THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2026 and 2025

The Community Foundation of Western North Carolina, Inc.
Asheville, North Carolina

Board of Directors
June 30, 2026

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Francisco Castelblanco, Vice-Chair and Secretary
Heather P. Norton, Treasurer
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THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

June 30, 2026 and 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Community Foundation of Western North Carolina, Inc.
Asheville, North Carolina

Opinion

We have audited the accompanying financial statements of The Community Foundation of Western North Carolina, Inc. ("a not-for-profit foundation") which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Western North Carolina, Inc. as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of The Community Foundation of Western North Carolina, Inc. 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.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 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 Community Foundation of Western North Carolina, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation of Western North Carolina, Inc.'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.

DMJPS PLLC

Certified Public Accountants
Asheville, North Carolina

November 19, 2026

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2026 and 2025

Exhibit A

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2026 and 2025

ASSETS

	2026	2025
Assets		
Cash and cash equivalents	$ 32,215,030	$ 27,099,437
Accounts receivable	132,845	131,958
Prepaid expenses	56,441	14,161
Note receivable	3,500,000	3,000,000
Investments without donor restrictions	111,171,836	94,416,431
Property and equipment, net	4,058,679	1,824,492
Investments with donor restrictions	408,688,068	354,540,415
Total Assets	$ 559,822,899	$ 481,026,894

LIABILITIES AND NET ASSETS

Liabilities		
Grants and scholarships payable	$ 684,247	$ 741,420
Accounts payable and accrued liabilities	9,292	106,118
Liabilities under split-interest agreements	3,872,429	4,006,375
Funds held as agency endowments	135,293,151	113,723,651
Total Liabilities	139,859,119	118,577,564
Net Assets		
Without donor restrictions	11,275,712	7,908,915
With donor restrictions	408,688,068	354,540,415
Total Net Assets	419,963,780	362,449,330
Total Liabilities and Net Assets	$ 559,822,899	$ 481,026,894

The accompanying notes are an integral part of these financial statements.

Exhibit B-1

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions	$ 20,500	$ 41,084,997	$ 41,105,497
Investment income	1,221,705	6,520,526	7,742,231
Realized and unrealized gains – net	762,002	44,694,319	45,456,321
Change in value of split-interest agreements	-	(400,130)	(400,130)
Management fee income	761,637	-	761,637
Grant income	58,250	-	58,250
Other income	222,025	-	222,025
Total Revenues and Gains	3,046,119	91,899,712	94,945,831
Net assets released from restriction	37,752,059	(37,752,059)	-
Total Revenues, Gains, and Other Support	40,798,178	54,147,653	94,945,831
Expenses:			
Program services	35,023,527	-	35,023,527
Supporting services	2,407,854	-	2,407,854
Total Expenses	37,431,381	-	37,431,381
Change in Net Assets	3,366,797	54,147,653	57,514,450
Net Assets, beginning of year	7,908,915	354,540,415	362,449,330
Net Assets, end of year	$ 11,275,712	$ 408,688,068	$ 419,963,780

The accompanying notes are an integral part of these financial statements.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions	$ 72,360	$ 70,591,453	$ 70,663,813
Investment income	1,420,468	5,225,005	6,645,473
Realized and unrealized gains – net	852,010	27,323,449	28,175,459
Change in value of split-interest agreements	-	(403,068)	(403,068)
Management fee income	692,932	-	692,932
Grant income	69,648	-	69,648
Other income	109,898	-	109,898
Total Revenues and Gains	3,217,316	102,736,839	105,954,155
Net assets released from restriction	64,135,485	(64,135,485)	-
Total Revenues, Gains, and Other Support	67,352,801	38,601,354	105,954,155
Expenses:			
Program services	64,361,231	-	64,361,231
Supporting services	2,351,832	-	2,351,832
Total Expenses	66,713,063	-	66,713,063
Change in Net Assets	639,738	38,601,354	39,241,092
Net Assets, beginning of year	7,269,177	315,939,061	323,208,238
Net Assets, end of year	$ 7,908,915	$ 354,540,415	$ 362,449,330

The accompanying notes are an integral part of these financial statements.

Exhibit C-1

The Community Foundation of Western North Carolina, Inc.

Statement of Functional Expenses

Year Ended June 30, 2026

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Supporting Services	Total
Grants	$ 32,609,086	$ -	$ -	$ -	$ 32,609,086
Salaries	1,256,740	886,532	338,818	1,225,350	2,482,090
Payroll taxes	88,508	62,435	23,862	86,297	174,805
Employee benefits	272,724	192,385	73,526	265,911	538,635
Total Salaries and Related Expenses	1,617,972	1,141,352	436,206	1,577,558	3,195,530
Contract services	36,886	26,021	9,945	35,966	72,852
Dues and subscriptions	37,843	26,696	10,203	36,899	74,742
Insurance	15,436	10,889	4,161	15,050	30,486
Office expense	25,243	17,808	6,806	24,614	49,857
Postage	6,245	4,406	1,684	6,090	12,335
Telephone	4,087	2,884	1,102	3,986	8,073
Professional services	374,166	263,945	100,875	364,820	738,986
Public relations	-	-	53,721	53,721	53,721
Training and education	11,656	8,223	3,143	11,366	23,022
Travel and training	8,996	6,347	2,426	8,773	17,769
Printing and publications	9,607	6,777	2,590	9,367	18,974
Occupancy	87,200	61,512	23,509	85,021	172,221
Equipment maintenance/purchases	67,819	47,842	18,284	66,126	133,945
Meetings expense	10,755	7,587	2,900	10,487	21,242
Miscellaneous	32,138	22,665	8,662	31,327	63,465
	2,346,049	1,654,954	686,217	2,341,171	4,687,220
Depreciation	68,392	48,245	18,438	66,683	135,075
Total Expenses	$ 35,023,527	$ 1,703,199	$ 704,655	$ 2,407,854	$ 37,431,381

The accompanying notes are an integral part of these financial statements.

Exhibit C-2

The Community Foundation of Western North Carolina, Inc.

Statement of Functional Expenses

Year Ended June 30, 2025

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Grants	$ 61,908,745	$ -	$ -	$ -	$ 61,908,745
Salaries	1,222,420	828,234	313,816	1,142,050	2,364,470
Payroll taxes	85,215	57,736	21,876	79,612	164,827
Employee benefits	292,746	198,346	75,153	273,499	566,245
Total Salaries and Related Expenses	1,600,381	1,084,316	410,845	1,495,161	3,095,542
Contract services	57,562	39,001	14,777	53,778	111,340
Dues and subscriptions	50,408	34,153	12,941	47,094	97,502
Insurance	14,508	9,829	3,724	13,553	28,061
Office expense	60,659	41,099	15,572	56,671	117,330
Postage	6,855	4,644	1,760	6,404	13,259
Telephone	3,213	2,177	825	3,002	6,215
Professional services	446,205	302,320	114,549	416,869	863,074
Public relations	-	-	60,589	60,589	60,589
Training and education	10,189	6,903	2,616	9,519	19,708
Travel and training	5,773	3,912	1,482	5,394	11,167
Printing and publications	7,836	5,309	2,012	7,321	15,157
Occupancy	46,930	31,797	12,048	43,845	90,775
Equipment maintenance/purchases	66,685	45,181	17,120	62,301	128,986
Meetings expense	8,910	6,037	2,287	8,324	17,234
Miscellaneous	27,643	18,729	7,096	25,825	53,468
	2,413,757	1,635,407	680,243	2,315,650	4,729,407
Depreciation	38,729	26,240	9,942	36,182	74,911
Total Expenses	$ 64,361,231	$ 1,661,647	$ 690,185	$ 2,351,832	$ 66,713,063

The accompanying notes are an integral part of these financial statements.

Exhibit D

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows from Operating Activities		
Change in net assets	$ 57,514,450	$ 39,241,092
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	135,075	74,911
Contributions restricted for endowment	(14,032,445)	(9,272,317)
Realized and unrealized gains –net	(45,456,321)	(28,175,459)
Noncash grant	(475,000)	-
Change in assets and liabilities:		
Accounts receivable	(887)	6,142
Prepaid expenses	(42,280)	(112)
Grants and scholarships payable	(57,173)	81,117
Accounts payable and accrued liabilities	(96,826)	68,561
Liabilities under split-interest agreements	(133,946)	207,479
Funds held as agency endowments	21,569,500	6,539,453
Net Cash Provided by Operating Activities	18,924,147	8,770,867
Cash Flows from Investing Activities		
Proceeds from sales of investments	189,153,223	65,360,900
Issuance of note receivable	(500,000)	-
Purchases of investments	(214,599,960)	(74,963,139)
Purchases of property and equipment	(1,894,262)	(7,231)
Net Cash Used in Investing Activities	(27,840,999)	(9,609,470)
Cash Flows from Financing Activities		
Contributions restricted for endowment	14,032,445	9,272,317
Net Cash Provided by Financing Activities	14,032,445	9,272,317
Increase in Cash and Cash Equivalents	5,115,593	8,433,714
Cash and Cash Equivalents, beginning of year	27,099,437	18,665,723
Cash and Cash Equivalents, end of year	$ 32,215,030	$ 27,099,437

The accompanying notes are an integral part of these financial statements.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation and Operations

The Community Foundation of Western North Carolina, Inc. ("the Foundation") is a permanent foundation. The Foundation receives gifts, grants, and bequests for the purpose of making charitable donations to approved organizations (as defined in its articles of incorporation and determined by the Board of Directors) and to perform all acts which may be deemed necessary or expedient to develop charitable capital for Western North Carolina.

Income Taxes

The Foundation has been classified as a publicly-supported charitable foundation under the Internal Revenue Code Section 501(c)(3). As a publicly-supported charity, the Foundation is exempt from federal and state income taxes and federal excise taxes under Section 509(a)(1) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. It is the Foundation's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain, and what, if any, effect the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for tax years 2025 and 2024. Currently, the statute of limitations remains open subsequent to and including tax year 2022; however, no examinations are in process or anticipated. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor-imposed restrictions on net assets are reported as net assets released from restriction on the statements of activities. Contributions are recognized as revenues in the period made.

Net Assets

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

Net assets without donor restrictions – Net assets without donor restrictions include all resources which are not subject to donor restrictions and are available for use in the performance of the activities of the Foundation. The Board of Directors may designate net assets without donor restrictions for quasi-endowment or specific charitable needs.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions include contributions, charitable trusts and endowment investment earnings. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other event specified by the donor. This includes funds which are subject to a general variance power giving the Foundation's Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or are inconsistent with the charitable needs of the community. However, such modifications are not administered in a manner that would significantly alter the original donor restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2026 and 2025, the Foundation's net assets with donor restrictions are restricted for funding various community philanthropic programs and/or nonprofits specified by the donors, as well as the endowment corpus and unspent endowment investment earnings.

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of North Carolina adopted UPMIFA effective March 19, 2009. The Foundation has adopted UPMIFA and FASB ASC 958-205. The Board of Directors, on the advice of legal counsel, has determined that a substantial portion of the Foundation's net assets meet the definition of endowment funds under UPMIFA. Contributions received are subject to the terms of an underlying gift agreement.

Under UPMIFA, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. In accordance with UPMIFA, the Foundation considers the following factors on a fund by fund basis, before making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the institution and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the institution;
- The investment policy of the institution.

The Foundation adheres to the concept of historic gift value in determining the portion of donor-restricted endowment gifts that will be allocated to net assets with donor restrictions.

Endowment Spending Policy

The standard spending policy for endowment funds held at the Foundation allows for distributions to qualified charities at an annual amount that is determined by a total return methodology. For the years ended June 30, 2026 and 2025, funds available for distribution on an annual basis for each fiscal year (July 1 through June 30) are determined by calculating 4.5% of the average market value of the fund over a 16 quarter period. In the event that endowment funds have declined in value below the historic gift value of the fund, available spending will be determined by calculating 2% of the average market value of the fund over the 16 quarter period.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Endowment Spending Policy *[cont'd]*

Additionally, undistributed "spendable income" may be rolled over into available income for successive fiscal years. The determination of available income is made as of March 31 of each year, and is communicated to fund advisors prior to July 1.

Some endowment funds may have alternative spending policies based on the charitable intent of the fund, consistent with the terms outlined in the fund agreement.

Cash and Cash Equivalents

The Foundation considers all unrestricted, highly-liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for money market funds held in investment accounts.

Property and Equipment, net

Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulation regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment purchased by the Foundation are recorded at historical cost. Generally, assets having a useful life of more than one year and costing over $2,500 are capitalized. Depreciation is recorded on a straight-line basis over the estimated useful life of the underlying asset as follows:

	Years
Furniture and fixtures	5-10
Office equipment	3-5
Building	40

Investments

Investments in money market funds, marketable securities with readily determinable fair values, and all debt securities are carried at their fair values in the statements of financial position. Alternative investments are instruments which are not readily marketable and are carried at estimated fair value as provided by the investment managers. Realized and unrealized gains and losses are included in the change in net assets on the accompanying statements of activities.

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Earnings realized and unrealized gains and losses in the master investment accounts are allocated monthly to the individual component funds based on a calculation of each fund's market share of the investment account.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Fair Value Measurement

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, applies to report balances that are required or permitted to be measured at fair value, defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements.

The fair value hierarchy prioritizes the input to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

Level 1 Inputs are based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. For example, securities traded in an active market, such as the New York Stock Exchange, are valued using Level 1 inputs.

Level 2 Inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.

Level 3 Inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

Promises to Give and Contributions Made for Charitable Purposes

Unconditional promises to give are recognized as revenues and assets in the period received, at the estimated present values of future cash flows. As such, management has determined that an additional allowance for uncollectible promises to give is not considered necessary. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Foundation makes competitive and donor advised grants to other not-for-profit organizations for charitable purposes. Unconditional gifts for charitable purposes are recorded and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Gifts that are subject to conditions are recorded when the conditions are substantially met.

Split-Interest Agreements

The Foundation holds assets under various charitable remainder trusts and is responsible for trust administration. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are available for the Foundation's use or for distribution to other not-for-profit organizations as specified in the related trust agreement. The portion of the trust attributable to the present value of future benefits to be received by the Foundation is recorded in the statements of activities as a contribution with donor restrictions in the period the trust is established, as outlined in the trust agreement.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Split-Interest Agreements *[cont'd]*

A corresponding liability for the present value of estimated future benefits payable to the trust beneficiaries is also recorded. Net earnings and losses of trust assets and distributions to trust beneficiaries are recorded as changes in trust assets and the liability under split-interest agreements on the statements of financial position. On an annual basis, the Foundation revalues the distribution obligation based on actuarial assumptions and applicable mortality tables, recording the resulting change in the value of split-interest agreements on the statements of activities.

The Foundation also holds outright certain assets under charitable gift annuity agreements. The portion of the gift attributable to the present value of future benefits to be received by the Foundation is recorded in the statements of activities as a contribution with donor restrictions in the period the charitable gift agreement is established, as outlined by the donor. A corresponding liability for the present value of estimated future benefits payable to the beneficiaries is also recorded and required distributions are recorded as decreases in the liability account. However, as the assets of charitable gift annuities are not held in trust, the net earnings and losses attributable to these assets are included on the Foundation's statements of activities.

Funds Held as Agency Endowments

The Foundation receives and distributes assets under certain agency and intermediary arrangements. FASB ASC 958-605 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that, if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself or its affiliates as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The liability has been established at the fair value of the funds, which is generally equivalent to the present value of the future payments expected to be made to the NPOs and is reflected under funds held as agency endowments on the accompanying statements of financial position. In addition, related amounts received, distributed, investment income or loss, and expenses are not presented in the accompanying statements of activities.

Donated Services and Materials

Volunteers have donated a significant amount of time to the Foundation's operations and program services. Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills will be recognized as support. No amounts have been reflected in the accompanying financial statements for contributed services since the requirements for recognition under FASB ASC 958-605 were not met. Donated materials are reflected as in-kind contributions in the accompanying financial statements at their estimated fair market value at date of receipt.

Administrative Charges and Fund Accounting

The Foundation retains as compensation for its services an administrative fee against the charitable funds under its management. The fee varies, depending upon the type of fund administered and the level of services provided. The Foundation's published administrative fee schedule stipulates that the minimum fee charged is $250 per year, and the maximum is 3.0% of the market value of the fund, per annum. Certain funds with unique administrative requirements may be subject to a custom fee schedule that is not reflected on the published administrative fee schedule. The administrative fee is charged quarterly.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*

Administrative Charges and Fund Accounting *[cont'd]*

The Foundation accumulates historical activity data for each gift fund under the principle of fund accounting, maintaining a separate accounting for each fund. In accordance with FASB ASC 958-205, the concept of fund accounting is not utilized in financial reporting and fund balances are classified in the statements of financial position as net assets with or without donor restrictions, consistent with the concept of total-entity reporting. As a result, the administrative fee charged for management services is recorded as an allocation between funds, except for fees charged under trust and agency endowment arrangements. Administrative fees were $3,525,621 and $3,168,567 for the years ended June 30, 2026 and 2025, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of assets and contingent liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing certain activities of the Foundation have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses requires allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 19, 2026, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund the charitable purposes of each respective endowment fund.

The Foundation manages its cash available to meet general expenditures by following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

Financial assets available as of June 30, 2026 for general expenditures of the Foundation, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS *[cont'd]*

Cash and cash equivalents	$ 2,503,349
Investments without donor restrictions	14,785,278
	$ 17,288,627

The amounts above are inclusive of three component funds of the Foundation that may be utilized, with Board of Directors' approval, to fund Foundation operations should circumstances warrant such action. Although the Foundation does not intend to spend from board-designated endowments (other than amounts appropriated per the annual application of the Foundation's spending policy), these amounts could be made available if necessary.

Additionally, under the administrative fee schedule currently in place, the Foundation will receive approximately $4,000,000 to support Foundation operations in the fiscal year ending June 30, 2027.

3. INVESTMENTS

Investments consist principally of pooled investment funds, common stocks, government bonds, certificates of deposit, and money market funds, and are carried at market value. The following table illustrates the cost and market value of each investment category as of June 30, 2026:

	Cost	Market Value	Unrealized Gain (Loss)
Equities	$ 229,013,961	$ 342,352,799	$ 113,338,838
Fixed income	120,512,398	117,367,463	(3,144,935)
Publicly traded alternatives	149,930	377,550	227,620
Hedge funds	12,776,437	16,602,510	3,826,073
Real asset funds	12,757,645	21,096,611	8,338,966
Cash equivalent	9,737,278	9,737,278	---
Private equity	8,624,295	12,325,693	3,701,398
	$ 393,571,944	$ 519,859,904	$ 126,287,960

The following table illustrates the cost and market value of each investment category as of June 30, 2025:

	Cost	Market Value	Unrealized Gain (Loss)
Equities	$ 155,456,945	$ 256,623,849	$ 101,166,904
Fixed income	110,965,672	109,277,713	(1,687,959)
Publicly traded alternatives	245,550	407,420	161,870
Hedge funds	26,246,734	38,029,169	11,782,435
Real asset funds	11,342,605	19,267,163	7,924,558
Cash equivalent	14,859,668	14,859,668	---
Private equity	7,613,238	10,491,864	2,878,626
	$ 326,730,412	$ 448,956,846	$ 122,226,434

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

3. INVESTMENTS *[cont'd]*

Investments are presented on the accompanying statements of financial position as of June 30, as follows:

	2026	2025
Investments without donor restrictions	$ 111,171,836	$ 94,416,431
Investments with donor restrictions	408,688,068	354,540,415
	$ 519,859,904	$ 448,956,846

Of the total investment balance, $135,293,151 and $113,723,651 as of June 30, 2026 and 2025, respectively, represent assets held under agency endowments. Also, $4,447,627 and $4,600,081 represent assets held under charitable remainder trust agreements as of June 30, 2026 and 2025, respectively.

The Foundation's investments are subject to market risk and managed under an overall investment objective to achieve a favorable total rate of return, consistent with prudent financial management. The goal is to meet charitable distribution and grant-making needs in Western North Carolina, while maintaining or increasing the real inflation adjusted value of the permanent funds for which the Foundation has been entrusted. The Board of Directors has appointed an Investment Committee to administer the Board's investment oversight function. Additionally, the Foundation employs professional investment consultants as part of the performance monitoring function. Investment consultant fees paid in the years ended June 30, 2026 and 2025 were $245,060 and $158,437, respectively.

Investment return is included on the statements of activities under the captions investment income and realized and unrealized gains – net. The investment income caption also includes interest earned on cash and cash equivalents.

Components of investments return for the years ended June 30 are as follows:

	2026	2025
Net unrealized gains at end of year	$ 126,287,960	$ 122,226,434
Net unrealized gains at beginning of year	122,226,434	97,157,470
Current year unrealized appreciation	4,061,526	25,068,964
Realized gains - net	57,870,571	13,023,961
Investment income	10,992,251	9,556,044
Brokerage fees	(471,760)	(660,940)
	72,452,588	46,988,029
Adjustment for amount applicable to agency endowments	(18,578,095)	(11,667,018)
Adjustment for amount applicable to assets held under charitable remainder trust agreements	(675,941)	(500,079)
	$ 53,198,552	$ 34,820,932

Investment return is presented on the accompanying statements of activities under the following captions for the years ended June 30:

	2026	2025
Investment income	**$** 7,742,231	$ 6,645,473
Realized and unrealized gains - net	45,456,321	28,175,459
	$ 53,198,552	$ 34,820,932

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

3. INVESTMENTS *[cont'd]*

The table below sets forth by level, within the fair value hierarchy, the Foundation's total investment portfolio as of June 30:

2026

	Fair Value	Level 1	Level 2	Level 3	NAV
Publicly traded equities	$ 25,928,969	$ 25,928,969	$ ---	$ ---	$ ---
Publicly traded alternatives	377,550	377,550	---	---	---
Equity mutual funds	290,619,129	290,619,129	---	---	---
Cash equivalents	9,737,278	9,637,278	100,000	---	---
Pooled equity funds	25,804,701	---	25,804,701	---	---
Individual fixed income securities	40,784,009	---	40,784,009	---	---
Fixed income mutual funds	76,583,454	---	76,583,454	---	---
Real asset funds	21,096,611	5,784,064	---	---	15,312,547
Hedge funds	16,602,510	---	---	---	16,602,510
Private equity funds	12,325,693	---	---	---	12,325,693
Total	$ 519,859,904	$ 332,346,990	$ 143,272,164	$ ---	$ 44,240,750

2025

	Fair Value	Level 1	Level 2	Level 3	NAV
Publicly traded equities	$ 92,656,310	$ 92,656,310	$ ---	$ ---	$ ---
Publicly traded alternatives	520,412	520,412	---	---	---
Equity mutual funds	115,880,418	115,880,418	---	---	---
Cash equivalents	14,859,668	14,759,668	100,000	---	---
Pooled equity funds	47,974,129	---	47,974,129	---	---
Individual fixed income securities	35,849,721	---	35,849,721	---	---
Fixed income mutual funds	68,501,688	---	68,501,688	---	---
Pooled fixed income funds	4,926,304	---	4,926,304	---	---
Real asset funds	19,267,163	4,772,734	---	---	14,494,429
Hedge funds	38,029,169	---	---	---	38,029,169
Private equity funds	10,491,864	---	---	---	10,491,864
Total	$ 448,956,846	$ 228,589,542	$ 157,351,842	$ ---	$ 63,015,462

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

3. INVESTMENTS *[cont'd]*

Investments valued at net asset value "NAV" per share or its equivalent:

The following table represents the unfunded commitments, redemption frequency, and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent as of June 30:

2026

Investments	Note	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Real asset funds	a	$ 15,312,547	$ 6,451,026	Illiquid	N/A
Hedge funds	b	16,602,510	615,307	Monthly-Annual	15-95 Days
Private equity funds	c	12,325,693	4,732,623	Illiquid	N/A
		$ 44,240,750	$ 11,798,956		

2025

Investments	Note	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Real asset funds	a	$ 14,494,429	$ 7,147,540	Illiquid	N/A
Hedge funds	b	38,029,169	900,812	Monthly-Annual	15-95 Days
Private equity funds	c	10,491,864	4,855,639	Illiquid	N/A
		$ 63,015,462	$ 12,903,991		

(a) Real asset funds – This class includes investments in actively managed funds that invest primarily in private companies involved in mining, energy and infrastructure, timber, agribusiness, natural resources, and other hard assets. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 5 to 10 years.

(b)Hedge funds – This class includes investments in actively managed hedge funds and fund-of-funds employing a variety of strategies, including but not limited to multi-strategy, absolute return, arbitrage, event-driven, distressed debt, and credit. Hedge funds have the ability to invest long and short, shift from a net long position to a net short position, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic and foreign markets. All hedge fund investments as of June 30, 2026 are redeemable during the 12 month period following June 30, 2026, and have no restrictions on redemptions beyond redemption frequency and notification period.

(c)Private equity funds – This class includes investments in actively managed private equity funds and fund-of-funds that invest in private and public companies through a variety of strategies including but not limited to early and late stage venture capital, leveraged buy-outs, distressed assets, special situations, and credit strategies. These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund, typically over 10 years or more.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

4. ACCOUNTS RECEIVABLE

Accounts receivable generally consist of miscellaneous contributions to the Foundation in transit at year end. Accounts receivable as of June 30, 2026 and 2025, are $132,845 and $131,958, respectively. All amounts are considered collectible and, accordingly, no allowance for credit losses has been deemed necessary. The balance of accounts receivable as of June 30, 2024, was $138,100.

5. NOTE RECEIVABLE

The Foundation had a non-interest bearing note receivable in the amount of $3,000,000 with a maturity date of December 15, 2030, from a not-for-profit organization which was recommended by the advisor of an existing donor advised fund and approved by the Foundation. In July 2025, this note receivable was modified to $3,500,000 with a new maturity date of December 15, 2031.

Repayment is scheduled as follows:

Years ending June 30:	
2027	$ 583,335
2028	583,333
2029	583,333
2030	583,333
2031	583,333
Thereafter	583,333
	$ 3,500,000

6. PROPERTY AND EQUIPMENT, NET

The Foundation acquired the facility used in operations through a condominium project that resulted in the renovation and preservation of the Historic Biltmore School at Vanderbilt Park. Land and other common areas are owned and managed by a property owners' association, Historic Biltmore School at Vanderbilt Park Condominium, with resulting maintenance costs funded through annual dues assessments. The Foundation's assessment fees for the years ended June 30, 2026 and 2025 totaled $109,258 and $64,221, respectively.

Property and equipment consist of the following as of June 30:

	2026	2025
Furniture and fixtures	$ 232,955	$ 234,394
Office equipment	214,510	195,248
Building	4,944,273	2,594,273
	5,391,738	3,023,915
Less: Accumulated depreciation	(1,333,059)	(1,199,423)
Total property and equipment, net	$ 4,058,679	$ 1,824,492

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

7. LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS

As required by FASB ASC 820-10, the following table presents a reconciliation for the years ended June 30, 2026 and 2025 of the beginning and ending balances of liabilities under split-interest agreements, whose carrying value is based on fair value measurements using significant unobservable inputs (Level 3) during the years ended June 30:

	2026	2025
Balance, beginning of year	$ 4,006,375	$ 3,798,896
Realized gains	741,612	121,237
Unrealized gains (losses)	(148,793)	299,666
Contributions	---	---
Issuances/settlements	(808,353)	(290,706)
Interest credited	81,588	77,282
Balance, end of year	$ 3,872,429	$ 4,006,375

8. FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation serves as custodian for over 225 agency endowment funds. As such, transactions representing activity for the agency funds are not included on the Foundation's statements of activities. Transactions are summarized as follows for the years ended June 30:

	2026	2025
Beginning balance	$ 113,723,651	$ 107,184,198
Contributions	8,763,146	3,231,990
Investment income	2,695,137	2,162,082
Realized and unrealized gains - net	15,882,958	9,504,937
Grants	(5,014,332)	(7,927,480)
Management fees	(753,114)	(688,469)
Interfund transfers - net	34,094	300,056
Other	(38,389)	(43,663)
Ending balance	$ 135,293,151	$ 113,723,651

9. NET ASSETS

Net assets with donor restrictions consist of funds earmarked by the donor for specific purposes.

The Foundation defines the permanent portion of endowment funds as a function of historic gift value. Hybrid funds include funds that maintain a minimum fund balance under the terms of the fund agreement. The minimum fund balance of hybrid funds is also allocated to net assets with donor restrictions. However, hybrid funds are not managed as endowment funds or subjected to spending policy restrictions.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

9. NET ASSETS *[cont'd]*

Restrictions on net assets as of June 30 are summarized by source as follows:

2026	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ ---	$ 260,767,514	$ 260,767,514
Hybrid funds (deficit)	(1,385)	135,074,441	135,073,056
Non-endowed funds	---	7,573,925	7,573,925
Trust funds, net of liability	---	3,031,656	3,031,656
Charitable gift annuities, net of liability	---	2,240,532	2,240,532
Operating funds	11,277,097	---	11,277,097
	$ 11,275,712	$ 408,688,068	$ 419,963,780

2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ ---	$ 224,451,198	$ 224,451,198
Hybrid funds (deficit)	(2,331)	114,322,857	114,320,526
Non-endowed funds	---	10,665,869	10,665,869
Trust funds, net of liability	---	3,134,706	3,134,706
Charitable gift annuities, net of liability	---	1,965,785	1,965,785
Operating funds	7,911,246	---	7,911,246
	$ 7,908,915	$ 354,540,415	$ 362,449,330

Reclassifications Between Net Asset Classes

Reclassifications between net asset classes occur in the normal course of activity, and are normally composed of changes in fund types, intra-fund gifts and grants, and expiration of split-interest agreements.

Changes in endowment net assets for the years ended June 30 are as follows:

2026	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ ---	$ 224,451,198	$ 224,451,198
Investment income	---	3,969,794	3,969,794
Investment gains - net	---	30,107,152	30,107,152
Contributions	---	19,094,043	19,094,043
	---	277,622,187	277,622,187
Less: Appropriated for expenditures	---	(15,046,509)	(15,046,509)
Less: Reclassification and transfers	---	(1,808,164)	(1,808,164)
Total endowment net assets, end of year	$ ---	$ 260,767,514	$ 260,767,514

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

9. NET ASSETS *[cont'd]*

2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ ---	$ 201,979,314	$ 201,979,314
Investment income	---	3,238,697	3,238,697
Investment gains - net	---	18,761,980	18,761,980
Contributions	---	11,200,388	11,200,388
	---	235,180,379	235,180,379
Less: Appropriated for expenditures	---	(9,731,803)	(9,731,803)
Less: Reclassification and transfers	---	(997,378)	(997,378)
Total endowment net assets, end of year	$ ---	$ 224,451,198	$ 224,451,198

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UPMIFA has been interpreted to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2026 and 2025, funds with original gift values of $2,415,108 and $771,996, respectively, fair values of $2,383,058 and $727,480, respectively, and deficiencies of $32,050 and $44,516 respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations as well as continued appropriation for expenditures that were deemed prudent by the Board under the currently adopted spending policy.

10. GRANTS

Grants, including those paid from agency endowments, were made for the following purposes during the year ended June 30:

	2026	2025
Advancing the arts	$ 3,177,970	$ 3,777,585
Animal welfare	786,216	924,927
Assisting people in need	10,646,472	28,993,460
Building community and economic vitality	8,327,221	16,318,548
Enhancing the environment	4,039,912	6,217,472
Improving educational opportunities	4,707,500	7,242,556
Promoting quality health	3,423,899	3,907,418
Religion	1,855,612	1,717,156
Scholarships	631,250	539,000
	37,596,052	69,638,122
Less: Amounts paid from agency endowments	(4,986,966)	(7,729,377)
	$ 32,609,086	$ 61,908,745

11. RELATED PARTY TRANSACTIONS

Related Organization

The Western North Carolina Real Estate Foundation ("WNCREF") was formed as a not-for-profit corporation as a Type I supporting Foundation. The entity exists solely to support The Community Foundation of Western North Carolina through the management of real property contributions to the Foundation.

THE COMMUNITY FOUNDATION OF WESTERN NORTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

11. RELATED PARTY TRANSACTIONS *[cont'd]*

Following is summarized financial information regarding Western North Carolina Real Estate Foundation as of and for the years ended June 30:

	2026	2025
Assets		
Cash	$ 127,859	$ 120,376
Total assets	$ 127,859	$ 120,376
Liabilities and Net Assets		
Accounts payable	$ ---	$ ---
Net assets:		
Without donor restrictions	127,859	120,376
With donor restrictions	---	---
Total net assets	127,859	120,376
Total liabilities and net assets	$ 127,859	$ 120,376
Total support and revenues	$ 17,987	$ 1,257,585
Total expenses	$ 10,504	$ 1,240,828

12. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances at institutions that are insured by the Federal Deposit Insurance Corporation (FDIC), up to the current FDIC limit of $250,000 per depository. Amounts in excess of FDIC limits as of June 30, 2026 and 2025, were approximately $31,900,000 and $26,800,000, respectively.

13. CONDITIONAL PROMISES TO GIVE

The Foundation awards certain grants with multi-year payment terms. These grants, totaling $1,420,000 and $975,000 as of June 30, 2026 and 2025, respectively, were not accrued as grants payable as of June 30, 2026 and 2025, because all terms and conditions of the awards were not satisfied.

14. RETIREMENT BENEFITS

The Foundation's employees are eligible to participate in an elective contribution 403(b) retirement plan. For each eligible participant, the Foundation made a matching contribution of up to 5% of the employee's deferrals for the years ended June 30, 2026 and 2025. The Foundation made matching contributions of $106,414 and $99,713 during the years ended June 30, 2026 and 2025, respectively. The Foundation also made a discretionary contribution (currently at the level of 3% of the employees' base compensation) for each participant. The discretionary contribution for the years ended June 30, 2026 and 2025 was $72,825 and $69,264, respectively.