

The Winston-Salem Foundation

Independent Auditor's Report, Combined Financial Statements, and Supplementary Combining Information

December 31, 2022 and 2021



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Independent Auditor's Report

Audit Committee
The Winston-Salem Foundation
Winston-Salem, NC

Opinion

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, 2022, and 2021, 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).

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations for the years then ended in accordance with the modified cash basis of accounting.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Combined Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with the modified cash basis of accounting, as described in Note 2, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

FORVIS, LLP

**Winston-Salem, NC
July 5, 2023**

The Winston-Salem Foundation
Combined Statements of Assets, Liabilities and Net Assets (Modified Cash Basis)
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 34,089,275	\$ 49,192,260
Securities - Note 4	567,433,278	667,375,077
Receivables:		
Student loans	71,779	99,742
Notes	1,439,000	1,439,000
Assets held in trust - Note 7	4,016,267	4,016,275
Investments in partnerships - Note 8	21,386,609	20,973,518
Building, leasehold improvements and equipment	1,308,523	1,308,523
Other assets	785,791	962,630
	<u>630,530,522</u>	<u>745,367,025</u>
Total assets		
	<u>\$ 630,530,522</u>	<u>\$ 745,367,025</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Amounts withheld from employees	\$ 3,138	\$ 4,320
Deferred compensation liability	90,339	108,128
Agency deposits	25,134,908	29,739,014
	<u>25,228,385</u>	<u>29,851,462</u>
Total liabilities		
	<u>25,228,385</u>	<u>29,851,462</u>
Net assets:		
Without donor restrictions - Note 9	605,302,137	715,515,563
	<u>605,302,137</u>	<u>715,515,563</u>
Total net assets		
	<u>605,302,137</u>	<u>715,515,563</u>
Total liabilities and net assets	<u>\$ 630,530,522</u>	<u>\$ 745,367,025</u>

The Winston-Salem Foundation
Combined Statements of Receipts, Disbursements and Changes in Net Assets
(Modified Cash Basis)
Years Ended December 31, 2022 and 2021

	2022	2021
Receipts:		
Donations and bequests	\$ 44,441,231	\$ 181,777,481
Interest, dividends, and other investment income	11,911,664	12,254,590
Fees assessed on agency deposits	261,228	267,055
Other receipts	-	637,275
Total receipts	56,614,123	194,936,401
Disbursements:		
Grants	77,304,451	79,160,552
Executive office operations	5,282,862	4,381,322
Trustee banks' and investment management fees	1,882,623	1,816,212
Brokerage fees	17,179	50,421
Other disbursements	395,203	225,595
Total disbursements	84,882,318	85,634,102
Receipts over (under) disbursements before net realized and unrealized gains (losses)	(28,268,195)	109,302,299
Net realized and unrealized gains (losses) - Note 13	(81,945,231)	42,978,463
Increase (decrease) in net assets without donor restrictions	(110,213,426)	152,280,762
Net assets without donor restrictions, beginning of year	715,515,563	563,234,801
Net assets without donor restrictions, end of year	\$ 605,302,137	\$ 715,515,563

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. Due to the modified basis of accounting, the Foundation has elected not to implement ASU 2016-02, *Leases (topic 842)*.

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)

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 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, 2022 and 2021, 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 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 and 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.

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

Securities

Investments in securities are stated at fair market value. Realized and unrealized gains (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.

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 \$10,000.

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, and 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 July 5, 2023, which is the date the combined financial statements were available to be issued.

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 as of December 31. 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 34,089,275	\$ 49,192,260
Securities	<u>58,134,708</u>	<u>36,073,523</u>
	<u>\$ 92,223,983</u>	<u>\$ 85,265,783</u>

The Foundation has budgeted to spend an estimated \$92,223,983 from cash and cash equivalents and securities for general expenditures, including grants, within 2023. Accordingly, these assets have been included in the qualitative information above. Additionally, the Foundation has other investments that could be made available, if necessary.

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

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:

	2022		2021	
	Fair Value	Assigned Value	Fair Value	Assigned Value
Individual securities:				
Domestic equity	\$ 30,513,244	\$ 30,106,911	\$ 22,235,407	\$ 16,512,801
International equity	4,863,195	4,914,838	2,656,404	1,957,167
Domestic fixed income	<u>132,386,703</u>	<u>144,596,514</u>	<u>173,629,609</u>	<u>177,474,055</u>
	<u>167,763,142</u>	<u>179,618,263</u>	<u>198,521,420</u>	<u>195,944,023</u>
Mutual funds and ETFs:				
Domestic equity	56,712,546	51,325,204	87,445,419	55,804,783
International equity	29,408,489	33,745,884	31,355,954	28,675,051
Global equity	8,122,834	9,635,795	8,462,593	7,253,427
Domestic fixed income	33,751,296	37,478,097	29,201,371	29,507,503
International fixed income	3,075,236	4,001,254	6,215,184	6,451,664
Global fixed income	23,025,992	25,991,213	28,899,761	28,874,762
Equity/fixed income blend	2,419,977	2,568,456	3,705,462	3,334,085
Special purpose	<u>10,488,356</u>	<u>11,467,842</u>	<u>11,060,628</u>	<u>10,375,408</u>
	<u>167,004,726</u>	<u>176,213,745</u>	<u>206,346,372</u>	<u>170,276,683</u>
Commingled funds:				
Domestic equity	3,783,840	2,803,076	7,883,812	4,875,308
International equity	3,028,043	3,188,313	5,252,886	4,745,708
Domestic fixed income	<u>6,381,267</u>	<u>7,054,307</u>	<u>5,780,747</u>	<u>5,790,692</u>
	<u>13,193,150</u>	<u>13,045,696</u>	<u>18,917,445</u>	<u>15,411,708</u>
Hedge funds:				
Multi-strategy	202,289,911	105,882,288	231,520,864	105,607,288
Private equity	4,011,945	2,319,691	3,454,350	2,049,808
Real estate	1,946,980	1,387,369	1,532,664	1,051,632
Special purpose	<u>11,223,424</u>	<u>10,937,167</u>	<u>7,081,962</u>	<u>6,912,025</u>
	<u>219,472,260</u>	<u>120,526,515</u>	<u>243,589,840</u>	<u>115,620,753</u>
Total investments	<u>\$ 567,433,278</u>	<u>\$ 489,404,219</u>	<u>\$ 667,375,077</u>	<u>\$ 497,253,167</u>

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

5. Endowments

The Foundation's endowments consist of approximately 1,035 individual funds established for a variety of purposes.

As of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 467,900,426	\$ 404,376,613
Contributions	37,817,813	45,710,100
Principal withdrawals	(19,069,024)	(20,023,110)
Investment income	7,331,026	8,928,613
Net appreciation (depreciation)	(69,619,352)	44,679,603
Amounts appropriated for expenditure	(12,879,308)	(11,453,199)
Winston-Salem Foundation fees assessed to endowments	<u>(4,218,023)</u>	<u>(4,318,194)</u>
Endowment net assets, end of year	<u>\$ 407,263,558</u>	<u>\$ 467,900,426</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 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 individual 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

The Foundation holds no assets or liabilities that are categorized as level 3 investments.

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, 2022 and 2021, the Foundation holds \$219,472,260 and \$243,589,840 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 \$34,089,275 and \$49,192,260 in cash and cash equivalents as of December 31, 2022 and 2021, 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, 2022 and 2021. 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, 2022 and 2021, there were no liabilities accounted for at fair value with the exception of agency deposits (Note 2).

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

	Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Individual securities:				
Domestic equity	\$ 30,513,244	\$ -	\$ -	\$ 30,513,244
International equity	4,863,195	-	-	4,863,195
Domestic fixed income	-	132,386,703	-	132,386,703
Mutual funds and ETFs:				
Domestic equity	56,712,546	-	-	56,712,546
International equity	29,408,489	-	-	29,408,489
Global equity	8,122,834	-	-	8,122,834
Domestic fixed income	33,751,296	-	-	33,751,296
International fixed income	3,075,236	-	-	3,075,236
Global fixed income	23,025,992	-	-	23,025,992
Equity/fixed income blend	2,419,977	-	-	2,419,977
Special purpose	10,488,356	-	-	10,488,356
Commingled funds:				
Domestic equity	-	3,783,840	-	3,783,840
International equity	-	3,028,043	-	3,028,043
Domestic fixed income	-	6,381,267	-	6,381,267
*Hedge funds:				
Multi-strategy	-	-	-	202,289,911
International Equity	-	-	-	4,011,945
Real estate	-	-	-	1,946,980
Special purpose	-	-	-	11,223,424
Total investments	<u>\$ 202,381,165</u>	<u>\$ 145,579,853</u>	<u>\$ -</u>	<u>\$ 567,433,278</u>

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

	Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Individual securities:				
Domestic equity	\$ 22,235,407	\$ -	\$ -	\$ 22,235,407
International equity	2,656,404	-	-	2,656,404
Domestic fixed income	-	173,629,609	-	173,629,609
Mutual funds and ETFs:				
Domestic equity	87,445,419	-	-	87,445,419
International equity	31,355,954	-	-	31,355,954
Global equity	8,462,593	-	-	8,462,593
Domestic fixed income	29,201,371	-	-	29,201,371
International fixed income	6,215,184	-	-	6,215,184
Global fixed income	28,899,761	-	-	28,899,761
Equity/fixed income blend	3,705,462	-	-	3,705,462
Special purpose	11,060,628	-	-	11,060,628
Commingled funds:				
Domestic equity	-	7,883,812	-	7,883,812
International equity	-	5,252,886	-	5,252,886
Domestic fixed income	-	5,780,747	-	5,780,747
*Hedge funds:				
Multi-strategy	-	-	-	231,520,864
International Equity	-	-	-	3,454,350
Real estate	-	-	-	1,532,664
Special purpose	-	-	-	7,081,962
Total investments	<u>\$ 231,238,183</u>	<u>\$ 192,547,054</u>	<u>\$ -</u>	<u>\$ 667,375,077</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 Statements of Assets, Liabilities and Net Assets (Modified Cash Basis).

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, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the value based on historical cost of these assets was \$4,016,267 and \$4,016,275, respectively.

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 \$19,886,609 and \$19,473,518 as of December 31, 2022 and 2021, respectively. The value of these partnership investments as of December 31, 2022 and 2021 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. These amounts consisted of cash and cash equivalents of \$1,901 and \$1,901, investments in debt and equity securities of \$451,579 and \$451,899, and notes receivable of \$10,445,511 and \$10,445,511, plus accrued interest of \$8,987,618 and \$8,574,207 as of December 31, 2022 and 2021, respectively.

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, 2022 and 2021 represents a 25% interest in the entity. A certified appraiser assisted in the determination of the per share value of the LLC. The per share 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.

These investments are measured at cost less any identified impairments. These investments are reviewed on an ongoing basis for impairment. There were no such adjustments during the year ended December 31, 2022.

9. Net Assets Without Donor Restrictions

Gifts received by the Foundation are accounted for in certain net asset without donor restriction, 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)

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 at December 31:

	<u>2022</u>	<u>2021</u>
Discretionary	\$ 47,506,797	\$ 58,022,739
Field of interest	36,313,299	39,427,745
Scholarship	38,769,167	46,672,468
Student loan	358,560	353,150
Donor advised	329,074,705	398,672,437
Donor designated	144,900,811	159,363,831
Real estate	3,571,999	3,577,271
Administrative	4,806,799	9,425,922
	<u>\$ 605,302,137</u>	<u>\$ 715,515,563</u>

10. Grant Commitments

Unpaid grant commitments from endowed funds approved by the Winston-Salem Foundation Committee amounted to \$3,391,572 and \$3,330,112 at December 31, 2022 and 2021, respectively. There were no unpaid grant commitments approved by the Millennium Fund Oversight Committee at December 31, 2022 and 2021, respectively.

11. Lease Commitments

The Foundation leases office space under an operating lease agreement entered into in 2015. 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 \$417,746 in 2022 and \$410,216 in 2021.

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

<u>Year Ending</u> <u>December 31,</u>	
2023	\$ 425,465
2024	433,377
2025	<u>181,961</u>
	<u>\$ 1,040,803</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.

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

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:

	Year Ended December 31,			
	2022		2021	
	Net Realized Gains (Losses)	Net Change in Unrealized Appreciation (Depreciation)	Net Realized Gains (Losses)	Net Change in Unrealized Appreciation (Depreciation)
Individual securities:				
Domestic equity	\$ 981,941	\$ (5,316,273)	\$ 2,328,960	\$ 1,847,507
International equity	51,196	(750,880)	149,688	277,832
Domestic fixed income	(2,117,771)	(8,365,365)	(221,053)	(4,812,444)
Mutual funds and ETFs:				
Domestic equity	8,210,897	(26,253,294)	12,948,767	3,003,048
International equity	(732,632)	(7,018,298)	1,823,749	(2,212,787)
Global equity	(18,925)	(2,722,127)	430,946	(393,023)
Domestic fixed income	(271,480)	(3,420,669)	(97,777)	(582,255)
International fixed income	(561,953)	(689,538)	(6,558)	(580,449)
Global fixed income	(582,698)	(2,990,220)	(6,328)	(293,686)
Equity/fixed income blend	(51,149)	(519,586)	19,714	48,618
Special purpose	215,896	(1,664,706)	(151,209)	1,007,582
Commingled funds:				
Domestic equity	677,768	(2,027,740)	732,354	964,078
International equity	(377,395)	(667,448)	519,805	(164,317)
Domestic fixed income	(136,385)	(663,095)	(35,078)	(179,706)
Hedge funds:				
Multi-strategy	315,307	(29,506,223)	1,814,040	26,145,625
Private equity	113,755	287,712	42,976	929,545
Real estate	130,768	78,579	164,623	218,029
Special purpose	71,987	116,320	55,659	120,712
Partnership interests	-	413,091	-	392,134
	5,919,127	(91,679,760)	20,513,278	25,736,043
Less amounts related to agency deposits	485,374	(4,300,776)	674,774	2,596,084
	<u>\$ 5,433,753</u>	<u>\$ (87,378,984)</u>	<u>\$ 19,838,504</u>	<u>\$ 23,139,959</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, 2022 and 2021.

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 \$252,274 and \$225,340 during the years ended December 31, 2022 and 2021, 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. The former executive resigned in 2020, therefore no contributions were made to the plan during the years ended December 31, 2022 and 2021, respectively.

16. Deferred Gifts

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>2022</u>	<u>2021</u>
Total fair value	\$ 20,881,475	\$ 28,885,060
Portion designated for the Foundation	\$ 19,941,411	\$ 27,101,494

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>2022</u>	<u>2021</u>
Total disbursements	\$ 31,038	\$ 40,000
Portion designated for the Foundation	\$ 15,519	\$ 20,000
Total market value	\$ -	\$ 1,238,366
Estimated remaining distributions	\$ -	\$ 31,038
Portion designated for the Foundation	\$ -	\$ 15,519
Estimated present value of remaining distributions at a 0.13% discount rate	\$ -	\$ 30,921
Portion designated for the Foundation	\$ -	\$ 15,460

Supplementary Combining Information



Independent Auditor's Report on Supplementary Combining Information

Audit Committee
The Winston-Salem Foundation
Winston-Salem, NC

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, 2022 and 2021, and issued our report thereon dated July 5, 2023, which expressed an unmodified opinion on those combined financial statements (modified cash basis), which 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 20 through 23 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) taken as a whole.

FORVIS, LLP

Winston-Salem, NC
July 5, 2023

The Winston-Salem Foundation
Combining Schedule of Assets, Liabilities and Net Assets (Modified Cash Basis)
December 31, 2022

	The Winston-Salem Foundation Combined	The Millennium Fund	Total	Combination Adjustments	Combined
ASSETS					
Cash and cash equivalents	\$ 34,089,275	\$ 2,534,375	\$ 36,623,650	\$ (2,534,375)	\$ 34,089,275
Securities	567,433,278	-	567,433,278	-	567,433,278
Receivables:					
Student loans	71,779	-	71,779	-	71,779
Notes	100,000	1,339,000	1,439,000	-	1,439,000
Assets held in trust	4,016,267	-	4,016,267	-	4,016,267
Investments in partnerships	21,386,609	300,000	21,686,609	(300,000)	21,386,609
Building, leasehold improvements and equipment	1,308,523	-	1,308,523	-	1,308,523
Other assets	785,791	-	785,791	-	785,791
Total assets	\$ 629,191,522	\$ 4,173,375	\$ 633,364,897	\$ (2,834,375)	\$ 630,530,522
LIABILITIES AND NET ASSETS					
Liabilities:					
Amounts withheld from employees	\$ 3,138	\$ -	\$ 3,138	\$ -	\$ 3,138
Deferred compensation liability	90,339	-	90,339	-	90,339
Agency deposits	27,969,283	-	27,969,283	(2,834,375)	25,134,908
Total liabilities	28,062,760	-	28,062,760	(2,834,375)	25,228,385
Net assets:					
Without donor restrictions	601,128,762	4,173,375	605,302,137	-	605,302,137
Total net assets	601,128,762	4,173,375	605,302,137	-	605,302,137
Total liabilities net assets	\$ 629,191,522	\$ 4,173,375	\$ 633,364,897	\$ (2,834,375)	\$ 630,530,522

See independent auditor's report.

The Winston-Salem Foundation
Combining Schedule of Assets, Liabilities and Net Assets (Modified Cash Basis)
December 31, 2021

	The Winston-Salem Foundation Combined	The Millennium Fund	Total	Combination Adjustments	Combined
ASSETS					
Cash and cash equivalents	\$ 49,192,260	\$ 3,608,144	\$ 52,800,404	\$ (3,608,144)	\$ 49,192,260
Securities	667,375,077	-	667,375,077	-	667,375,077
Receivables:					
Student loans	99,742	-	99,742	-	99,742
Notes	100,000	1,339,000	1,439,000	-	1,439,000
Assets held in trust	4,016,275	-	4,016,275	-	4,016,275
Investments in partnerships	20,973,518	300,000	21,273,518	(300,000)	20,973,518
Building, leasehold improvements and equipment	1,308,523	-	1,308,523	-	1,308,523
Other assets	962,630	-	962,630	-	962,630
Total assets	\$ 744,028,025	\$ 5,247,144	\$ 749,275,169	\$ (3,908,144)	\$ 745,367,025
LIABILITIES AND NET ASSETS					
Liabilities:					
Amounts withheld from employees	\$ 4,320	\$ -	\$ 4,320	\$ -	\$ 4,320
Deferred compensation liability	108,128	-	108,128	-	108,128
Agency deposits	33,647,158	-	33,647,158	(3,908,144)	29,739,014
Total liabilities	33,759,606	-	33,759,606	(3,908,144)	29,851,462
Net assets:					
Without donor restrictions	710,268,419	5,247,144	715,515,563	-	715,515,563
Total net assets	710,268,419	5,247,144	715,515,563	-	715,515,563
Total liabilities net assets	\$ 744,028,025	\$ 5,247,144	\$ 749,275,169	\$ (3,908,144)	\$ 745,367,025

See independent auditor's report.

The Winston-Salem Foundation
Combining Schedule of Receipts, Disbursements and Changes in Net Assets (Modified Cash Basis)
Year Ended December 31, 2022

	The Winston-Salem Foundation Combined	The Millennium Fund	Total	Combination Adjustments	Combined
Receipts:					
Donations and bequests	\$ 44,441,231	\$ 516,000	\$ 44,957,231	\$ (516,000)	\$ 44,441,231
Interest, dividends, and other investment income	11,896,904	14,760	11,911,664	-	11,911,664
Fees assessed on agency deposits	261,228	-	261,228	-	261,228
Other receipts	-	-	-	-	-
Total receipts	<u>56,599,363</u>	<u>530,760</u>	<u>57,130,123</u>	<u>(516,000)</u>	<u>56,614,123</u>
Disbursements:					
Grants	76,228,001	1,592,450	77,820,451	(516,000)	77,304,451
Executive office operations	5,270,783	12,079	5,282,862	-	5,282,862
Trustee banks' and investment management fees	1,882,623	-	1,882,623	-	1,882,623
Brokerage fees	17,179	-	17,179	-	17,179
Other disbursements	395,203	-	395,203	-	395,203
Total disbursements	<u>83,793,789</u>	<u>1,604,529</u>	<u>85,398,318</u>	<u>(516,000)</u>	<u>84,882,318</u>
Receipts under disbursements before net realized and unrealized losses	(27,194,426)	(1,073,769)	(28,268,195)	-	(28,268,195)
Net realized and unrealized losses	<u>(81,945,231)</u>	<u>-</u>	<u>(81,945,231)</u>	<u>-</u>	<u>(81,945,231)</u>
Decrease in net assets without donor restrictions	(109,139,657)	(1,073,769)	(110,213,426)	-	(110,213,426)
Net assets without donor restrictions, beginning of year	<u>710,268,419</u>	<u>5,247,144</u>	<u>715,515,563</u>	<u>-</u>	<u>715,515,563</u>
Net assets without donor restrictions, end of year	<u>\$ 601,128,762</u>	<u>\$ 4,173,375</u>	<u>\$ 605,302,137</u>	<u>\$ -</u>	<u>\$ 605,302,137</u>

See independent auditor's report.

The Winston-Salem Foundation
Combining Schedule of Receipts, Disbursements and Changes in Net Assets (Modified Cash Basis)
Year Ended December 31, 2021

	The Winston-Salem Foundation Combined	The Millennium Fund	Total	Combination Adjustments	Combined
Receipts:					
Donations and bequests	\$ 181,777,481	\$ 1,379,600	\$ 183,157,081	\$ (1,379,600)	\$ 181,777,481
Interest, dividends, and other investment income	12,236,665	17,925	12,254,590	-	12,254,590
Fees assessed on agency deposits	267,055	-	267,055	-	267,055
Other receipts	637,275	-	637,275	-	637,275
Total receipts	194,918,476	1,397,525	196,316,001	(1,379,600)	194,936,401
Disbursements:					
Grants	79,676,827	863,325	80,540,152	(1,379,600)	79,160,552
Executive office operations	4,369,877	11,445	4,381,322	-	4,381,322
Trustee banks' and investment management fees	1,816,212	-	1,816,212	-	1,816,212
Brokerage fees	50,421	-	50,421	-	50,421
Other disbursements	160,726	64,869	225,595	-	225,595
Total disbursements	86,074,063	939,639	87,013,702	(1,379,600)	85,634,102
Receipts over disbursements before net realized and unrealized gains	108,844,413	457,886	109,302,299	-	109,302,299
Net realized and unrealized gains	42,978,463	-	42,978,463	-	42,978,463
Increase in net assets without donor restrictions	151,822,876	457,886	152,280,762	-	152,280,762
Net assets without donor restrictions, beginning of year	558,445,543	4,789,258	563,234,801	-	563,234,801
Net assets without donor restrictions, end of year	\$ 710,268,419	\$ 5,247,144	\$ 715,515,563	\$ -	\$ 715,515,563

See independent auditor's report.