East Carolina University Foundation, Inc. and Consolidated Affiliates

Consolidated Financial Statements

Years Ended June 30, 2022 and 2021

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Management's Discussion and Analysis

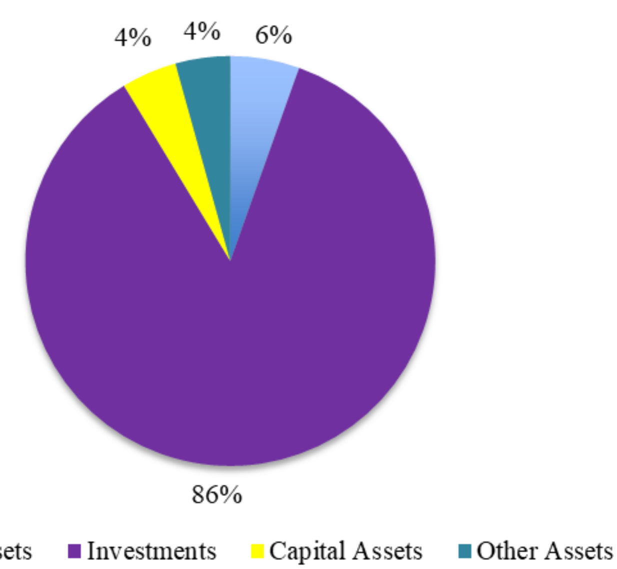
September 13, 2022

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"), 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.

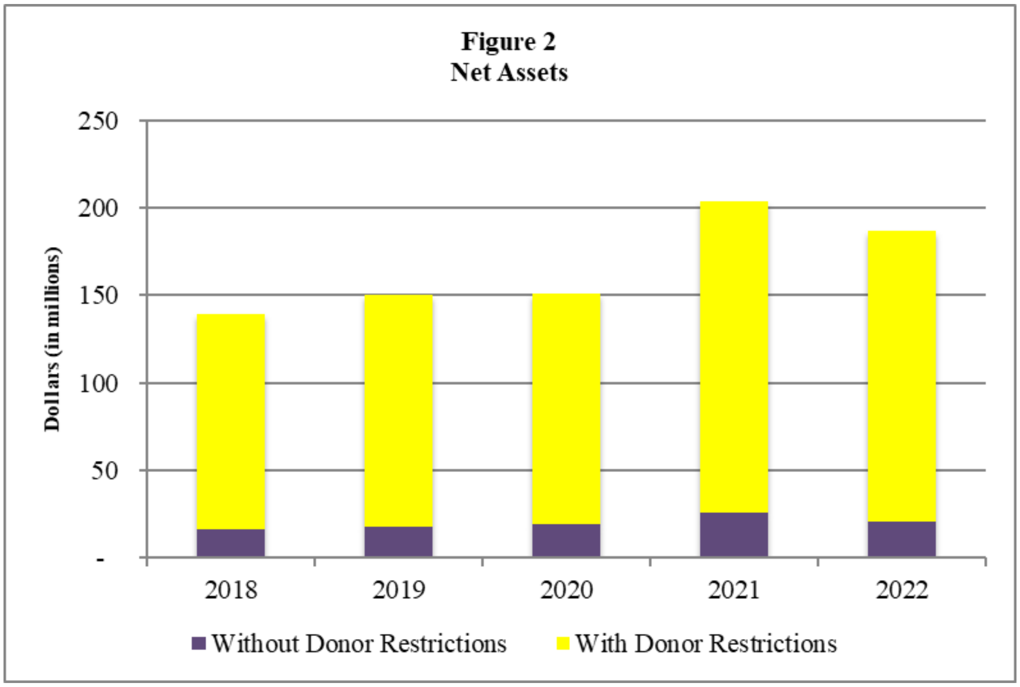
As the financial statements illustrate, for fiscal year ended June 30, 2022, there was a decrease in total revenues due to investment returns. The following graphs summarize the financial results for the year ended June 30, 2022.

Total consolidated assets of the Foundation at June 30, 2022 were $196 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).

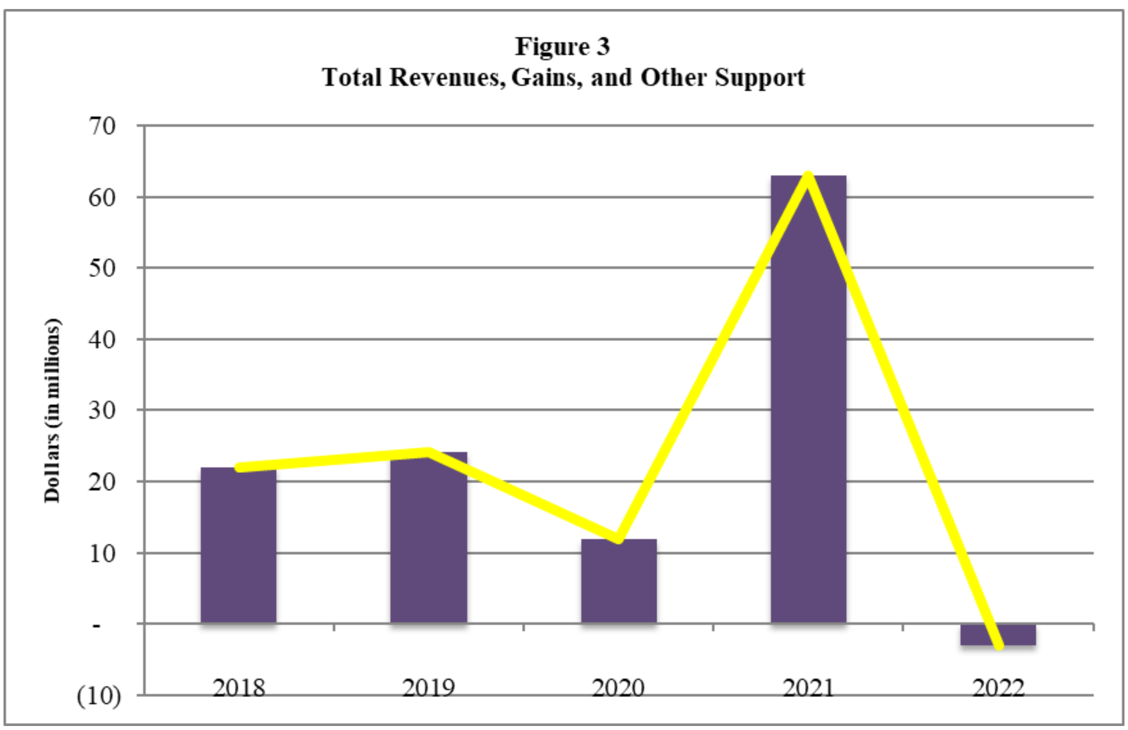
Figure 1
Assets



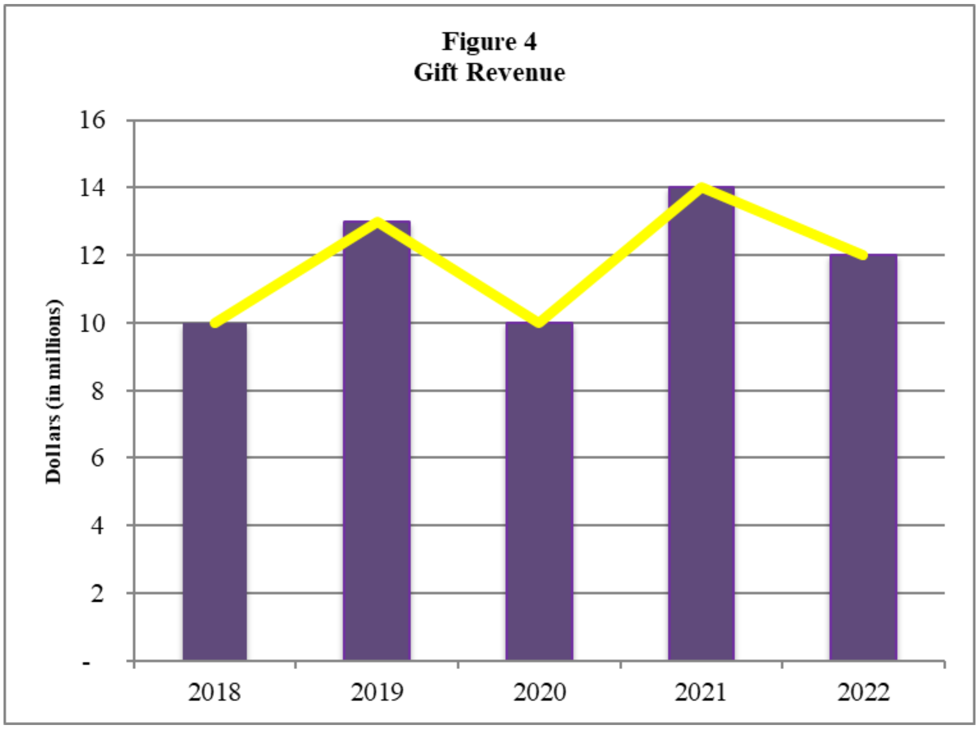
The Foundation's ending consolidated total net assets of $187 million representing a decrease of 8% of the prior year's ending net assets (see Figure 2).



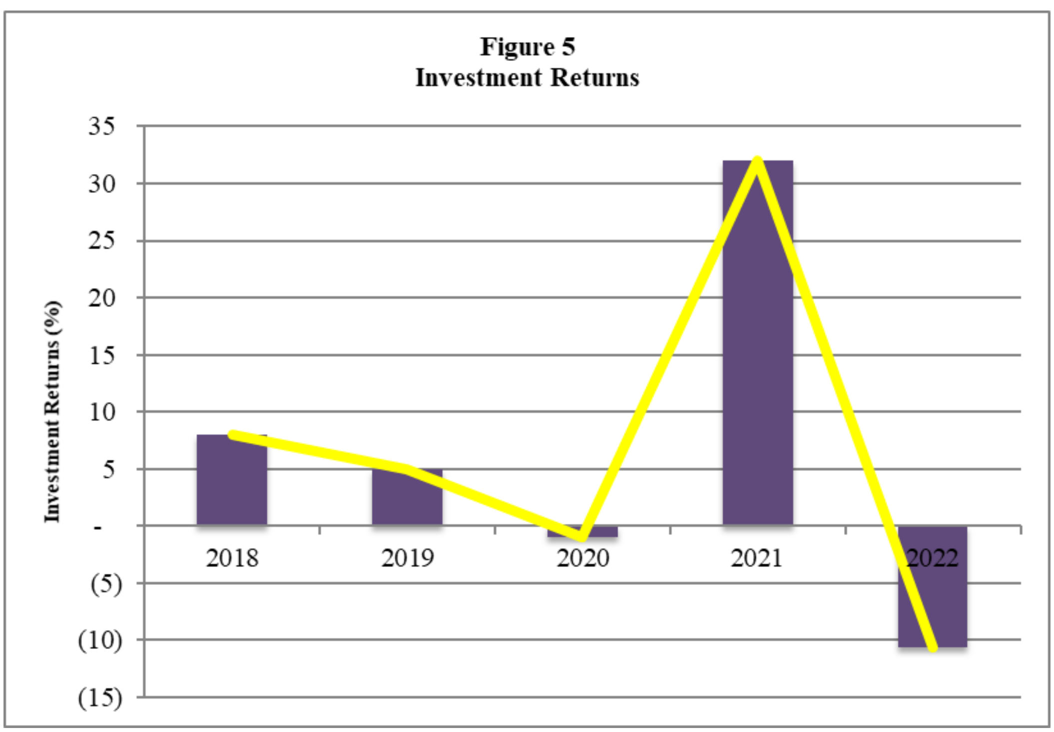
The total revenues, gains, and other support received by the Foundation during the year were -$2.8 million. As illustrated in Figure 3, the change in total revenues represented a 105% decrease from the previous year's total revenue of $63.4 million.



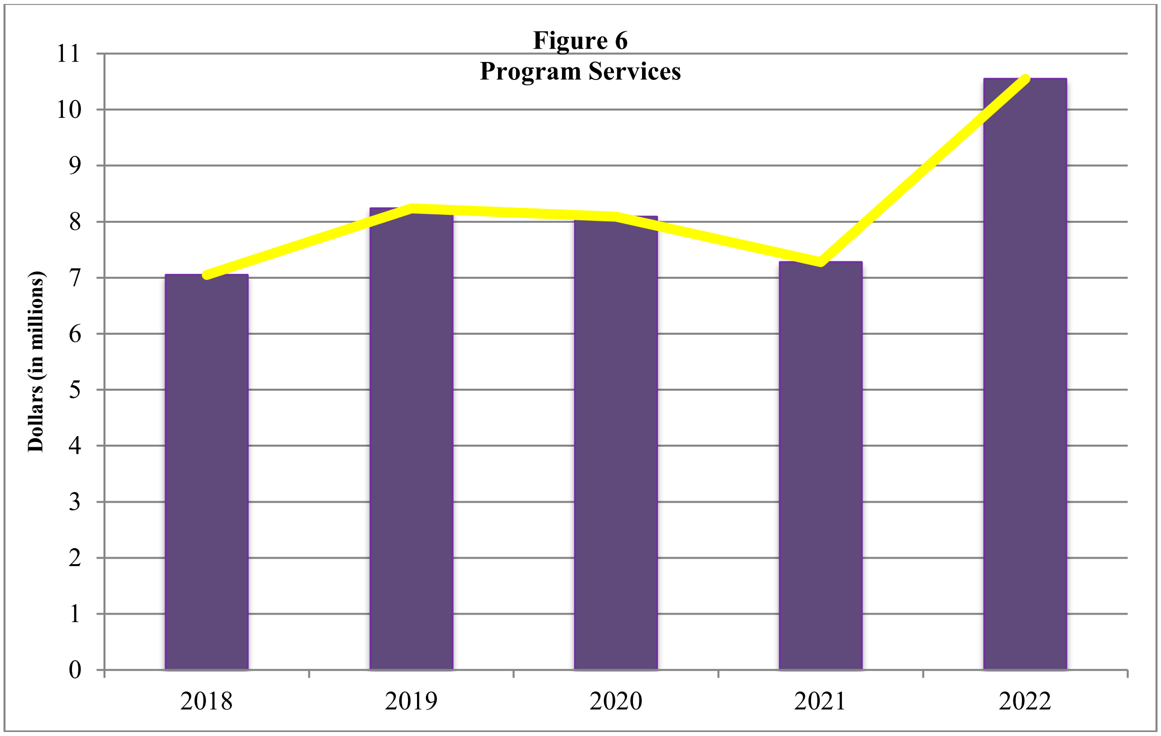
Gifts to the Foundation for fiscal year 2022 totaled $12.3 million, a decrease of 14.3% from the prior year $13.8 million (see Figure 4).



In fiscal year 2022, the Foundation's investments lost $20.6 million, or a net loss of 11% as shown in Figure 5, as compared to a 32% gain for the year ended June 30, 2021.



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 increased 45% in fiscal year 2022 compared to the fiscal year 2021 amount (see Figure 6).



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

Patricia R. Fritz
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, 2022 and 2021, 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, 2022 and 2021, 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 audit.

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 13, 2022

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 9,495,089**	$ 6,722,055
Current portion of unconditional promises to give, net (Note 4)	**1,082,452**	488,752
Prepaid expenses	**22,408**	19,709
Other receivables	**6,853**	11,450
Total current assets	**10,606,802**	7,241,966
Investments:		
Investments (Notes 3 and 5)	**167,109,596**	187,729,424
Real estate held for investment	**1,084,808**	1,084,808
Total investments	**168,194,404**	188,814,232
Capital assets, net (Note 17)	**8,490,873**	7,714,908
Other assets:		
Life insurance policy - cash surrender value	**272,437**	272,437
Student loans, net	**59,519**	54,863
Beneficial interest in charitable remainder trusts	**5,650,782**	5,822,565
Assets held in charitable remainder trusts and annuities (Note 7)	**519,441**	702,425
Unconditional promises to give, less current portion, net (Note 4)	**1,847,025**	883,920
Other assets	**52,440**	52,440
Total other assets	**8,401,644**	7,788,650
Total assets	**$ 195,693,723**	$ 211,559,756

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	**$ 45,325**	$ 99,519
Accrued expenses	**5,361**	5,908
Current portion of notes payable (Note 10)	**449,474**	438,329
Current portion of charitable gift annuities payable (Note 9)	**5,945**	19,158
Agency payables (Note 8)	**3,686,163**	2,367,433
Deferred revenue	**20,000**	-
Total current liabilities	**4,212,268**	2,930,347
Long-term liabilities:		
Refundable advances	**47,308**	59,462
Notes payable, less current portion (Note 10)	**4,117,710**	4,566,362
Charitable gift annuities payable, less current portion (Note 9)	**37,609**	91,279
Liabilities under charitable remainder trusts (Note 7)	**106,132**	206,707
Total long-term liabilities	**4,308,759**	4,923,810
Total liabilities	**8,521,027**	7,854,157
Net assets:		
Without donor restrictions (Note 14)	**20,843,137**	25,781,739
With donor restrictions (Note 12)	**166,329,559**	177,923,860
Total net assets	**187,172,696**	203,705,599
Total liabilities and net assets	**$ 195,693,723**	$ 211,559,756

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	4,574	70,492	75,066
Contributed services and facilities (Note 16)	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 gains			-
(losses) on investments	(7,512,641)	(20,168,205)	(27,680,846)
Other income	1,159,628	361,871	1,521,499
Net loss on sales or transfer of property	-	-	-
Change in value of split interest agreements	-	(64,422)	(64,422)
Net assets released from restrictions (Note 13)	10,813,819	(10,813,819)	-
Total revenues, gains, and other support	8,777,610	(11,587,891)	(2,810,281)
Expenses:			
Program services:			
Program development	6,480,613	-	6,480,613
Scholarships and awards	4,071,781	-	4,071,781
Total program services	10,552,394	-	10,552,394
General and administrative	1,448,755	-	1,448,755
Fundraising	1,715,062	-	1,715,062
Total operating expenses	13,716,211	-	13,716,211
Bad debt losses	-	6,410	6,410
Total expenses	13,716,211	6,410	13,722,621
Changes in net assets	(4,938,601)	(11,594,301)	(16,532,902)
Net assets, beginning of year	25,781,738	177,923,860	203,705,599
Net assets, end of year	$ 20,843,137	$ 166,329,559	$ 187,172,697

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statement of Activities
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions	$ 131,481	$ 13,655,601	$ 13,787,082
Gifts in kind	34,000	75,316	109,316
Contributed services and facilities (Note 16)	2,063,849	-	2,063,849
Return on investments:			
Interest and dividends	1,324,863	3,832,454	5,157,317
Net realized and unrealized gains (losses) on investments	4,368,684	33,002,997	37,371,681
Other income	1,159,402	219,205	1,378,607
Net loss on sales or transfer of property	-	-	-
Change in value of split interest agreements	-	3,569,909	3,569,909
Net assets released from restrictions (Note 13)	7,863,306	(7,863,306)	-
Total revenues, gains, and other support	16,945,585	46,492,176	63,437,761
Expenses:			
Program services:			
Program development	3,251,727	-	3,251,727
Scholarships and awards	4,025,386	-	4,025,386
Total program services	7,277,113	-	7,277,113
General and administrative	1,358,995	-	1,358,995
Fundraising	1,623,611	-	1,623,611
Total operating expenses	10,259,719	-	10,259,719
Bad debt losses	-	88,000	88,000
Total expenses	10,259,719	88,000	10,347,719
Changes in net assets	6,685,866	46,404,176	53,090,042
Net assets, beginning of year	19,095,873	131,519,684	150,615,557
Net assets, end of year	$ 25,781,739	$ 177,923,860	$ 203,705,599

See accompanying notes.

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

	Program Services				
	Program Development	Scholarships and Awards	General & Administrative	Fundraising	Total
Salaries and benefits	$ 479,974	$ 4,666	$ 4,945	$ 322,079	$ 811,664
Donated services and facilities	-	-	1,282,745	789,210	2,071,955
Scholarships and awards	72,232	3,958,510	-	-	4,030,742
Distributions to ECU	3,014,861	4,494	-	-	3,019,355
Distributions to Pirate Club	16,000	-	-	-	16,000
Contracted services	318,453	-	11,980	207,226	537,659
Depreciation and amortization	226,876	-	-	-	226,876
Clinical and research expenses	8,010	27	8	742	8,787
Educational expenses	307,676	1,580	-	205	309,461
Travel	123,918	22,786	6,949	47,431	201,084
Registration expense	3,906	10,930	6,308	10,577	31,721
Acknowledgement and recognition	44,141	-	1,851	17,455	63,447
Advertising and promotions	161,026	-	-	4,379	165,405
Recruiting	1,632	-	-	-	1,632
Accounting and legal	-	-	15,400	33	15,433
Professional fees	792	-	-	-	792
Insurance	35,893	-	26,523	-	62,416
Office supplies	186,518	7,317	2,614	8,600	205,049
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
Other supplies exp	933	-	-	-	933
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	26,838	8,117	150	-	35,105
Bank and payment processing fees	1,549	12	33,069	-	34,630
Building and construction	30,052	-	-	-	30,052
Repairs and maintenance	426,578	-	173	-	426,751
Utilities and occupancy	89,030	-	-	-	89,030
Gifts in kind expense	63,892	-	9,525	-	73,417
Distributions to ECU M&HS Foundation	68,176	12,058	-	-	80,234
Other aids and grants	-	-	-	-	-
Tax expense	-	-	-	-	-
ABC Permits	3,403	-	5,619	-	9,022
Miscellaneous expense	188,912	4,312	8,651	292	202,167
	$ 6,480,613	$ 4,071,781	$ 1,448,755	$ 1,715,062	$ 13,716,211

See accompanying notes.

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services				
	Program Development	Scholarships and Awards	General & Administrative	Fundraising	Total
Salaries and benefits	$ 417,537	$ 14,219	$ -	$ 536,238	$ 967,994
Donated services and facilities	-	-	1,242,647	821,202	2,063,849
Scholarships and awards	42,427	3,985,609	-	-	4,028,036
Distributions to ECU	-	-	-	-	-
Distributions to Pirate Club	3,000	-	-	-	3,000
Contracted services	185,285	-	7,107	46,396	238,788
Depreciation and amortization	226,876	-	-	-	226,876
Clinical and research expenses	8,179	-	-	-	8,179
Educational expenses	170,458	-	-	-	170,458
Travel	24,635	(41)	-	757	25,351
Registration expense	10,891	500	4,409	6,293	22,093
Acknowledgement and recognition	35,859	4,267	1,235	20,536	61,897
Advertising and promotions	79,702	-	861	415	80,978
Recruiting	1,270	-	-	-	1,270
Accounting and legal	163	-	14,900	(393)	14,670
Professional fees	17,105	-	-	-	17,105
Insurance	36,953	-	14,169	-	51,122
Office supplies	136,030	4,929	3,416	394	144,769
Information technology	29,283	-	8,628	1,500	39,411
Postage and shipping	35,016	460	2,982	66,950	105,408
Printing and binding	70,778	2,195	933	120,465	194,371
Dues and Subscriptions	12,865	-	13,793	753	27,411
Other supplies exp	446	-	-	-	446
Food and food services	47,539	10,050	188	2,095	59,872
Entertainment	684	1,043	-	-	1,727
Facility and equipment rental	7,310	2,035	-	-	9,345
Bank and payment processing fees	9,160	8	27,725	-	36,893
Building and construction	96,256	-	-	-	96,256
Repairs and maintenance	163,365	-	-	-	163,365
Utilities and occupancy	85,870	-	-	-	85,870
Gifts in kind expense	109,316	-	-	-	109,316
Distributions to ECU M&HS Foundation	28,000	-	-	-	28,000
Other aids and grants	992,339	-	-	-	992,339
Tax expense	-	-	-	-	-
ABC Permits	19	-	4,103	-	4,122
Miscellaneous expense	167,111	112	11,900	10	179,132
	$ 3,251,727	$ 4,025,386	$ 1,358,995	$ 1,623,611	$ 10,259,719

See accompanying notes.

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statements of Cash Flow
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (16,532,902)**	$ 53,090,041
Permanently restricted contributions	**(3,245,445)**	(9,047,104)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**226,876**	226,876
Bad debt expense	**6,410**	20,000
Change in value of split-interest agreement	**64,422**	(3,478,596)
Net realized and unrealized gain (loss) on investments	**18,400,991**	(37,652,105)
Change in cash value of life insurance	**407,216**	(11,607)
Net changes in operating assets and liabilities:		
Receivables	**(1,704,485)**	3,790,727
Prepaid expenses	**(2,699)**	(55)
Charitable remainder trusts and annuities, net	**187,309**	351,423
Accounts payable and accrued expenses	**(53,245)**	60,244
Deferred revenue	**20,000**	-
Refundable advances	**(12,154)**	9,583
Agency payables	**1,459,943**	771,931
Net cash provided by (used in) operating activities	**(777,763)**	8,131,358
Cash flows from investing activities:		
Proceeds from sale of investments	**23,145,759**	5,228,840
Purchases of investments	**(21,394,114)**	(23,523,886)
Purchases of capital asset	**(1,002,841)**	-
Proceeds from sale of real estate held for investment	**-**	900,000
Net cash provided by (used in) investing activities	**748,804**	(17,395,046)
Cash flows from financing activities:		
Principal payments on notes payable	**(437,507)**	(428,039)
Contributions for endowment	**3,245,445**	9,047,104
Repayments on line of credit	**-**	(899,550)
Payment on annuity obligations	**(5,945)**	21,960
Net cash provided by financing activities	**2,801,993**	7,741,475
Net increase (decrease) in cash and cash equivalents	**2,773,034**	(1,522,213)
Cash, beginning of year	**6,722,055**	8,244,268
Cash, end of year	**$ 9,495,089**	$ 6,722,055
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 141,142**	$ 158,441

See accompanying notes.

Notes to 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 East Carolina 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.

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 Note 5. 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 $1,425,992 and $1,637,041 at June 30, 2022 and 2021, 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 $3,141,192 at June 30, 2022 have a fair value totaling $3,047,705 There were two outstanding fixed-rate notes payable totaling $3,367,650 at June 30, 2021 having a fair value of $3,180,221.

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 $52,587,722 (31% of total investments) and $49,078,726 (26% of total investments) at June 30, 2022 and 2021, 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.

In accordance with FASB ASC 958-205, any losses on the investments of a donor-restricted endowment fund reduce net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss reduces net assets without donor restrictions. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in net assets with donor restrictions.

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 other income 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 seven 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, two charitable lead unitrusts, 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, 2022 and 2021, 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 13, 2022, the date the consolidated financial statements were available to be issued. There were no events or transactions occurring after June 30, 2022, 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, 2022.

Recently Issued Accounting Pronouncements

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. As amended by ASU 2020-05, this standard will be effective for the fiscal year ending June 30, 2023. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Revenue Recognition

The Foundation receives the majority 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) endowment management fees, (2) new gift fees, (3) direct mail fees (4) fundraising events, and (5) special events.

The Foundation recognizes symposium registrations when the performance obligations of providing the services are met and the event takes place. Revenues from non-refundable program applications is recognized at the time the application is submitted and payment is received. 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.

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 and commercial paper facilities. 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, appropriated earnings from donor-restricted and board-designated (quasi) endowments, 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. 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, 2022:

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	$ 9,495,089	$ 6,722,055
Current portion of unconditional promises to give, net	1,082,452	488,753
Other receivables	1,119,878	11,450
Investments	167,109,596	187,729,424
Total financial assets	178,807,015	194,951,682
Less amounts not available for general expenditures within one year, due to:		
Investments in non-liquid securities	(13,462,995)	(11,052,530)
Collateral under security lending agreements	(250,000)	(250,000)
Restricted by donor with time or purpose restrictions	(166,329,559)	(177,923,860)
Board designated:		
Quasi-endowment fund - designated for support of COB	(305,724)	(377,359)
Amounts designated for support of Deans, Directors, etc.	(488,523)	(488,372)
Financial assets not available to be used within one year	(180,836,801)	(190,092,121)
Financial assets available to meet general expenditures within one year	$ (2,029,786)	$ 4,859,561

Liquidity of Investments

Approximately 68% of the Foundation's investment portfolio consists of highly liquid investments (mutual funds and exchange traded funds); 23% percent of the portfolio's investments 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 9%) 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, 2022, and 2021, the Foundation has investments in excess of the SIPC insurance amount.

4. Unconditional Promises to Give

Unconditional promises to give at June 30, 2022 and 2021, are summarized as follows:

	2022	2021
Receivables due in less than one year	**$ 2,196,710**	$ 783,092
Receivables due in one to five years	**2,604,498**	1,746,906
Receivables due in more than five years	**210,000**	102,000
	5,011,208	2,631,998
Less: Allowance for unamortized discount	**(1,830,036)**	(1,158,416)
Less: Allowance for uncollectible receivables	**(251,695)**	(100,910)
Net unconditional promises to give	**$ 2,929,477**	$ 1,372,672

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, 2022 and 2021 are discounted at a rate of 3.25%.

5. Investments

The aggregate fair values of investments at June 30, 2022 and 2021, by type of investment, are as follows:

	2022	2021
Common stock	**$ 20,000**	$ 20,000
Mutual funds	**114,501,874**	138,630,698
Total marketable securities	**114,521,874**	138,650,698
Alternative investments	**52,587,722**	49,078,726
Total investments	**$ 167,109,596**	$ 187,729,424

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, 2022 and 2021:

	Financial Assets (Liabilities) at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments in mutual funds	$114,501,875	$ -	$ -	$114,501,875
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)]	-	-	-	914,133
Investments in private distressed debt funds measured at net asset value [(a)]	-	-	-	-
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	$114,521,875	$ 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	$ -	$ (43,555)	$ -	$ (43,554)
Liabilities under charitable remainder trust	$ -	$ (106,132)	$ -	$ (106,132)

	Financial Assets (Liabilities) at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments in mutual funds	$138,630,698	$ -	$ -	$138,630,698
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)]	-	-	-	10,104,459
Investments in private credit funds measured at net asset value [(a)]	-	-	-	678,951
Investments in private distressed debt funds measured at net asset value [(a)]	-	-	-	269,120
Investments in public equity strategies funds measured at net asset value [(a)]	-	-	-	5,620,374
Investments in hedge funds measured at net asset value [(a)]	-	-	-	32,405,822
Total	$138,650,698	$ 1,084,808	$ -	$188,814,232
Investments in charitable remainder trusts and annuities	$ -	$ 702,425	$ -	$ 702,425
Beneficial interest in charitable remainder trusts	$ -	$ -	$ 5,822,565	$ 5,822,565
Liabilities under charitable gift annuities	$ -	$ (110,437)	$ -	$ (110,437)
Liabilities under charitable remainder trust	$ -	$ (206,707)	$ -	$ (206,707)

[(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, 2022 and 2021. 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, 2022 and 2021:

	2022	2021
Balance, beginning of year	**$ 5,822,565**	$ 2,439,512
Distributions from Level 3	**-**	-
Additions to Level 3	**-**	-
Revaluation of split interest agreements	**(171,783)**	3,383,053
Balance, end of year	**$ 5,650,782**	$ 5,822,565

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 2022 and 2021 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, 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% -.7% - 5.3%**

	Significant Unobservable Inputs at June 30, 2021			
	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial interests in charitable remainder trusts	$ 5,822,565	Discounted Cash Flows	Payout Rate Discount Rate	5-7% 2.4-5.5%

	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 yrs
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		

	Alternative Investments at June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Private Equity Funds:				
FEG Private Investors	$ 2,083,741	$ 154,000	Ineligible	N/A
FEG Private Investors II	3,446,532	135,000	Ineligible	N/A
FEG Private Investors III	2,035,055	216,000	Ineligible	N/A
FEG Private Investors IV	2,215,843	1,575,000	Ineligible	N/A
Northgate Private Equity Partners	32,755	48,000	Ineligible	N/A
Twin Bridge	290,534	3,734,984	Ineligible	N/A
Total Private Equity Funds	10,104,460	5,862,984		
Private Credit Funds:				
Falcon Private Opportunities VI	678,951	406,861	Ineligible	N/A
Private Distressed Debt:				
Siguler Guff Distressed Opportunities	269,120	45,000	Ineligible	N/A
Public Equity Strategies:				
Champlain Small Cap Fund, LLC	5,620,374	-	Monthly	30 Days
Hedge Funds:				
Lighthouse Diversified Fund	9,563,522	-	Quarterly	90 days
UNC Investment Fund, LLC	22,842,300	-	Monthly	30 days
Total Hedge Funds	32,405,822	-		
Total Alternative Investments	$ 49,078,727	$ 6,314,845		

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:

	2022	2021
Fair value of assets held in annuities	**$ 420,270**	$ 499,822
Fair value of assets held in charitable remainder trusts [a]	**99,171**	202,603
Assets held in charitable remainder trusts and annuities	**$ 519,441**	$ 702,425
Present value of estimated future payments	**$ 33,922**	$ (45,532)
Use obligation under life estates	**(140,054)**	(161,175)
Liabilities under charitable remainder trusts	**$ (106,132)**	$ (206,707)

[a] As of June 30, 2022 and 2021, the fair value of assets held in charitable remainder trusts included assets totaling $47,308 and $59,462, 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, 2022 and 2021 are summarized as follows:

	2022	2021
East Carolina University Alumni Association, Inc.	**$ 1,246,543**	$ 1,918,810
East Carolina University	**2,048,629**	47,044
East Carolina University Medical Foundation, Inc.	**217,217**	223,988
East Carolina University Educational Foundation, Inc.	**173,774**	177,591
Total agency payables	**$ 3,686,163**	$ 2,367,433

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, 2022 and 2021 represent 7% and 8%, respectively, of the investment assets reported on the Consolidated Statements of Financial Position.

9. Annuities Payable

The annuities payable balance at June 30, 2022 and 2021 of $43,554 and $110,437, 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 8 to 28 years.

The Foundation has accepted contributions from four donors in exchange for Foundation funded life annuities (charitable gift annuities). Total annuity payments for the years ended June 30, 2022 and 2021 were $10,213 and $21,960, respectively.

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. The note has a variable interest rated on one-month LIBOR (.992% as of June 30, 2022) plus 1.50% and is collateralized by the financed property. As of June 30, 2022 and 2021, the balance on the principal was $1,425,992 and $1,637,041, 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, 2022 and 2021, the balance on the principal was $496,806 and $532,624, respectively. The note has a fixed interest rate of 3.64% and is collateralized by the purchased property.

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. As of June 30, 2022 and 2021, the balance on the principal was $2,644,386 and $2,835,027, respectively. The note has a fixed interest rate of 3.64% and is collateralized by the purchased property.

Future maturities of the notes payable as of June 30, 2022 were as follows:

2023	$ 449,474
2024	3,123,852
2025	220,027
2026	222,777
2027	225,560
Thereafter	325,494
Total	4,567,184
Less: Current Portion	449,474
Noncurrent portion of long-term debt	$ 4,117,710

Interest expense totaled $141,142 and $158,441 as of June 30, 2022 and 2021, 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 Branch Banking & Trust. The monthly adjusted interest rate on the line of credit is equal to one-month LIBOR plus 1.50%, with an interest rate floor of 2.50%, and the line of credit matures February 15, 2023. The line of credit is unsecured; however, Branch Banking & Trust requires the Foundation to maintain $250,000 in checking account deposits with the bank. As of June 30, 2022 and 2021, there was no outstanding balance on the line of credit.

The Foundation and Green Town have one line of credit agreement with Branch Banking & Trust for available funding up to $3,650,000. The monthly adjusted interest rate on the line of credit is equal to the one-month LIBOR plus 1.50% with an interest rate floor of 2.50%, and the line of credit matures February 15, 2023. The line of credit is unsecured. As of June 30, 2022 and 2021, there was no outstanding balance on the line of credit.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	2022	2021
Spendable:		
Academic Division Support	$ **46,614,063**	$ 51,380,871
Scholarships and awards	**25,533,541**	37,094,045
	72,147,604	88,474,916
Endowment		
Donor restricted:		
Academic Division Support	**32,206,009**	31,260,456
Scholarships and awards	**58,740,744**	56,291,238
	90,946,753	87,551,694
Board Designated quasi:		
Academic Division Support	**305,724**	377,359
Pledged:		
Spendable:		
Academic Division Support	**855,338**	405,753
Scholarships and awards	**1,676,209**	539,469
Endowment:		
Academic Division Support	**91,874**	435,068
Scholarships and awards	**306,057**	139,601
	2,929,478	1,519,891
Total net assets with donor restrictions	$ **166,329,559**	$ 177,923,860

13. Net Assets Released from Donor Restrictions

Net assets totaling $10,813,819 and $7,863,306 were released from donor restrictions in 2022 and 2021, respectively, by incurring expenses satisfying the restricted purposes, or by the passage of time.

	2022	2021
Academic Division Support	**$ 6,783,077**	$ 4,028,036
Scholarships and awards	**4,030,742**	3,835,270
Total	**$ 10,813,819**	$ 7,863,306

14. Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	2022	2021
Undesignated	**$ 20,048,890**	$ 26,647,470
Board-designated:		
Academic Division Support	**794,247**	865,732
Total net assets without donor restrictions	**$ 20,843,137**	$ 25,781,739

15. Endowments

The Foundation's endowment consists of 764 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 a portion of assets for distribution each year based on the year-end endowment fund's twelve-month weighted average balance, prior to the addition of the current year investment return. For the years ended June 30, 2022 and 2021, the appropriation amount was 4.00%. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Endowment net asset composition by fund type as of June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2022	**$ -**	**$ 134,425,560**	**$ 134,425,560**
June 30, 2021	$ -	$ 147,199,111	$ 147,199,111

Changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year		$ 147,199,111	$ 147,199,111
Net investments gains (losses)		$ (12,602,921)	$ (12,602,921)
Contributions		$ 3,219,409	$ 3,219,409
Appropriation of endowment expenditure		$ (2,100,619)	$ (2,100,619)
Administrative fees		$ (1,330,478)	$ (1,330,478)
Other changes		$ 41,057	$ 41,057
Endowment net assets, end of year	$ -	$ 134,425,559	$ 134,425,559

2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year		$ 105,753,568	$ 105,753,568
Net investments gains (losses)		$ 34,253,300	$ 34,253,300
Contributions		$ 8,923,240	$ 8,923,240
Appropriation of endowment expenditure		$ (1,910,512)	$ (1,910,512)
Administrative fees		$ (1,313,176)	$ (1,313,176)
Other changes		$ 1,492,691	$ 1,492,691
Endowment net assets, end of year	$ -	$ 147,199,111	$ 147,199,111

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

	2022	2021
Endowments	**$ 3,039,495**	$ 9,047,105
Unconditional promises to give, endowments	**179,914**	(123,865)
Total contributions with donor restrictions, endowments	**$ 3,219,409**	$ 8,923,240

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, 2022 and 2021, funds with deficiencies of $514,401 and $768 respectively, were reported in net assets with donor restrictions.

	2022	2021
Fair value of underwater endowment funds	**$ 4,907,141**	$ 52,802
Original endowment gift amount	**(5,421,542)**	(53,570)
Deficiencies of underwater endowment funds	**$ (514,401)**	$ (768)

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 $2,071,955 and $2,202,527 in 2022 and 2021, respectively.

The Foundation is currently leasing three properties to the University's Brody School of Medicine under 10-year lease agreements, totaling $90,088 per month. The agreements expire on various dates through July 2023.

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. Capital Assets

The Foundation's capital assets on June 30, 2022 and 2021 consist of the following:

	2022	2021
Land	**$ 4,017,222**	$ 3,014,381
Buildings	**6,731,969**	6,731,969
	10,749,191	9,746,350
Less accumulated depreciation	**2,258,318**	2,031,442
Total	**$ 8,490,873**	$ 7,714,908