300,000)                          | 20,410,068            |
| Building, leasehold improvements<br>and equipment | 1,308,523  | -                                  | 1,308,523             | -                                  | 1,308,523             |
| Other assets                                      | 1,148,770  | -                                  | 1,148,770             | -                                  | 1,148,770             |
|   | <u>\$ 529,529,018</u>                                | <u>\$ 4,720,398</u>                | <u>\$ 534,249,416</u> | <u>\$ (827,191)</u>                | <u>\$ 533,422,225</u> |
| <b>Total assets</b>                               |  |                                    |                       |                                    |                       |
| <b>LIABILITIES AND NET ASSETS</b>                 |  |                                    |                       |                                    |                       |
| Liabilities:                                      |  |                                    |                       |                                    |                       |
| Amounts withheld from employees                   | \$ 1,423   | \$ -                               | \$ 1,423              | \$ -                               | \$ 1,423              |
| Deferred compensation liability                   | 34,002   | -                                  | 34,002                | -                                  | 34,002                |
| Agency deposits                                   | 22,594,574   | -                                  | 22,594,574            | (827,191)                          | 21,767,383            |
|   | <u>22,629,999</u>                                    | <u>-</u>                           | <u>22,629,999</u>     | <u>(827,191)</u>                   | <u>21,802,808</u>     |
| <b>Total liabilities</b>                          |  |                                    |                       |                                    |                       |
| Net assets:                                       |  |                                    |                       |                                    |                       |
| Without donor restrictions                        | 506,899,019  | 4,720,398                          | 511,619,417           | -                                  | 511,619,417           |
|   | <u>506,899,019</u>                                   | <u>4,720,398</u>                   | <u>511,619,417</u>    | <u>-</u>                           | <u>511,619,417</u>    |
| <b>Total net assets</b>                           |  |                                    |                       |                                    |                       |
| <b>Total liabilities net assets</b>               | <u>\$ 529,529,018</u>                                | <u>\$ 4,720,398</u>                | <u>\$ 534,249,416</u> | <u>\$ (827,191)</u>                | <u>\$ 533,422,225</u> |

**The Winston-Salem Foundation**  
**Combining Schedule of Receipts, Disbursements and Changes in Net Assets (Modified Cash Basis)**  
**Year Ended December 31, 2019**

|   | <u>The Winston-Salem<br/>Foundation<br/>Combined</u> | <u>The<br/>Millennium<br/>Fund</u> | <u>Total</u>          | <u>Combination<br/>Adjustments</u> | <u>Combined</u>       |
|---|--|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Receipts:   |  |                                    |                       |                                    |                       |
| Donations and bequests  | \$ 38,379,673  | \$ 774,400                         | \$ 39,154,073         | \$ (774,400)                       | \$ 38,379,673         |
| Interest, dividends, and other<br>investment income   | 9,702,181  | 71,268                             | 9,773,449             | -                                  | 9,773,449             |
| Fees assessed on agency deposits  | 224,803  | -                                  | 224,803               | -                                  | 224,803               |
| Other receipts  | 73,657   | -                                  | 73,657                | -                                  | 73,657                |
| Total receipts  | <u>48,380,314</u>                                    | <u>845,668</u>                     | <u>49,225,982</u>     | <u>(774,400)</u>                   | <u>48,451,582</u>     |
| Disbursements:  |  |                                    |                       |                                    |                       |
| Grants  | 58,536,795   | 150,000                            | 58,686,795            | (774,400)                          | 57,912,395            |
| Executive office operations   | 4,453,339  | 8,400                              | 4,461,739             | -                                  | 4,461,739             |
| Trustee banks' and investment<br>management fees  | 1,454,328  | -                                  | 1,454,328             | -                                  | 1,454,328             |
| Brokerage fees  | 67,192   | -                                  | 67,192                | -                                  | 67,192                |
| Other disbursements   | 192,135  | -                                  | 192,135               | -                                  | 192,135               |
| Total disbursements   | <u>64,703,789</u>                                    | <u>158,400</u>                     | <u>64,862,189</u>     | <u>(774,400)</u>                   | <u>64,087,789</u>     |
| Receipts over (under) disbursements<br>before net realized and unrealized<br>gains (losses) | (16,323,475)   | 687,268                            | (15,636,207)          | -                                  | (15,636,207)          |
| Net realized and unrealized gains (losses)  | <u>47,846,581</u>                                    | <u>(14,239)</u>                    | <u>47,832,342</u>     | <u>-</u>                           | <u>47,832,342</u>     |
| Increase in net assets without<br>donor restrictions  | 31,523,106   | 673,029                            | 32,196,135            | -                                  | 32,196,135            |
| Net assets without<br>donor restrictions, beginning of year                                 | <u>506,899,019</u>                                   | <u>4,720,398</u>                   | <u>511,619,417</u>    | <u>-</u>                           | <u>511,619,417</u>    |
| Net assets without<br>donor restrictions, end of year                                       | <u>\$ 538,422,125</u>                                | <u>\$ 5,393,427</u>                | <u>\$ 543,815,552</u> | <u>\$ -</u>                        | <u>\$ 543,815,552</u> |

**The Winston-Salem Foundation**  
**Combining Schedule of Receipts, Disbursements and Changes in Net Assets (Modified Cash Basis)**  
**Year Ended December 31, 2018**

|   | <b>The Winston-Salem<br/>Foundation<br/>Combined</b> | <b>The<br/>Millennium<br/>Fund</b> | <b>Total</b>          | <b>Combination<br/>Adjustments</b> | <b>Combined</b>       |
|---|--|------------------------------------|-----------------------|------------------------------------|-----------------------|
| <b>Receipts:</b>  |  |                                    |                       |                                    |                       |
| Donations and bequests  | \$ 44,134,404  | \$ -                               | \$ 44,134,404         | \$ -                               | \$ 44,134,404         |
| Interest, dividends, and other<br>investment income   | 9,625,127  | 22,034                             | 9,647,161             | -                                  | 9,647,161             |
| Fees assessed on agency deposits  | 225,338  | -                                  | 225,338               | -                                  | 225,338               |
| Other receipts  | 429,414  | 269,638                            | 699,052               | -                                  | 699,052               |
| <b>Total receipts</b>   | <b>54,414,283</b>                                    | <b>291,672</b>                     | <b>54,705,955</b>     | <b>-</b>                           | <b>54,705,955</b>     |
| <b>Disbursements:</b>   |  |                                    |                       |                                    |                       |
| Grants  | 57,519,213   | 110,000                            | 57,629,213            | -                                  | 57,629,213            |
| Executive office operations   | 4,082,377  | 7,800                              | 4,090,177             | -                                  | 4,090,177             |
| Trustee banks' and investment<br>management fees  | 1,482,867  | -                                  | 1,482,867             | -                                  | 1,482,867             |
| Brokerage fees  | 31,252   | -                                  | 31,252                | -                                  | 31,252                |
| Other disbursements   | 121,950  | -                                  | 121,950               | -                                  | 121,950               |
| <b>Total disbursements</b>  | <b>63,237,659</b>                                    | <b>117,800</b>                     | <b>63,355,459</b>     | <b>-</b>                           | <b>63,355,459</b>     |
| Receipts over (under) disbursements<br>before net realized and unrealized<br>gains (losses) | (8,823,376)  | 173,872                            | (8,649,504)           | -                                  | (8,649,504)           |
| <b>Net realized and unrealized gains (losses)</b>   | <b>(21,429,852)</b>                                  | <b>57,402</b>                      | <b>(21,372,450)</b>   | <b>-</b>                           | <b>(21,372,450)</b>   |
| Increase (decrease) in net<br>assets without donor restrictions                             | (30,253,228)   | 231,274                            | (30,021,954)          | -                                  | (30,021,954)          |
| <b>Net assets without donor<br/>restrictions, beginning of year</b>                         | <b>537,152,247</b>                                   | <b>4,489,124</b>                   | <b>541,641,371</b>    | <b>-</b>                           | <b>541,641,371</b>    |
| <b>Net assets without donor<br/>restrictions, end of year</b>                               | <b>\$ 506,899,019</b>                                | <b>\$ 4,720,398</b>                | <b>\$ 511,619,417</b> | <b>\$ -</b>                        | <b>\$ 511,619,417</b> |