To the people of North Carolina –

As of December 31, 2014, the Golden LEAF Foundation has awarded $566.1 million in grants across North Carolina. One of the remarkable stories of the Foundation is that $460.8 million (81.4 percent) of the funding for these grants came not from the funds given to the Foundation, but from investment earnings on those funds. Simply put, the Foundation has found success in growing our capability to make grants through careful stewardship and prudent investing. This is an important story and one that we are happy to tell.

This wealth-generating capability enabled our Board to vote in February 2015 to reserve $50 million for the human and physical infrastructure needed to attract an automobile assembly plant to our State. Such opportunities have been truly transformative in other states, and now we expect to compete and win the opportunity for thousands of jobs in North Carolina.

In 2014, the Golden LEAF Foundation awarded $22.7 million in grants supporting 58 different projects to benefit rural, tobacco-dependent and economically distressed communities in North Carolina.

The largest single grantsmaking program was to build human and physical infrastructure in northeastern North Carolina through our highly-competitive Community-Based Grantsmaking Initiative. Providing the patient capital for workforce training, infrastructure, and economic development contributes to the required environment for long-term economic success. This program is ongoing in 2015 in the Sandhills and Northwest Prosperity Zones, and we look forward to reporting back to you on the success of that grantsmaking.

The Foundation deliberately strengthened relationships with other government and private funders to fill the gaps necessary for job creation opportunities, using not only our traditional Economic Catalyst Program but our Open Grants Program to maximize the speed, efficiency, and rate of return in jobs per dollar.

The Foundation’s endowment returned 4.8 percent in calendar year 2014, besting its benchmark return of 3.9 percent. Until the traditional payment of the annual Master Settlement Agreement (MSA) is restored for Golden LEAF, the performance of the investment portfolio, with reasonable risk and liquidity, is more crucial than ever.

When the Foundation was created, its clear purpose was to serve as a “jackhammer” to power substantial transformative economic opportunities. Without the benefit of the MSA payment, we can act as a “claw hammer”, doing much good but not living up to our potential. We look forward to working toward restoration of the payment to its intended purpose as the state’s economy improves.
Golden LEAF awarded 58 grants totaling $22,693,517.67 in calendar year 2014. Grants supported a diverse set of projects in programmatic areas including agriculture, workforce training, job creation and retention, healthcare, scholarships, and educational initiatives.

Click here to see the list of calendar year 2014 grant awards.

Calendar year 2014 grant awards included, but were not limited to, the following Golden LEAF grant programs/initiatives:

- more than $9.6 million to projects in the Northeast Prosperity Zone through the Community-Based Grantsmaking Initiative;
- more than $5 million through the Foundation's Open Grants Program for projects related to agriculture, job creation and retention and workforce preparedness;
- more than $4.8 million for tuition assistance to help students from rural, economically distressed communities attend two and four year colleges through Golden LEAF Scholarships;
- more than $1.8 million to support job creation projects that were at risk without Golden LEAF support through the Foundation's Economic Catalyst program;
- more than $1.3 million to support other special initiatives of the Foundation.

Click here to search all Golden LEAF’s grant awards since 2000.

* Grant amounts reported throughout this report reflect the current grant amounts for calendar year 2014, unless otherwise indicated, and do not include grants that have been rescinded prior to release of funds.

2014 Open Grants Program Grant
Golden LEAF President Dan Gerlach presents Asheville-Buncombe Technical Community College representatives with a $200,000 ceremonial Golden LEAF check. The grant funded in 2014 helped renovate a facility for the College’s new Composites Center of Excellence and provide an autoclave for the new center. The center is expected to help train 290 incumbent and 60 new workers for a major expansion at GE Aviation.
About Golden LEAF

Our Purpose
Established in 1999, the Golden LEAF Foundation was created to manage one-half of North Carolina’s share of funds from the Master Settlement Agreement between states and participating tobacco companies. Golden LEAF supports tobacco-dependent, economically distressed and rural communities in North Carolina as they work to transition to more prosperous and stable economies.

Golden LEAF Board and Staff
Located in Rocky Mount, NC, the Golden LEAF Foundation is governed by a 15-member Board of Directors appointed by the North Carolina Governor, President Pro Tem of the Senate and Speaker of the House. The Foundation has 16 staff members. Please see the last page of this report for a complete list of Golden LEAF Board and Staff.

Open Door Policy
Golden LEAF welcomes eligible entities to submit an application seeking funds for projects that are consistent with Golden LEAF’s mission and priorities. The Foundation encourages potential applicants to visit our website, www.goldenleaf.org, to read more about current grant priorities and to contact programs staff to discuss project ideas or ask questions before submitting a grant application or letter of inquiry. Call 888-684-8404 or click here for a list of programs staff.

Our News
To keep up with Golden LEAF’s latest news, grant programs and opportunities, and grantee accomplishments, click here to sign up for our e-newsletter (LEAF Lines) and related media articles throughout the state (Golden LEAF News). Click here to view past editions of LEAF Lines and click here for Golden LEAF News.

Grant Funding Priorities
Golden LEAF focuses grantsmaking in areas that show the most promise for assisting targeted communities with economic transition and/or diversification. Priority areas include agriculture, job creation and retention, and workforce preparedness. Golden LEAF only awards grants to 501(c)(3) nonprofits and governmental entities. For an overview of the Foundation’s grant programs and information about applying for a grant, click here.

Accountability & Transparency
Golden LEAF is committed to being accountable for the money entrusted to it. Every grant can be viewed by visiting our Grants Search Database. Decisions on all grants are made in meetings open to the public. Golden LEAF is implementing an enhanced process of grants monitoring, which includes new forms and policies on reporting as well as increased on-site monitoring and a mandatory face-to-face grants management workshop. You can also view the Foundation’s audited financials online at www.goldenleaf.org.

Grants Management Workshop
Vice President of Programs/Staff Attorney
Ted Lord leads a grants management workshop at the Golden LEAF offices in Rocky Mount, N.C. All grantees are required to attend a face-to-face workshop to learn more about Golden LEAF’s grants reporting processes and deadlines.
2014 Workforce Training Grant
Golden LEAF awarded $200,000 to Asheville-Buncombe Technical Community College to help launch its Composites Center of Excellence (CCE). GE Aviation has constructed a 175,000-square-foot facility in Asheville that will produce engine components made of advanced composite materials. The CCE will retrain approximately 290 incumbent workers and create 60 new Asheville-area GE Aviation positions. The CCE will also serve other companies in the area that use composite materials in their manufacturing processes. In fall 2014, CCE faculty started training its first cohort of incumbent GE workers. Golden LEAF funds were used to purchase an autoclave and for building improvements for the CCE.

2014 Agriculture Grant
Golden LEAF awarded $175,000 to North Carolina State University to support the N.C. Choices program, which offers trainings to meat producers and independent meat processors. As of February 2015, four workshops were held training 90 people; 11 people have received one-on-one technical training; and two videos have been created and shared online.

2014 Health Care/Job Creation Grant
Golden LEAF awarded $200,000 to Hugh Chatham Memorial Hospital to assist with opening a health care facility in Jonesville. The facility opened January 5, 2015 housing both an urgent care center and Hugh Chatham Corporate Care, an occupational medicine program. As of January 28, 2015, the center has hired 11 new employees, served 350 patients and completed a screening for a local employer with over 700 employees. The project will create 20 new jobs with an average annual salary of $52,272.

In the Open Grants Program, Golden LEAF’s grantsmaking is focused in the areas of agriculture, job creation and retention and workforce preparedness. The Open Grants Program makes funding opportunities available throughout the year. Click here for more information about applying for an Open Grants Program grant.
The Foundation’s Economic Catalyst Program awards grants to eligible entities to encourage industries to locate or expand in tobacco-dependent or economically distressed areas of the state and to create jobs. Applicants are strongly encouraged to contact Golden LEAF staff to discuss potential projects, eligibility and conditions that may be applicable prior to submitting an application. Click here for more information about applying for an Economic Catalyst grant.

2014 Economic Catalyst Grant

A grant of $200,000 was awarded to the Town of Wilkesboro to construct water infrastructure that will serve InterFlex North America, a manufacturer of food product packaging. InterFlex is expanding its production facility in Wilkes County and needs improved water supply for new manufacturing lines. The InterFlex expansion will create 63 new jobs that will pay an average annual wage of $37,854, plus benefits, compared to a County average wage of $31,512. Another company, PSG Custom Fabricators, LLC, will also be served by the water lines and plans to expand its production capabilities resulting in the creation of an additional 38 jobs. The total cost of the project is approximately $5.8 million. As of December 2014, InterFlex has already created 25 jobs.
2014 Golden LEAF Scholarship Grant
Pictured with Golden LEAF President Dan Gerlach are the first cohort of scholars to complete all four years of the Golden LEAF Scholars Leadership Program. In CY2014, Golden LEAF awarded $2.3 million to the North Carolina State Education Assistance Authority to support a total of 750 scholarships (215 new and 535 renewal) for students to attend 4-year N.C. public and private universities and colleges. Each scholarship is valued at $3,000 per year. The Center for Creative Leadership, funded by a Golden LEAF grant, provides a leadership development program to train Golden LEAF Scholarship recipients. The leadership program includes paid summer internships, providing work experiences in rural communities to participating students.

2014 NC Community College Scholarships
These Wilson Community College curriculum students were awarded Golden LEAF Scholarships to attend college in the Fall 2014 semester. The Golden LEAF Community College Scholarships are awarded semester by semester. To apply for a scholarship, contact a participating community college’s financial aid office at the beginning of each semester. The Foundation awarded $750,000 to the North Carolina Community College System to support over 1,900 new scholarships for students to attend a participating N.C. community college in CY2014. The community college scholarships provide students with up to $750 per semester for curriculum and up to $250 per semester for occupational programs. Funds can be used for tuition and other approved costs to support college attendance.
The Community-Based Grants Initiative was launched in the summer of 2013 in the Northeast Prosperity Zone as a continuation of the Foundation’s community-based grantsmaking programs. The Foundation invites counties to apply to participate by Prosperity Zone(s) in this competitive grant program. Over a four year period, the Initiative will reach all regions of North Carolina. Golden LEAF awarded 14 grants totaling $9,679,666 to organizations in 10 counties in Northeastern N.C. supporting projects that address workforce preparedness, infrastructure, education, agriculture, economic development, and health care. The Community-Based Grantsmaking Initiative is currently being implemented in North Carolina’s Northwest and Sandhills Prosperity Zones. Grants are expected to be awarded in the Northwest and Sandhills in June 2015. For more information about this Initiative, click here.

2014 Community-Based Grantsmaking Initiative Grant
A grant of $450,000 was awarded to Halifax Community College (HCC) to upgrade and expand its Industrial Maintenance, Machining and Welding programs to support the workforce needs of industry in the college’s service area. This project will enhance the training capabilities of the college to address the skills gap identified by industry in recent workforce surveys of new and incumbent workers. Working with local industry, HCC has identified 1,063 vacant positions as well as 2,558 workers that need skills upgraded by 2017. Golden LEAF funds will be used to purchase automated equipment. HCC has started ordering equipment and has hired a program coordinator.
The Foundation's financial statements undergo an annual audit, which was conducted by BDO USA, LLP for the year ended June 30, 2014. The Foundation's financial statements are presented in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB). BDO USA, LLP expressed an unmodified opinion on these financial statements. A copy of BDO USA, LLP's audit report dated September 30, 2014 may be viewed on the Golden LEAF web site, www.goldenleaf.org.

Condensed Statement of Position and Governmental Fund Balance Sheet June 30, 2014

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$636,364</td>
<td>-</td>
<td>$636,364</td>
</tr>
<tr>
<td>Sales tax refund and other receivables</td>
<td>325</td>
<td>-</td>
<td>325</td>
</tr>
<tr>
<td>Note receivable</td>
<td>227,568</td>
<td>-</td>
<td>227,568</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>89,554</td>
<td>-</td>
<td>89,554</td>
</tr>
<tr>
<td>Investments</td>
<td>955,895,263</td>
<td>-</td>
<td>955,895,263</td>
</tr>
<tr>
<td>Capital assets-nondepreciable</td>
<td>-</td>
<td>903,906</td>
<td>903,906</td>
</tr>
<tr>
<td>Capital assets-depreciable, net</td>
<td>-</td>
<td>2,753,853</td>
<td>2,753,853</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$956,849,074</td>
<td>$3,657,759</td>
<td>$960,506,833</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$90,430</td>
<td>-</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>44,139</td>
<td>-</td>
</tr>
<tr>
<td>Grants payable</td>
<td>74,896,696</td>
<td>-</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>75,031,265</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCE/NET POSITION</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable prepaid items</td>
<td>89,554</td>
<td>(89,554)</td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>-</td>
<td>3,657,759</td>
</tr>
<tr>
<td>Unassigned/unrestricted</td>
<td>881,728,255</td>
<td>89,554</td>
</tr>
<tr>
<td>Total Fund Balance/Net Position</td>
<td>881,817,809</td>
<td>3,657,759</td>
</tr>
<tr>
<td>Total Liabilities and Fund Balance/Net Position</td>
<td>$956,849,074</td>
<td>$3,657,759</td>
</tr>
</tbody>
</table>

Condensed Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance June 30, 2014

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
<th>Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$124,700,533</td>
<td>-</td>
<td>$124,700,533</td>
</tr>
<tr>
<td>Gain on capital assets</td>
<td>-</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Other income</td>
<td>4,498</td>
<td>-</td>
<td>4,498</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>124,705,031</td>
<td>44</td>
<td>124,705,075</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES/EXPENSES</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant distributions</td>
<td>25,253,861</td>
<td>-</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>2,349,701</td>
<td>-</td>
</tr>
<tr>
<td>Capital outlays</td>
<td>22,251</td>
<td>(22,251)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>-</td>
<td>100,054</td>
</tr>
<tr>
<td>Other expenses</td>
<td>24,639,357</td>
<td>-</td>
</tr>
<tr>
<td>Total Expenditures/Expenses</td>
<td>52,265,170</td>
<td>77,803</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER FINANCING SOURCES</th>
<th>General Fund</th>
<th>Reclassifications and Eliminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess Revenues Over (Under) Expenditures/Expenses</td>
<td>72,439,861</td>
<td>(77,759)</td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>1,146</td>
<td>(1,146)</td>
</tr>
<tr>
<td>Change in Fund Balance/Net Position</td>
<td>72,441,007</td>
<td>(78,905)</td>
</tr>
<tr>
<td>Fund Balance/Net Position, beginning of year</td>
<td>809,376,802</td>
<td>3,736,664</td>
</tr>
<tr>
<td>Fund Balance/Net Position, end of year</td>
<td>$881,817,809</td>
<td>$3,657,759</td>
</tr>
</tbody>
</table>
Board of Directors (as of 12/31/14)

JOHNATHAN L. RHYNE, JR.
Board Chairman
Lincolnton, NC
Appointed by Speaker of the House

MURCHISON "BO" BIGGS
Lumberton, NC
Appointed by Speaker of the House

BRITT COBB
Raleigh, NC
Appointed by Governor

S. LAWRENCE DAVENPORT
Greenville, NC
Appointed by Speaker of the House

BARRY Z. DODSON
Stoneville, NC
Appointed by President Pro Tem of the Senate

DON FLOW
Winston-Salem, NC
Appointed by President Pro Tem of the Senate

CLAUDINE GIBSON
Robbinsville, NC
Appointed by Speaker of the House

BILLY RAY HALL
Angier, NC
Appointed by Governor

TOMMY HESTER
Henderson, NC
Appointed by Governor

RANDY ISENHOWER
Newton, NC
Appointed by President Pro Tem of the Senate

CAROLYN H. JUSTICE
Hampstead, NC
Appointed by Speaker of the House

DAVID ROSE
Nashville, NC
Appointed by President Pro Tem of the Senate

DAVID M. STOVER
Raleigh, NC
Appointed by Governor

RALPH N. STRAYHORN, III
Charlotte, NC
Appointed by Governor

JEROME VICK
Wilson, NC
Appointed by President Pro Tem of the Senate

Staff

DAN GERLACH
President
dgerlach@goldenleaf.org

MARK A. SORRELLS
Senior Vice President
msorrells@goldenleaf.org

Ted Lord
Vice President of Programs/Staff Attorney
tlord@goldenleaf.org

Patricia Cabe
Vice President of Programs/Community Assistance & Outreach
pcabe@goldenleaf.org

Terri Bryant Adou-Dy
Program Officer
tbryant@goldenleaf.org

Barbara Smith
Program Officer
bbsmith@goldenleaf.org

Miranda Dalton
Program Officer
mdalton@goldenleaf.org

Marilyn Chism
Program Compliance Officer
mchism@goldenleaf.org

Marquis A. Crews
Program Officer
mcrews@goldenleaf.org

Jenny Tinklepaugh
Program/Communications Officer
jtinklepaugh@goldenleaf.org

Brenda Smith
Program Administrator
bsmith@goldenleaf.org

Debbie Pennington
Administrative Assistant for Programs
dpennington@goldenleaf.org

Financial Staff

Peter Cera
Vice President of Investments
pcera@goldenleaf.org

Beth Edmondson
Controller
bedmondson@goldenleaf.org

Administrative Staff

Rhea Barnes
Director of Administrative Services
rbarnes@goldenleaf.org

Wanda Barnes
Administrative Assistant
wbarnes@goldenleaf.org