East Carolina University Foundation, Inc. and Consolidated Affiliates

Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

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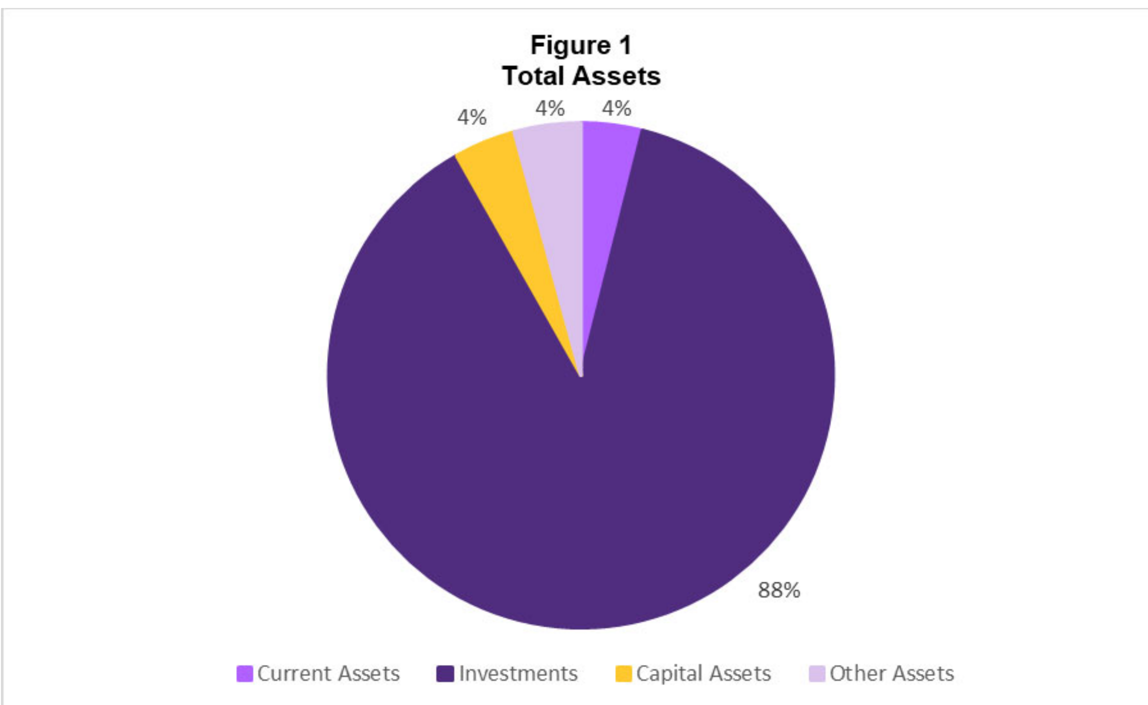
Management's Discussion and Analysis

September 19, 2023

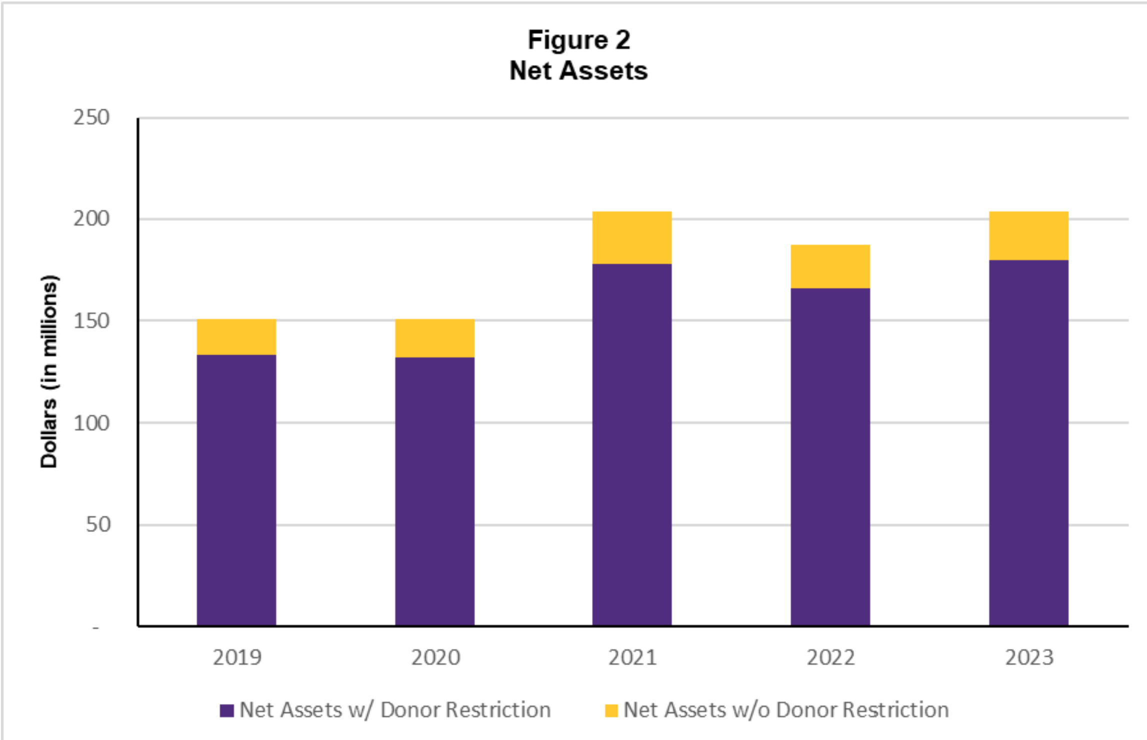
The East Carolina University Foundation, Inc. (the "Foundation") and its consolidated affiliates, the ECU Real Estate Foundation, Inc. (the "Real Estate Foundation") and Green Town Properties, Inc. ("Green Town"), and Innovation Foundation, having volunteer-led boards, are 501(c)(3) organizations whose missions are to support the activities of East Carolina University. The attached financial statements, audited by the firm of Bernard Robinson & Company, LLP, received an unmodified opinion. The unmodified opinion from our auditor reflects the commitment of our volunteers and staff to stewarding the Foundation's resources in a responsible manner while fulfilling the Foundation's mission with integrity and in compliance with the rules and regulations that govern its operations.

The following graphs summarize the financial results for the year ended June 30, 2023.

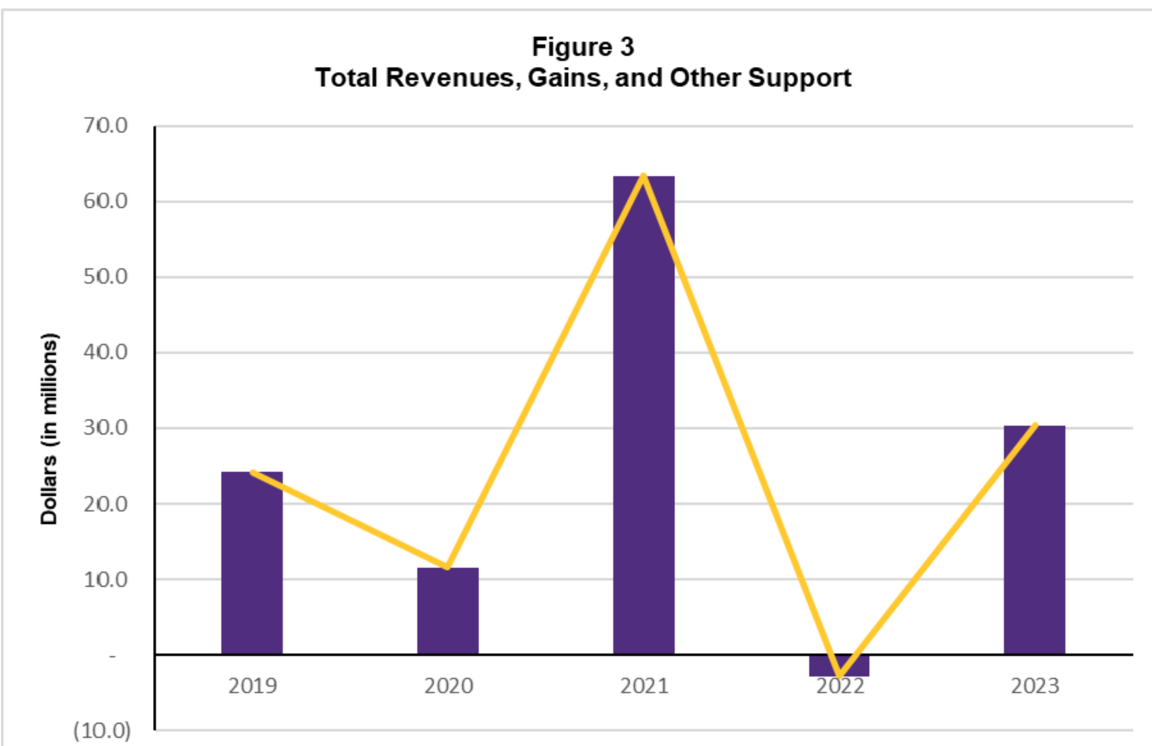
Total consolidated assets of the Foundation at June 30, 2023 were $210 million. The Foundation's investment pool represented the largest percentage of the Foundation's assets at the end of the fiscal year (see Figure 1).



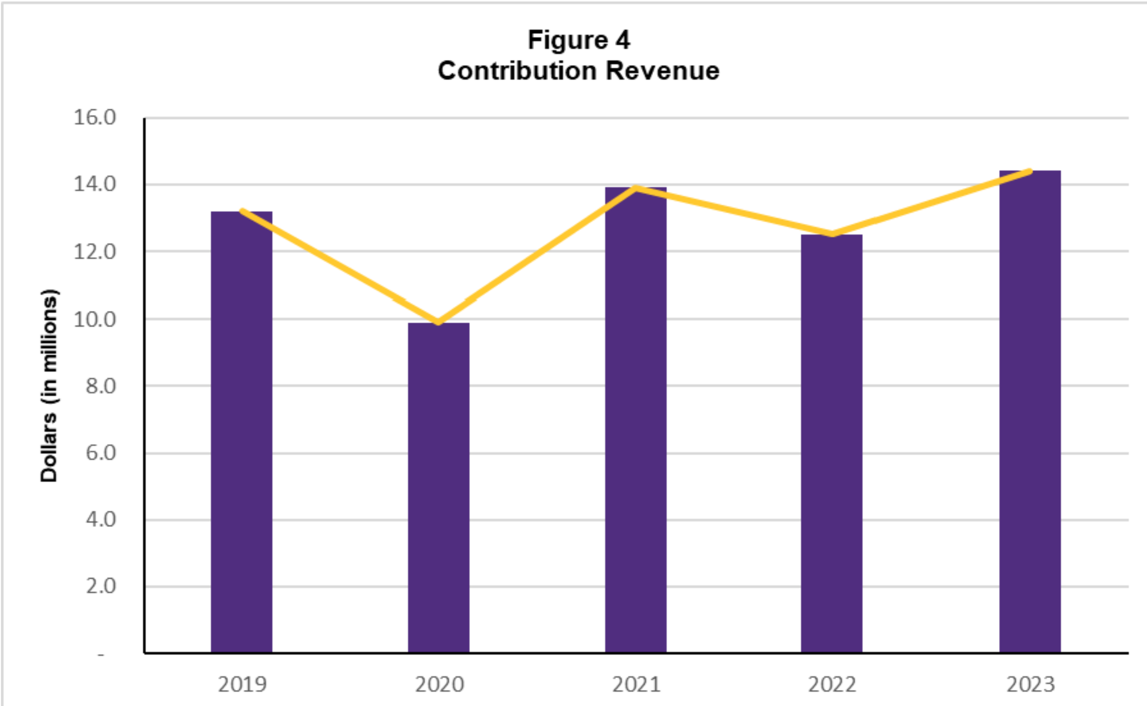
The Foundation's ending consolidated total net assets of $204 million increased by 9% over the prior year's ending net assets (see Figure 2).



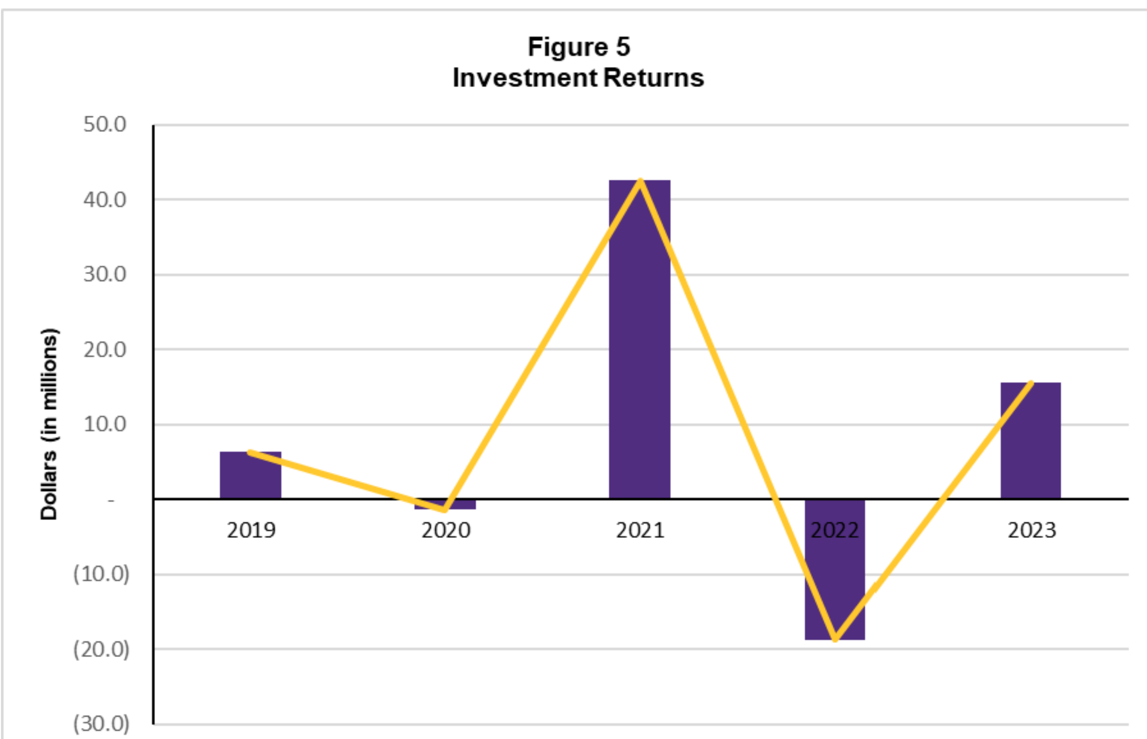
The total revenues, gains, and other support received by the Foundation during the year were $30.4 million. As illustrated in Figure 3, the change in total revenues represented a 1,186% increase from the previous year's total revenue of -$2.8 million. This was primarily due to increased return on investments due to market performance compared to the prior year.



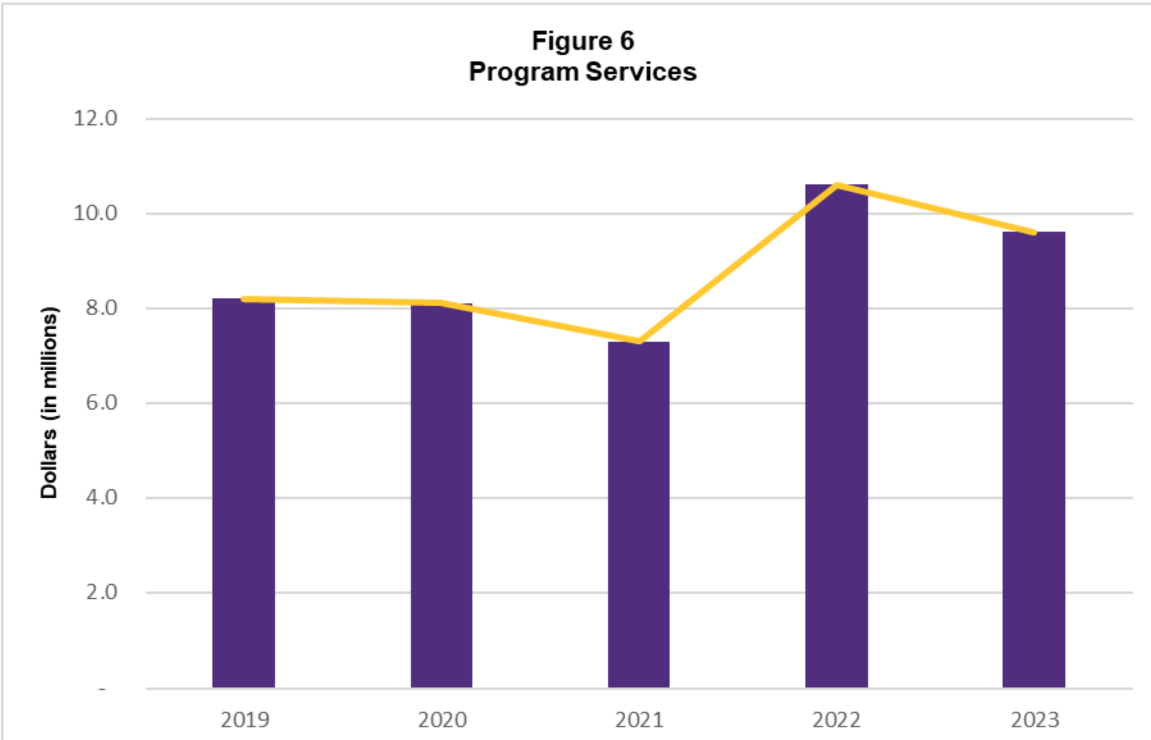
Gifts to the Foundation for fiscal year 2023 totaled $14.4 million, an increase of 15.2% from the prior year $12.5 million (see Figure 4). This increase is related to increases in donated property, gifts in kind, and contribution revenue related to pledges with donor restrictions. There were two significant pledges with donor restrictions received in fiscal year 2023.



The Foundation sustained a net gain on investments for fiscal year 2023 of $15.5M, as shown in Figure 5. For the year ended June 30, 2023, the Foundation's investments produced a net gain of 8.8% compared to a net loss of 10.5% for the year ended June 30, 2022.



The mission of the Foundation is to raise, manage, and provide private resources for the benefit of the University, its students, and programs. Program support decreased 9.4% in fiscal year 2023 compared to the fiscal year 2022 amount (see Figure 6). Program support fluctuates from year-to-year based on the needs of academic areas. The decrease in program support for FY23 is primarily driven by the decrease in Distributions to ECU, which is directly related to Distinguished Professorship funding.



Program support provided by the Foundation funds student scholarships, faculty development, program experiences, and other opportunities for the University community. The Foundation funds the “Margin of Excellence,” the activities and opportunities that are hallmarks of an excellent institution, which are above and beyond those that are funded by state appropriations.

The Foundation is a vibrant, forward-looking organization committed to playing a significant role in the future development of the University, its students, faculty, and community. The financial information that follows illustrates the Foundation is well positioned to fulfill its commitments both today and in the future.

If you have any questions, please contact us.

Christopher M. Dyba
President
Vice Chancellor for University Advancement

Stephanie Coleman
Treasurer
Vice Chancellor for Administration & Finance

Brittany Stockstill
Controller

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
East Carolina University Foundation, Inc.
and Consolidated Affiliates
Greenville, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of East Carolina University Foundation, Inc. and Consolidated Affiliates (the "Foundation") (a North Carolina nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of East Carolina University Foundation, Inc. and Consolidated Affiliates as of June 30, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of East Carolina University Foundation, Inc. and Consolidated Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Carolina University Foundation, Inc. and Consolidated Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Carolina University Foundation, Inc. and Consolidated Affiliates' 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 audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Management’s Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. We have applied certain limited procedures to the information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
September 19, 2023

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 6,788,687**	$ 9,495,089
Current portion of unconditional promises to give, net (Note 4)	**1,392,570**	1,082,452
Prepaid expenses	**23,391**	22,408
Other receivables	**42,797**	6,853
Total current assets	**8,247,445**	10,606,802
Investments:		
Investments (Notes 5 and 6)	**183,744,731**	167,109,596
Real estate held for investment (Note 6)	**739,620**	1,084,808
Total investments	**184,484,351**	168,194,404
Capital assets, net (Note 18)	**8,273,973**	8,490,873
Other assets:		
Life insurance policy - cash surrender value	**270,217**	272,437
Student loans, net	**72,319**	59,519
Beneficial interest in charitable remainder trusts (Note 6)	**2,794,030**	5,650,782
Assets held in charitable remainder trusts and annuities (Note 7)	**223,217**	519,441
Unconditional promises to give, less current portion, net (Note 4)	**5,535,758**	1,847,025
Other assets	**52,440**	52,440
Total other assets	**8,947,981**	8,401,644
Total assets	**$ 209,953,750**	$ 195,693,723

See accompanying notes.

	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	**$ 146,098**	$ 45,325
Accrued expenses	**134**	5,361
Current portion of notes payable (Note 10)	**800,080**	449,474
Current portion of charitable gift annuities payable (Note 9)	**5,945**	5,945
Agency payables (Note 8)	**1,618,338**	3,686,163
Deferred revenue	**-**	20,000
Total current liabilities	**2,570,595**	4,212,268
Long-term liabilities:		
Refundable advances	**48,414**	47,308
Notes payable, less current portion (Note 10)	**3,339,246**	4,117,710
Charitable gift annuities payable, less current portion (Note 9)	**29,019**	37,609
Liabilities under charitable remainder trusts (Note 7)	**154,545**	106,132
Total long-term liabilities	**3,571,224**	4,308,759
Total liabilities	**6,141,819**	8,521,027
Net assets:		
Without donor restrictions (Note 14)	**23,906,808**	20,843,137
With donor restrictions (Notes 12)	**179,905,123**	166,329,559
Total net assets	**203,811,931**	187,172,696
Total liabilities and net assets	**$ 209,953,750**	$ 195,693,723

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statement of Activities
Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	$ 767,429	$ 13,208,646	$ 13,976,075
Gifts in kind (Note 17)	-	374,200	374,200
Contributed services and facilities (Notes 16 and 17)	2,337,299	-	2,337,299
Return on investments:			
Interest and dividends	1,219,333	2,211,140	3,430,473
Net realized and unrealized gains on investments	1,467,974	10,596,347	12,064,321
Other income	1,103,921	527,786	1,631,707
Loss on the disposition of property	-	(76,654)	(76,654)
Revaluation of real estate held for investment	(460,000)	-	(460,000)
Change in value of split interest agreements	(2,220)	(2,839,779)	(2,841,999)
Net assets released from restrictions (Note 13)	10,222,869	(10,222,869)	-
Total revenues, gains, and other support	16,656,605	13,778,817	30,435,422
Expenses:			
Program services:			
Program development	5,884,152	-	5,884,152
Scholarships and awards	3,688,021	-	3,688,021
Total program services	9,572,173	-	9,572,173
General and administrative	1,621,253	-	1,621,253
Fundraising	2,302,752	-	2,302,752
Total operating expenses	13,496,178	-	13,496,178
Bad debt losses	1,007	299,002	300,009
Total expenses	13,497,185	299,002	13,796,187
Changes in net assets	3,159,420	13,479,815	16,639,235
Net assets, beginning of year	20,843,137	166,329,559	187,172,696
Reclassification of net assets, donor Stipulations and Board match (Note 19)	(95,749)	95,749	-
Net assets, end of year	$ 23,906,808	$ 179,905,123	$ 203,811,931

See accompanying notes.

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statement of Activities
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	$ 223,499	$ 12,170,330	$ 12,393,829
Gifts in kind (Note 17)	4,574	70,492	75,066
Contributed services and facilities (Notes 16 and 17)	2,071,955	-	2,071,955
Return on investments:			
Interest and dividends	2,016,776	6,855,862	8,872,638
Net realized and unrealized loss on investments	(7,512,641)	(20,176,165)	(27,688,806)
Other income	1,101,010	369,831	1,470,841
Change in value of split interest agreements	-	(64,422)	(64,422)
Net assets released from restrictions (Note 13)	10,897,042	(10,897,042)	-
Total revenues, gains, and other support	8,802,215	(11,671,114)	(2,868,899)
Expenses:			
Program services:			
Program development	6,883,146	-	6,883,146
Scholarships and awards	3,610,906	-	3,610,906
Total program services	10,494,052	-	10,494,052
General and administrative	1,448,480	-	1,448,480
Fundraising	1,715,062	-	1,715,062
Total operating expenses	13,657,594	-	13,657,594
Bad debt losses	-	6,410	6,410
Total expenses	13,657,594	6,410	13,664,004
Changes in net assets	(4,855,379)	(11,677,524)	(16,532,903)
Net assets, beginning of year	25,781,739	177,923,860	203,705,599
Reclassification of net assets, donor Stipulations and Board match (Note 19)	(83,223)	83,223	-
Net assets, end of year	$ 20,843,137	$ 166,329,559	$ 187,172,696

See accompanying notes.

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statement of Functional Expense
Year Ended June 30, 2023

	Program Services				
	Program and Faculty Support	Scholarships and Awards	General and Administrative	Fundraising	Total
Salaries and benefits reimbursements	$ 795,041	$ -	$ 95,092	$ 823,283	$ 1,713,416
Contributed services and facilities	-	-	1,314,279	1,023,020	2,337,299
Scholarships and awards	550,297	3,453,182	-	-	4,003,479
Distributions to ECU	638,584	11,159	-	-	649,743
Distributions to other University foundations	72,000	42,172	6,212	-	120,384
Contracted services	332,873	16,214	16,254	86,313	451,654
Depreciation and amortization	216,900	-	-	-	216,900
Educational and research expenses	408,001	32,877	154	845	441,877
Travel	305,266	78,187	18,726	68,429	470,608
Registration expense	71,732	2,928	5,081	5,159	84,900
Acknowledgment and recognition	33,388	7,056	4,474	41,043	85,961
Advertising and promotion	154,018	2,221	-	6,181	162,420
Recruiting	1,698	-	-	-	1,698
Accounting and legal	1,673	-	22,295	4,774	28,742
Professional fees	24,703	-	-	-	24,703
Insurance	37,614	-	28,270	-	65,884
Supplies expense	430,169	1,667	11,154	6,817	449,807
Information technology	80,128	-	16,429	1,386	97,943
Postage and shipping	23,186	369	1,075	45,127	69,757
Printing and binding	101,773	1,152	1,642	134,291	238,858
Dues and subscriptions	23,370	249	4,219	1,706	29,544
Food and food services	589,323	25,968	18,059	36,462	669,812
Entertainment	9,473	8,737	3,092	12,390	33,692
Facility and equipment rental	41,233	-	3,000	-	44,233
Bank and payment processing fees	9,907	51	48,228	-	58,186
Repairs and maintenance	313,491	-	434	-	313,925
Building and construction	11,904	-	-	-	11,904
Utilities and occupancy	34,578	-	-	-	34,578
Gift in kind expense	375,700	-	150	-	375,850
Tax expense	-	-	811	-	811
Interest	177,970	-	-	-	177,970
Miscellaneous expense	18,159	3,832	2,123	5,526	29,640
Total	$ 5,884,152	$ 3,688,021	$ 1,621,253	$ 2,302,752	$ 13,496,178

See accompanying notes.

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statement of Functional Expense
Year Ended June 30, 2022

	Program Services				
	Program and Faculty Support	Scholarships and Awards	General and Administrative	Fundraising	Total
Salaries and benefits reimbursements	$ 479,974	$ 4,666	$ 4,945	$ 322,079	$ 811,664
Contributed services and facilities	-	-	1,282,745	789,210	2,071,955
Scholarships and awards	535,471	3,495,271	-	-	4,030,742
Distributions to ECU	3,014,861	4,494	-	-	3,019,355
Distributions to other University foundations	85,176	12,058	100	-	97,334
Contracted services	318,453	-	11,980	207,226	537,659
Depreciation and amortization	226,876	-	-	-	226,876
Educational and research expenses	315,686	1,607	8	947	318,248
Travel	123,918	22,786	6,949	47,431	201,084
Registration expense	3,906	10,930	6,308	10,577	31,721
Acknowledgment and recognition	44,141	-	1,851	17,455	63,447
Advertising and promotion	161,026	-	-	4,379	165,405
Recruiting	1,632	-	-	-	1,632
Accounting and legal	3,400	-	20,900	33	24,333
Professional fees	792	-	-	-	792
Insurance	35,893	-	26,523	-	62,416
Supplies expense	187,451	7,317	2,614	8,600	205,982
Information technology	29,792	-	15,311	3,248	48,351
Postage and shipping	33,094	441	1,106	46,678	81,319
Printing and binding	90,445	7,005	1,439	125,555	224,444
Dues and subscriptions	23,248	-	5,069	1,955	30,272
Food and food services	387,685	24,469	9,320	119,170	540,644
Entertainment	15,078	5,057	-	10,227	30,362
Facility and equipment rental	32,466	10,481	550	150	43,647
Bank and payment processing fees	1,549	12	33,069	-	34,630
Repairs and maintenance	426,578	-	173	-	426,751
Building and construction	30,052	-	-	-	30,052
Utilities and occupancy	40,590	-	-	-	40,590
Gift in kind expense	63,892	-	9,525	-	73,417
Tax expense	3	-	119	-	122
Interest	141,142	-	-	-	141,142
Miscellaneous expense	28,876	4,312	7,876	142	41,206
Total	$ 6,883,146	$ 3,610,906	$ 1,448,480	$ 1,715,062	$ 13,657,594

See accompanying notes.

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Cash Flow
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 16,639,235**	$ (16,532,903)
Permanently restricted contributions	**(6,205,378)**	(3,219,409)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	**216,900**	226,876
Bad debt expense	**300,009**	6,410
Net realized and unrealized (gains) losses on investments	**(12,064,321)**	27,688,806
Revaluation of real estate held for investment	**460,000**	-
Loss on the disposition of property	**76,654**	-
Contributed real estate held for investment	**(201,000)**	-
Change in value of split-interest agreements, net	**2,841,999**	64,422
Net changes in operating assets and liabilities:		
Unconditional promises to give	**(4,298,860)**	(1,563,215)
Prepaid expenses	**(983)**	(2,699)
Other receivables	**(48,744)**	(59)
Assets under charitable remainder trusts and annuities	**358,965**	133,100
Accounts payable and accrued expenses	**95,546**	(54,741)
Deferred revenue	**(20,000)**	20,000
Refundable advances	**1,106**	(12,154)
Agency payables	**(2,067,825)**	1,318,730
Net cash provided (used) by operating activities	**(3,916,697)**	8,073,164
Cash flows from investing activities:		
Proceeds from sale of real estate held for investment	**9,534**	-
Purchases of capital assets	**-**	(1,002,841)
Purchases of investments	**(7,228,333)**	(30,214,737)
Proceeds from sale of investments	**2,657,519**	23,145,759
Net cash used by investing activities	**(4,561,280)**	(8,071,819)
Cash flows from financing activities:		
Principal payments on notes payable	**(427,858)**	(437,507)
Payments on annuity obligations	**(5,945)**	(10,213)
Contributions for endowment	**6,205,378**	3,219,409
Net cash provided by financing activities	**5,771,575**	2,771,689
Net (decrease) increase in cash and cash equivalents	**(2,706,402)**	2,773,034
Cash and cash equivalents, Beginning of Year	**9,495,089**	6,722,055
Cash and cash equivalents, End of Year	**$ 6,788,687**	$ 9,495,089
Supplemental disclosure of financing activities:		
Cash payments for interest	$ **177,970**	$ 141,142

See accompanying notes.

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

East Carolina University Foundation, Inc. ("Foundation") is a non-profit corporation organized under the laws of the State of North Carolina. The Foundation's purpose is to raise, manage, and distribute private gift resources for the benefit of East Carolina University ("University"), its students, academic programs, and to provide positive public advocacy for the University. East Carolina University considers the Foundation to be a component unit.

East Carolina University Real Estate Foundation, Inc. ("REF"), an affiliate of East Carolina University Foundation, Inc. through a controlling financial interest and majority voting interest, is a non-profit corporation organized under the laws of the State of North Carolina to own, manage, lease, and sell real property that has been purchased or donated for the sole benefit of the University.

Green Town Properties, Inc. ("Green Town"), an affiliate of East Carolina University Foundation, Inc. through a controlling financial interest and majority voting interest, is a North Carolina-based non-profit corporation. The Corporation was created to acquire, develop, own, manage, and lease real estate for the benefit of the University and the Foundation.

In January 2023, the ECU Innovation Foundation, LLC ("Innovation Foundation") was formed as a single member limited liability company (LLC) for which East Carolina University Foundation, Inc. is its sole member. The Innovation Foundation was formed to support the planning, development, and management of educational, research, creative, and service programs offered by the University. Outside of its formation, there was no activity for the Innovation Foundation for the fiscal year ended June 30, 2023.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and affiliates (collectively, the "Foundation"). All material inter-affiliated accounts and transactions are eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for the non-profit industry. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.
- Net assets with donor restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all, or part of, the income earned on related investments for general or specific purposes.

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. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications on the Consolidated Statements of Activities between the applicable classes of net assets, as "Net assets released from restrictions."

Use of Estimates in Preparation of Financial Statements

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management to make estimates and assumptions that directly affect the results of reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Fair Value of Financial Instruments

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Disclosures about Fair Value of Financial Instruments,* fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amounts of cash, prepaid expenses, other receivables, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. The fair value of investments is described in Notes 5 and 6. The interest rate swap is reported at fair value based on estimates of the amount needed to settle the agreement as calculated by the counterparty to the swap agreement.

The carrying amount of the variable interest notes payable totaling $1,232,958 and $1,425,992 at June 30, 2023 and 2022, respectively, approximates fair value, as the notes bear interest at variable rates and the fair values are based on quoted market prices for the same or similar issues or on the current rates offered to the Foundation for debt of the same remaining maturities. The fair value of notes payable with fixed rates of interest is based upon the discounted value when using current rates at which borrowings of similar maturity could be obtained. The carrying amount of the fixed-rate notes payable totaling $2,906,368 at June 30, 2023 have a fair value totaling $2,641,169. There were two outstanding fixed-rate notes payable totaling $3,141,192 at June 30, 2022 having a fair value of $3,047,705.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with an original maturity of three months or less at the time of purchase. Amounts excluded from cash and cash equivalents include short-term investments that are restricted for endowments and investments held in charitable remainder trusts. These exclusions are classified with investments and assets held in charitable remainder trusts and annuities.

Unconditional Promises to Give

Unconditional promises to give are recorded as receivables in the year pledged and are recognized as revenues in the period when pledged. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible unconditional promises to give is provided based upon management's judgment including such factors as prior collection history, the type of contribution, and the nature of fundraising activity.

Investments

Investments are reported at fair value with gains and losses included in the Consolidated Statements of Activities. Investments subject to donor-imposed restricted endowment-related funds and quasi-endowment funds are consolidated into a long-term investment pool. Once a year, the interest, dividends, realized and unrealized gains/losses, and investment fees are allocated to the funds based on the fund's percentage of ownership interest in the pool of investments. Other investments, including investments in limited partnerships and real estate held for investment, are carried at fair value.

Non-endowment related temporarily restricted funds are invested in an intermediate term investment pool. Those funds do not participate in the investment earnings of the pool and therefore the interest, dividends, realized and unrealized gains/losses, and investment fees are allocated to the unrestricted operations of the Foundation.

As explained in Note 5, the consolidated financial statements include alternative investments consisting of private equity and hedge funds that are valued at $53,853,589 (29% of total investments) and $52,587,722 (31% of total investments) at June 30, 2023 and 2022, respectively. Management, using the methodology discussed in Note 5, has valued these investments using net asset value as the practical expedient to estimate fair values.

Allocation of Investment Income

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- As increases in perpetual net assets with donor restrictions if the terms of the gift or the Foundation's interpretation of relevant state law require that they be added to the principal of a perpetual endowment fund.

- As increases in net assets with donor restrictions that are not to be held in perpetuity if the terms of the gift impose restrictions on the use of the income.

- As increases in net assets without donor restrictions in all other cases.

Capital Assets

Capital assets over $5,000 are capitalized and recorded at cost under the same policy as used by the University. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from ten to thirty years for buildings and improvements.

Cash Surrender Value of Life Insurance

Life insurance policies owned by the Foundation are reported at the cash surrender value of the policy. Changes in cash surrender value of life insurance are reported as changes in value of split interest agreements under the revenues, gains and other support section in the Consolidated Statements of Activities in net assets without donor restrictions.

Split-Interest Agreements

The Foundation administers five charitable gift annuities. In addition, the Foundation serves as trustee, or co-trustee, for two charitable remainder unitrusts and one charitable remainder annuity trust, and has beneficial interests in four charitable remainder unitrusts, one charitable lead unitrust, and two life estates administered by others.

The assets contributed under the charitable gift annuities and the charitable remainder trusts over which the Foundation is sole trustee are carried at fair value. The assets held in the six remainder trusts are invested separately. The liability on one irrevocable charitable remainder unitrust has been recorded at the present value of the future cash flows expected to be paid over the estimated remaining life of the beneficiary as determined by published mortality tables.

The difference in the fair value of the assets of the split-interest agreements and the present value of the estimated future distributions to be paid is initially recorded as contribution revenue and increases net assets with donor restrictions unless the donor has permanently restricted the Foundation's use of its interest in the assets.

The donor has reserved the right to change the beneficiary on one charitable remainder unitrust on which the Foundation is trustee. Assets were recognized at fair value when received and as refundable advances. This revocable remainder trust has a payout rate of 6.0%. Adjustments to reflect revaluations of the present value of the estimated future payments and changes in actuarial assumptions are recognized in the Consolidated Statements of Activities as a change in value of split-interest agreements.

Beneficial interests in irrevocable charitable remainder trusts are recorded as contributions at fair value when the Foundation is notified of the gift's existence and are adjusted for changes in fair value as they occur.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. At June 30, 2023 and 2022, the Foundation has not recorded any tax liabilities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

Administrative and Gift Fees

The Foundation assesses fees that are intended to provide for the Foundation's operating costs and a portion of certain development and fundraising programs. An administrative fee is assessed to certain funds, based on the fair value of the applicable fund. Fees are also assessed on new gifts of cash or securities. Fees are deducted from the individual restricted funds and are included in net assets released from restrictions. The Foundation's Board of Directors reviews the fee assessment rates annually.

Contributions

Unconditional contributions are considered available for unrestricted use unless specifically restricted by the donor. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Subsequent Events

Management evaluated subsequent events through September 19, 2023, the date the consolidated financial statements were available to be issued. Except as noted below, there were no events or transactions occurring after June 30, 2023, but prior to the date these consolidated financial statements were available to be issued that provided additional evidence about conditions that existed at June 30, 2023.

Adoption of New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The Foundation adopted the new standard effective July 1, 2022, the first day of the Foundation's fiscal year using the modified retrospective approach. There was no impact on prior year results due to adoption of this new standard.

Revenue Recognition

The Foundation receives most of its support in the form of contributions from alumni, faculty, and friends of the Foundation. The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Foundation has several revenue streams that fall within the context of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*: (1) annual administrative fees, (2) new gift fees, (3) direct mail fees (4) fundraising events, and (5) special events.

The Foundation recognizes annual administrative fees assessed to endowments, annuities, and quasi-endowments at the beginning of each fiscal year. Annual administrative fees are calculated as 1.25% of the fair market value of each annuity, quasi-endowment, and endowment (corpus plus restricted earnings). New gift fees are calculated as 5% of each gift received and are recorded in the period in which the gift was received. Direct mail fees are calculated as 12.5% of each gift received and are only charged to contributions solicited through directly mailings. Annual administrative fees, new gifts fees, and direct mail fees have been eliminated as part of the consolidation process for any revenue and expenses that were recorded as revenue and/or expense across Foundation funds.

Fundraiser sales are recognized at the time of purchase. Payments are required at the time of sale. Amounts received in advance are deferred to the applicable period.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

2. Liquidity and Availability

The Foundation receives significant contributions and promises to give with donor restrictions to be used in accordance with the associated purpose restriction. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs, research and scholarships in accordance with the donors' stated intent. In addition, the Foundation receives support without donor restrictions and utilizes investment income without donor restrictions to further fund annual operating needs.

The Foundation manages its cash available to meet general expenditures 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 funding commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit. See notes 10 and 11 for information about the Foundation's lines of credit. Furthermore, the Foundation has a Cash Management policy which establishes a cash reserve balance target equal to six months of expenses.

The Foundation considers investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation also utilizes appropriated earnings from donor-restricted and board-designated (quasi) endowments to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year. The Foundation's endowment funds consist of donor-restricted gifts. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts that are designated for general use. Donor-restricted endowment funds are not available for general expenditure.

The table below presents financial assets available for general expenditures within one year at June 30, 2023 and 2022:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	**$ 6,788,687**	$ 9,495,089
Current portion of unconditional promises to give, net	**1,392,570**	1,082,452
Other receivables	**42,797**	6,853
Investments	**183,744,731**	167,109,596
Total financial assets	**191,968,785**	177,693,990
Less amounts not available for general expenditures within one year, due to:		
Investments in non-liquid securities	**(14,112,917)**	(14,379,129)
Collateral under security lending agreements	**(250,000)**	(250,000)
Restricted by donors with time/purpose restrictions, excluding non-current portion of unconditional promises to give, net	**(174,369,365)**	(164,482,540)
Board-designations:		
Amounts designated for support of Deans, Directors, etc.	**(332,566)**	(369,778)
Financial assets not available to be used within one year	**(189,064,848)**	(179,481,447)
Financial assets available to meet general expenditures within one year	**$ 2,903,937**	$ (1,787,457)

Liquidity of Investments

Of the $183.7 million in investments noted above, approximately 70.7% of the portfolio consists of highly liquid investments (mutual funds and exchange traded funds); 21.6% percent of the portfolio may be redeemed in whole or in part at future specified redemption dates upon timely written notice of the redemption request as described in Note 6. Finally, certain investments (approximately 7.7%) in real estate, private equities, and private investments are subject to constraints that limit the Foundation's ability to withdraw capital after such investments are made or may limit the amount available for withdrawal at a given redemption date. These constraints may limit the Foundation's ability to respond quickly to changes in market conditions.

3. Concentration of Credit Risk

Financial Institutions

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States of America. At times, amounts on deposit may be in excess of the FDIC insurance limit.

State of North Carolina Short-Term Investment Fund (STIF Account)

The Foundation deposits substantially all of its funds into the State of North Carolina Short-Term Investment Fund ("STIF Account") that is managed by the North Carolina State Treasurer. This portfolio fund is the primary cash management account for the State and is managed to allow funds to be readily convertible in cash. The North Carolina Administrative Code requires depositories to collateralize all balances that are not insured and must maintain specified security types in a third-party escrow account designated by the State Treasurer. The securities collateral must be governmental in origin or the highest-grade commercial paper and bankers' acceptances. The market value of the collateral must not be less than the value of the uninsured deposits; therefore, the Foundation's STIF account deposits would not be exposed to custodial credit risk.

Investment Brokerage Accounts

The Securities Investor Protection Corporation (SIPC) insures investments with registered brokers up to $500,000; $250,000 of which may be cash. Insurance protects assets held in the case of broker-dealer insolvency and not against decline in market values. As of June 30, 2023, and 2022, the Foundation has investments in excess of the SIPC insurance amount.

4. Unconditional Promises to Give

Unconditional promises to give at June 30, 2023 and 2022, are summarized as follows:

	2023	2022
Receivables due in less than one year	**$ 2,388,162**	$ 2,196,710
Receivables due in one to five years	**3,583,454**	2,604,498
Receivables due in more than five years	**18,704,998**	210,000
	24,676,614	5,011,208
Less: Allowance for unamortized discount	**(15,158,660)**	(1,830,036)
Less: Allowance for uncollectible receivables	**(2,589,626)**	(251,695)
Net unconditional promises to give	**$ 6,928,328**	$ 2,929,477

Unconditional promises to give are discounted using a rate determined by management at the time the unconditional promises to give are initially recognized. Unconditional promises to give recognized during the years ended June 30, 2023 and 2022 are discounted at a rate of 9.25% and 5.75%, respectively.

5. Investments

The aggregate fair values of investments at June 30, 2023 and 2022, by type of investment, are as follows:

	2023	2022
Common stock	**$ 20,000**	$ 20,000
Mutual funds	**129,871,142**	114,501,874
Total marketable securities	**129,891,142**	114,521,874
Alternative investments	**53,853,589**	52,587,722
Total investments	**$ 183,744,731**	$ 167,109,596

6. Fair Value Measurements

Fair value as defined under GAAP is 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. In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy. Assets and liabilities 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 liabilities and their placement within the fair value hierarchy levels. These valuation methodologies have not changed and are consistent with prior years. Mutual funds listed on a national market or exchanges are valued at the last sales price. If there is no sale, and the market is considered still active, equity securities are valued at the last transaction price before year-end.

Such securities are classified within Level 1 of the valuation hierarchy. Investments in real estate are valued based on independent appraisals and county tax records and are classified within Level 2 of the valuation hierarchy.

Investments in charitable remainder trusts and annuities are valued at the market price of the investments held and are classified as Level 2 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts and annuities, the majority of which are publicly traded and readily available in active markets, the trusts themselves do not have daily quoted active market prices. Investments in these trusts and annuities are valued per share based on the market prices of the underlying assets.

Beneficial interest in charitable remainder trusts is valued at the market price of the investments and is classified as Level 3 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts, the majority of which are publicly traded and readily available in active markets, the beneficial interests are determined through discounted cash flow analysis.

The fair value of the Foundation’s charitable gift annuity obligations is based on the net present value of the anticipated benefit using the difference between the assets received and the original contribution. As beneficiary payments are made, the liability is adjusted based on an amortization schedule. The annuity obligations are included in Level 2 of the fair value hierarchy.

The fair value of liabilities under charitable remainder trusts is based on the net present value of the anticipated benefit payments from the trust for which the Foundation is both a beneficiary and trustee. As beneficiary payments are made, the life expectancy of the beneficiary decreases and discount rates fluctuate year to year, the Foundation adjusts the liability accordingly. The trust liabilities are included in Level 2 of the fair value hierarchy.

The following tables present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2023 and 2022:

	Financial Assets (Liabilities) at Fair Value as of June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments in mutual funds	$129,871,139	$ -	$ -	$129,871,139
Investments in common stock	20,000	-	-	20,000
Investments in real estate	-	739,620	-	739,620
Investments in private equity funds measured at net asset value [(a)]	-	-	-	13,204,179
Investments in private credit funds measured at net asset value [(a)]	-	-	-	908,738
Investments in public equity strategies funds measured at net asset value [(a)]	-	-	-	5,050,571
Investments in hedge funds measured at net asset value [(a)]	-	-	-	34,690,104
Total	$129,891,139	$ 739,620	$ -	$184,484,351
Investments in charitable remainder trusts and annuities	$ -	$ 223,217	$ -	$ 223,217
Beneficial interest in charitable remainder trusts	$ -	$ -	$ 2,794,030	$ 2,794,030
Liabilities under charitable gift annuities	$ -	$ (34,964)	$ -	$ (34,964)
Liabilities under charitable remainder trust	$ -	$ (154,545)	$ -	$ (154,545)

	Financial Assets (Liabilities) at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments in mutual funds	$114,501,874	$ -	$ -	$114,501,874
Investments in common stock	20,000	-	-	20,000
Investments in real estate	-	1,084,808	-	1,084,808
Investments in private equity funds measured at net asset value [(a)]	-	-	-	13,462,995
Investments in private credit funds measured at net asset value [(a)]	-	-	-	914,134
Investments in public equity strategies funds measured at net asset value [(a)]	-	-	-	4,271,837
Investments in hedge funds measured at net asset value [(a)]	-	-	-	33,938,756
Total	$114,521,874	$ 1,084,808	$ -	$168,194,404
Investments in charitable remainder trusts and annuities	$ -	$ 519,441	$ -	$ 519,441
Beneficial interest in charitable remainder trusts	$ -	$ -	$ 5,650,782	$ 5,650,782
Liabilities under charitable gift annuities	$ -	$ (43,554)	$ -	$ (43,554)
Liabilities under charitable remainder trust	$ -	$ (106,132)	$ -	$ (106,132)

[(a)] In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Consolidated Statements of Financial Position.

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2023 and 2022. When transfers occur, they are recognized at the end of the reporting period.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Foundation's Board of Directors assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	**$ 5,650,782**	$ 5,822,565
Distributions from Level 3	**-**	-
Additions to Level 3	**-**	-
Revaluation of split interest agreements	**(2,856,752)**	(171,783)
Balance, end of year	**$ 2,794,030**	$ 5,650,782

Revaluation of split interest agreements applicable to instruments valued using significant unobservable inputs (Level 3) shown on the previous page are included in the change in net assets for 2023 and 2022 in the Consolidated Statements of Activities.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and ranges of values for those unobservable inputs.

	Significant Unobservable Inputs at June 30, 2023			
	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial interests in charitable remainder trusts	**$ 2,794,030**	**Discounted Cash Flows**	**Payout Rate Discount Rate**	**5.5% - 7% 3.8% - 5.1%**

	Significant Unobservable Inputs at June 30, 2022			
	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial interests in charitable remainder trusts	$ 5,650,782	Discounted Cash Flows	Payout Rate Discount Rate	5.5% - 7% -0.7% - 5.3%

	Alternative Investments at June 30, 2023			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently available)**	**Redemption Notice Period**
Private Equity Funds:				
FEG Private Investors	**$ 1,890,845**	**$ 154,500**	**Ineligible**	**N/A**
FEG Private Investors II	**3,045,253**	**135,000**	**Ineligible**	**N/A**
FEG Private Investors III	**2,340,584**	**150,000**	**Ineligible**	**N/A**
FEG Private Investors IV	**3,562,179**	**402,500**	**Ineligible**	**N/A**
Northgate Private Equity Partners	**24,605**	**48,000**	**Ineligible**	**N/A**
Twin Bridge	**2,340,713**	**1,777,435**	**Ineligible**	**N/A**
Total Private Equity Funds	**13,204,179**	**2,667,435**		
Private Credit Funds:				
Falcon Private Opportunities VI	**908,738**	**400,464**	**Ineligible**	**N/A**
Public Equity Strategies:				
Champlain Small Cap Fund, LLC	**5,050,571**	**-**	**Monthly**	**30 Days**
Hedge Funds:				
Magnitude International, Ltd.	**11,027,235**	**-**	**Semi-Liquid**	**>90 days; <2 yrs**
UNC Investment Fund, LLC	**23,662,866**	**-**	**Monthly**	**30 days**
Total Hedge Funds	**34,690,101**	**-**		
Total Alternative Investments	**$ 53,853,589**	**$ 3,067,899**		

	Alternative Investments at June 30, 2022			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently available)**	**Redemption Notice Period**
Private Equity Funds:				
FEG Private Investors	$ 2,610,803	$ 154,500	Ineligible	N/A
FEG Private Investors II	3,803,352	135,000	Ineligible	N/A
FEG Private Investors III	2,431,893	150,000	Ineligible	N/A
FEG Private Investors IV	3,462,378	857,500	Ineligible	N/A
Northgate Private Equity Partners	28,139	48,000	Ineligible	N/A
Twin Bridge	1,128,430	2,917,317	Ineligible	N/A
Total Private Equity Funds	13,464,995	4,262,317		
Private Credit Funds:				
Falcon Private Opportunities VI	914,134	302,678	Ineligible	N/A
Public Equity Strategies:				
Champlain Small Cap Fund, LLC	4,271,837	-	Monthly	30 Days
Hedge Funds:				
Magnitude International, Ltd.	10,153,847	-	Semi-Liquid	>90 days; < 2 years;
UNC Investment Fund, LLC	23,784,909	-	Monthly	30 days
Total Hedge Funds	33,938,756	-		
Total Alternative Investments	$ 52,589,722	$ 4,564,995		

The Foundation invests in alternative investment vehicles as a hedge against broader market risks by further diversifying the portfolio holdings. Investments in both private equity and hedge funds are in the fund-of-funds category. The private equity investments include funds whose focus is on buyouts and distressed debt purchases. The hedge fund investments pursue a variety of strategies, including real estate, equity, and other hedging strategies.

The Foundation invests in various types of investment securities, which are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

7. Assets and Liabilities under Charitable Remainder Trusts and Annuities

The Foundation is trustee for, or has a beneficial interest in, seven irrevocable charitable remainder trusts. Payments based on the lesser of trust income or a percentage of the fair value of the assets as of a specific valuation date, are required to be paid to the grantors for life. The following is a summary of the related assets and liabilities:

	2023	2022
Fair value of assets held in annuities	**$ 103,661**	$ 420,270
Fair value of assets held in charitable remainder trusts [a]	**119,556**	99,171
Assets held in charitable remainder trusts and annuities	**$ 223,217**	$ 519,441
Present value of estimated future payments	**$ (32,241)**	$ 33,922
Use obligation under life estates	**(122,304)**	(140,054)
Liabilities under charitable remainder trusts	**$ (154,545)**	$ (106,132)

[a] As of June 30, 2023 and 2022, the fair value of assets held in charitable remainder trusts included assets totaling $48,414 and $47,308, respectively, related to a revocable trust that the Foundation serves as trustee. The Foundation includes a refundable advance liability that offsets 100% of these assets.

8. Agency Payables

Agency payables at June 30, 2023 and 2022 are summarized as follows:

	2023	2022
East Carolina University Alumni Association, Inc.	**$ 1,520,774**	$ 1,246,543
East Carolina University	**97,564**	2,048,629
East Carolina University Medical Foundation, Inc.	**-**	217,217
East Carolina University Educational Foundation, Inc.	**-**	173,774
Total agency payables	**$ 1,618,338**	$ 3,686,163

Funds of the Foundation and certain endowed funds of the East Carolina University Alumni Association ("Alumni Association") are pooled and invested together. The Alumni Association's invested assets at June 30, 2023 and 2022 represent 8% and 7%, respectively, of the investment assets reported on the Consolidated Statements of Financial Position.

9. Annuities Payable

The Foundation has accepted contributions from four donors in exchange for Foundation funded life annuities (charitable gift annuities). Total annuity payments for each of the years ended June 30, 2023 and 2022 were $5,945 and $10,213, respectively.

The annuities payable balance at June 30, 2023 and 2022 of $34,964 and $43,554, respectively, is the present value of the monthly and quarterly payments to the annuitants based on the actuarially determined life expectancy of the annuitants and payout rates ranging from 3.4% to 7.1% for each of the years then ended. The Foundation's obligation for the remainder of the annuitants' lives is $5,945 per year. The estimated remaining life expectancies of the annuitants range from 7 to 27 years.

10. Long-Term Debt

In December 2008, the REF purchased real estate, included in capital assets on the Consolidated Statements of Financial Position, located at 2325 Stantonsburg Road in Greenville, North Carolina for $3,300,000. This acquisition was financed for 100% of the purchase price, less associated costs, based on a twenty-year amortization with a final payment of all remaining principal and accrued interest due on January 5, 2019. The loan balance of $2,147,638 was refinanced on December 17, 2018 based on a twenty-year amortization with a final payment of all remaining principal and accrued interest due on December 5, 2028. In March 2023, the terms of the loan were modified to transition the interest rate from one-month LIBOR to one-month term SOFR. The note has a variable interest rate of one-month term SOFR (5.10% as of June 30, 2023) plus 1.55% and is collateralized by the financed property. As of June 30, 2023 and 2022, the balance on the principal was $1,232,958 and $1,425,992, respectively.

In July 2013, Green Town and the Foundation purchased real estate, included in capital assets on the Consolidated Statements of Financial Position, located at 402 Bowman Gray Drive in Greenville, North Carolina for $775,000. This acquisition was financed for 100% of the purchase price, less associated costs, based on a twenty-year amortization with a final payment of all remaining principal and accrued interest due on July 31, 2023. As of June 30, 2023 and 2022, the balance on the principal was $459,665 and $496,806, respectively. Subsequent to June 30, 2023, the Green Town and the Foundation paid the principal and accrued interest in full.

In July 2013, Green Town and the Foundation purchased real estate, included in capital assets on the Consolidated Statements of Financial Position, located at 2280 Hemby Lane in Greenville, North Carolina for $4,125,000. This acquisition was financed for 100% of the purchase price, less associated costs, based on a twenty-year amortization with a final payment of all remaining principal and accrued interest due on July 31, 2023. Subsequent to June 30, 2023, the loan balance of $2,446,703 was refinanced on August 14, 2023 based on a ten-year amortization with a final payment of all remaining principal and accrued interest due on July 31, 2026. As of June 30, 2023 and 2022, the balance on the principal was $2,446,703 and $2,644,386, respectively. The note has a fixed interest rate of 6.74% and is collateralized by the purchased property.

Future maturities of the notes payable as of June 30, 2023 were as follows:

Year	Future Maturities Notes Payable
2024	$ 800,080
2025	371,770
2026	396,221
2027	2,207,240
2028	252,008
Thereafter	112,007
Total	4,139,326
Less: Current Portion	800,080
Noncurrent portion of long-term debt	$ 3,339,246

Interest expense totaled $177,970 and $141,142 as of June 30, 2023 and 2022, respectively, which is included in program expenses on the Consolidated Statements of Activities. Interest expense includes interest expense related to the notes payable and interest rate swap agreement.

11. Lines of Credit

The Foundation and REF have one line of credit totaling $3,650,000 with Truist. The monthly adjusted interest rate on the line of credit is equal to one-month term SOFR plus 1.55% with an interest rate floor of 1.55%, and the line of credit matures February 15, 2025. The line of credit is unsecured; however, Truist requires the Foundation to maintain $250,000 in checking account deposits with the bank. As of June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

The Foundation and Green Town have one line of credit agreement with Truist for available funding up to $3,650,000. The monthly adjusted interest rate on the line of credit is equal to one-month term SOFR plus 1.55% with an interest rate floor of 1.55%, and the line of credit matures February 15, 2025. The line of credit is unsecured. As of June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Spendable:		
Academic division support	**$ 46,360,610**	$ 45,723,516
Scholarships and awards	**32,332,868**	27,209,750
	78,693,478	72,933,266
Endowment:		
Donor restricted:		
Academic division support	**33,189,221**	32,297,883
Scholarships and awards	**61,094,100**	58,169,093
	94,283,321	90,466,976
Pledged:		
Spendable:		
Academic division support	**846,643**	855,177
Scholarships and awards	**2,988,838**	1,196,432
Endowment:		
Academic division support	**78,894**	91,874
Scholarships and awards	**3,013,949**	785,834
	6,928,324	2,929,317
Total net assets with donor restrictions	**$ 179,905,123**	$ 166,329,559

13. Net Assets Released from Donor Restrictions

Net assets totaling $10,222,869 and $10,897,042 were released from donor restrictions in 2023 and 2022, respectively, by incurring expenses satisfying the restricted purposes, or by the passage of time.

	2023	2022
Academic Division Support	**$ 5,642,564**	$ 6,443,076
Scholarships and awards	**4,580,305**	4,453,966
Total	**$ 10,222,869**	$ 10,897,042

14. Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Undesignated	**$ 23,574,242**	$ 20,473,359
Board-designated:		
Academic Division Support	**332,566**	369,778
Total net assets without donor restrictions	**$ 23,906,808**	$ 20,843,137

15. Endowments

The Foundation's endowment consists of 804 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

A donor-restricted endowment is classified as either perpetual (donor stipulates investment in perpetuity of certain net assets) or term (donor stipulates investment for a specific period of time of certain net assets). Unless stipulated by the donor as a term endowment, all donor-restricted endowments funds are classified as perpetual.

The principal of a donor-restricted endowment is: (a) the original value of initial and subsequent gifts restricted to the endowment, (b) accumulations or additions stipulated by the applicable donor gift instrument to be added to principal and (c) for perpetual endowments only, accumulations stipulated by UPMIFA, if any, to be held in perpetuity. The appreciation of a donor-restricted endowment is accumulated net investment gains and losses net of amounts appropriated for spending by the Board of Directors and applicable gift and administrative fees. The fair value of donor-restricted endowment is the combination of principal and appreciation.

Interpretation of Relevant Law

The Foundation's management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure, by the Foundation, in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the organization and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the application of investments;
(6) Other resources of the institution; and
(7) The investment policies of the organization.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Foundation Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the rate of inflation as measured by the annual Consumer Price Index plus the annual spending distribution and fees as adopted by the Board. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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 and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year an allocation based on an endowment fund's thirty-six month (or total life of the fund if less than thirty-six months) weighted average balance as of June 30 at two previous fiscal years ended. In establishing this policy, the Foundation considered the long-term expected return on its endowment. For the years ended June 30, 2023 and 2022, the appropriation amount was 4.00%.

Endowment net asset composition by fund type as of June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023	**$ -**	**$ 148,772,067**	**$ 148,772,067**
June 30, 2022	$ -	$ 134,425,559	$ 134,425,559

For the fiscal years ended June 30, 2023 and 2022, changes in endowment net assets with donor restrictions were comprised of the following:

	2023	2022
Endowment net assets, beginning of year	**$ 134,425,559**	$ 147,199,111
Net investments gains (losses)	**12,149,962**	(12,602,921)
Contributions *	**6,205,378**	3,219,409
Appropriation of endowment expenditures	**(2,471,560)**	(2,100,619)
Administrative fees	**(1,421,560)**	(1,330,478)
Other changes	**(115,712)**	41,057
Endowment net assets, end of year	**$ 148,772,067**	$ 134,425,559

*Contributions were comprised of the following as of June 30:

	2023	2022
Endowments	**$ 3,740,243**	$ 3,039,495
Unconditional promises to give, endowments	**2,465,135**	179,914
Total contributions with donor restrictions, endowments	**$ 6,205,378**	$ 3,219,409

Underwater Endowment Funds

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). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At June 30, 2023 and 2022, funds with deficiencies of $199,602 and $514,401 respectively, were reported in net assets with donor restrictions.

	2023	2022
Fair value of underwater endowment funds	**$ 2,680,753**	$ 4,907,141
Original endowment gift amount	**(2,880,355)**	(5,421,542)
Deficiencies of underwater endowment funds	**$ (199,602)**	$ (514,401)

16. Related Party Transactions

East Carolina University

The University provides certain support such as accounting, fundraising, general administrative services, and the use of facilities and equipment for the benefit of the Foundation. These contributed services and facilities have been recognized in the accompanying Consolidated Statements of Activities as contributions and expenses at their estimated value. The amount of these contributed services and facilities for the year $2,337,299 and $2,071,955 in 2023 and 2022, respectively.

The Foundation is currently leasing three properties to the University's Brody School of Medicine under 10-year lease agreements, totaling $91,648 per month. The agreements expire on various dates through July 2023. As of the date of issuance of these financial statements, new lease agreements have not been executed. The three current leases have carryover clauses and have continued at the established rates on a month-to-month basis.

The State of North Carolina

One of the Foundation's affiliated entities is currently leasing property to the State of North Carolina for the benefit of the University under a 10-year lease term. Monthly rent is $3,262 month, and the rent escalates after the third year of the lease term. The lease term expires in 2024.

17. Contributed Nonfinancial Assets

For the fiscal years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities included:

	2023	2022
Gifts in kind:		
Works of art	**$ 104,175**	$ 33,774
Book & publications	**64,728**	9,408
Food	**14,451**	8,691
Supplies & Materials	**12,716**	7,510
Equipment	**172,760**	11,484
Musical instrument	**5,370**	4,199
Total Gifts in Kind	**374,200**	75,066

Contributed services and facilities:		
University contributed services	**2,214,905**	1,949,561
University contributed facilities	**122,394**	122,394
Total contributed services and facilities	**2,337,299**	2,071,955
Total contributed nonfinancial assets	**$ 2,711,499**	$ 2,147,021

Gifts of tangible personal property, including but not limited to works of art, manuscripts, literary works, musical instruments, equipment, food, and supplies & materials, were considered and accepted only after a thorough review indicated that the items were either readily marketable or property needed by the University.

Contributed books and publications were utilized for program and faculty support and were restricted for use by Joyner Library or various departmental libraries when donated to a specific academic program. Fair value is estimated based on the amount that would be received for selling similar products in the United States.

18. Capital Assets

The Foundation's capital assets on June 30, 2023 and 2022 consist of the following:

	2023	**2022**
Land	**$ 4,017,222**	$ 4,017,222
Buildings	**6,731,969**	6,731,969
	10,749,191	10,749,191
Less accumulated depreciation	**2,475,218**	2,258,318
Total	**$ 8,273,973**	$ 8,490,873

19. Reclassification of Net Assets

The "Reclassification of net assets, donor stipulations and Board match" is the result of donor stipulations that require the transfer of funds and the decision by the Board to use funds without donor restriction to solicit donations that would be matched. Reclassifications of net assets during the years ended June 30, 2023 and 2022 consisted of the following:

	2023	
	Without Donor Restrictions	**With Donor Restrictions**
Board-designated matching program	**$ (71,465)**	**$ 71,465**
Donor stipulations	**(24,284)**	**28,284**
Total reclassifications of net assets	**$ (95,749)**	**$ 95,749**

	2022	
	Without Donor Restrictions	**With Donor Restrictions**
Board-designated matching program	$ (77,825)	$ 77,825
Donor stipulations	(4,681)	4,681
Miscellaneous	(717)	717
Total reclassifications of net assets	$ (83,233)	$ 83,233