

East Carolina University Alumni Association, Inc.

Financial Statements

Years Ended June 30, 2023 and 2022

Table of Contents

Management's Discussion and Analysis	1
Independent Auditor's Report	5
Financial Statements:	
Statements of Financial Position.....	7
Statements of Activities	8
Statements of Functional Expenses	10
Statements of Cash Flows	12
Notes to Financial Statements	13



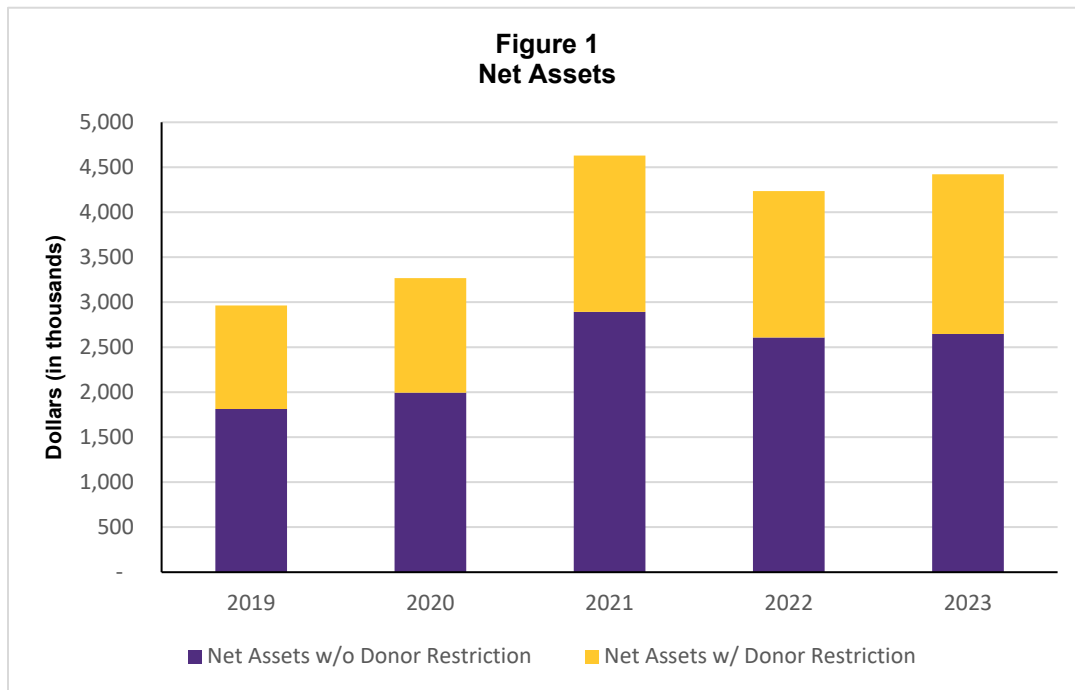
Management's Discussion and Analysis

November 30, 2023

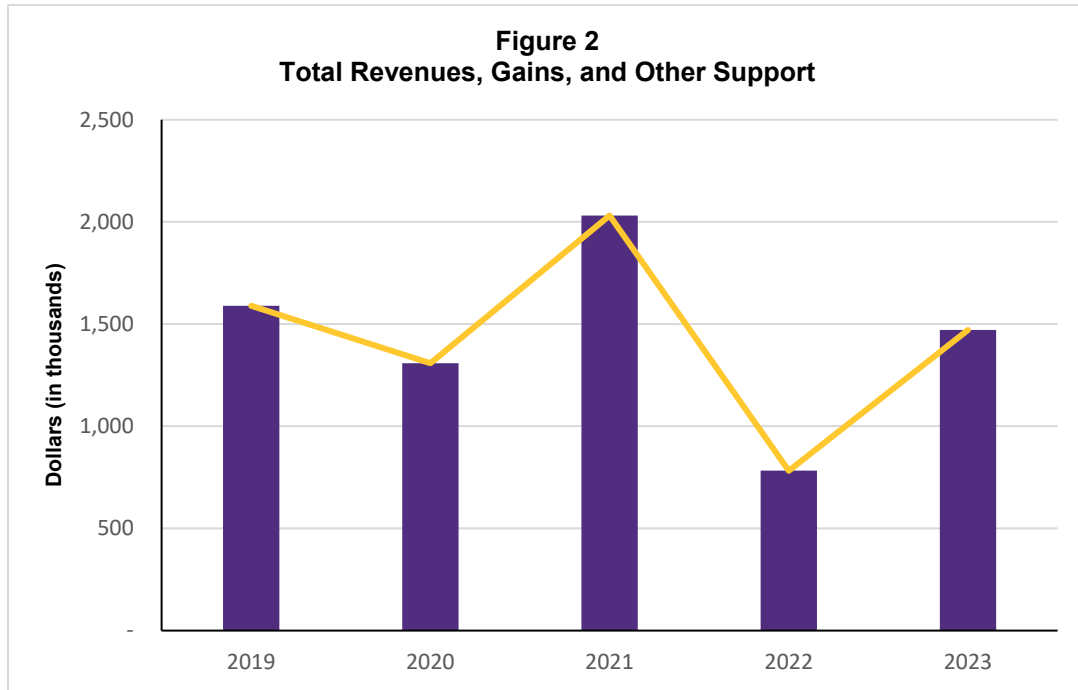
The East Carolina University Alumni Association, Inc. (the "Association") is a volunteer-led, 501(c)(3) organization whose mission is to inform, involve, and serve members of the East Carolina University (the "University") family throughout their lifelong relationship with the University through the promotion of goodwill and recognition of students and alumni. The attached financial statements, audited by the firm of Bernard Robinson & Company, L.L.P., received an unmodified opinion. The unmodified opinion from our auditors reflects the commitment of our volunteers and staff to stewarding the Association's resources in a responsible manner while fulfilling the Association'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.

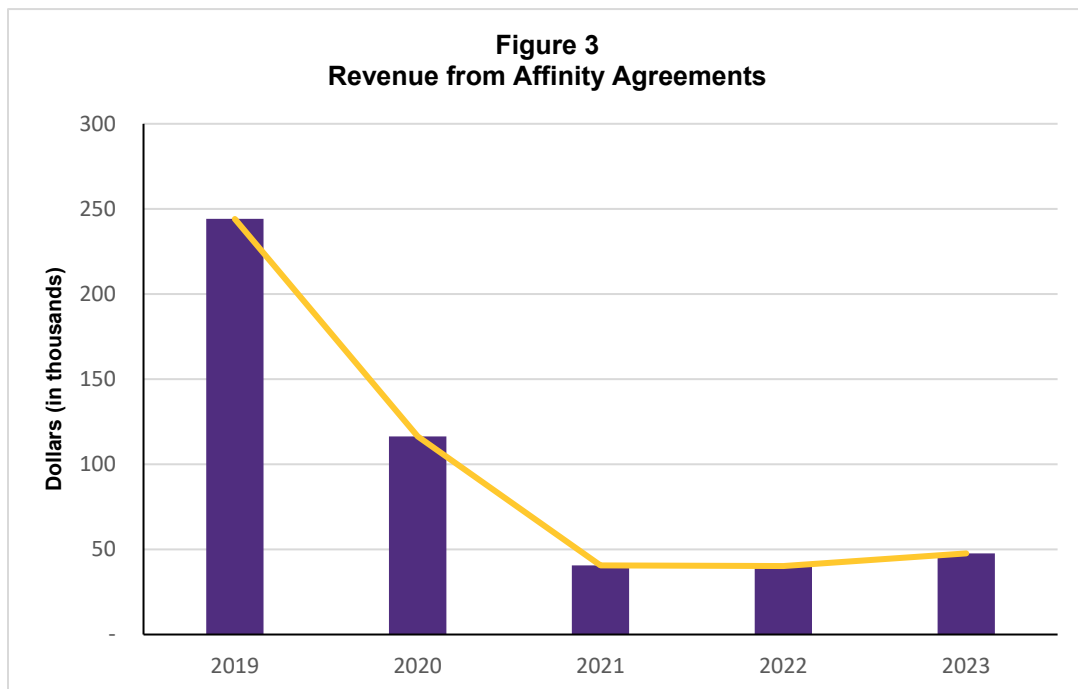
Total assets of the Association at June 30, 2023 were \$4.4 million. The Association's ending total net assets of \$4.4 million represent an increase of 4.4% of the prior year's ending net assets (see Figure 1).



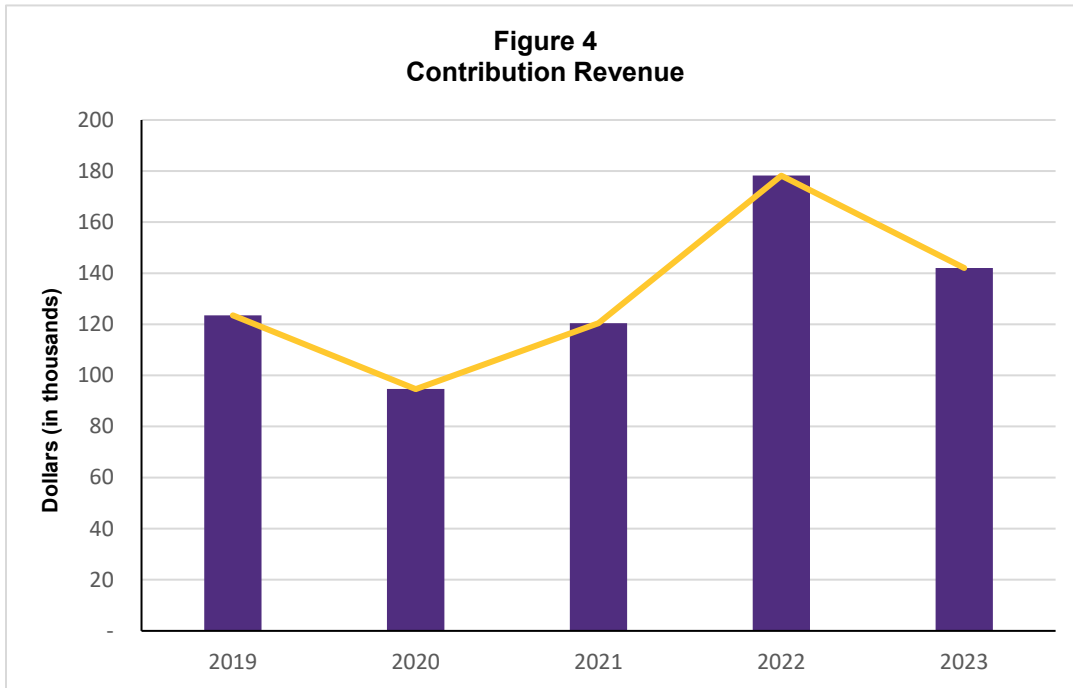
Revenues, gains, and other support received by the Association during the year totaled \$1.5 million. As illustrated by Figure 2, total revenues increased approximately \$688 thousand, or 88% during the year ended June 30, 2023. This increase is primarily related to fluctuations in investment returns year over year due to market performance.



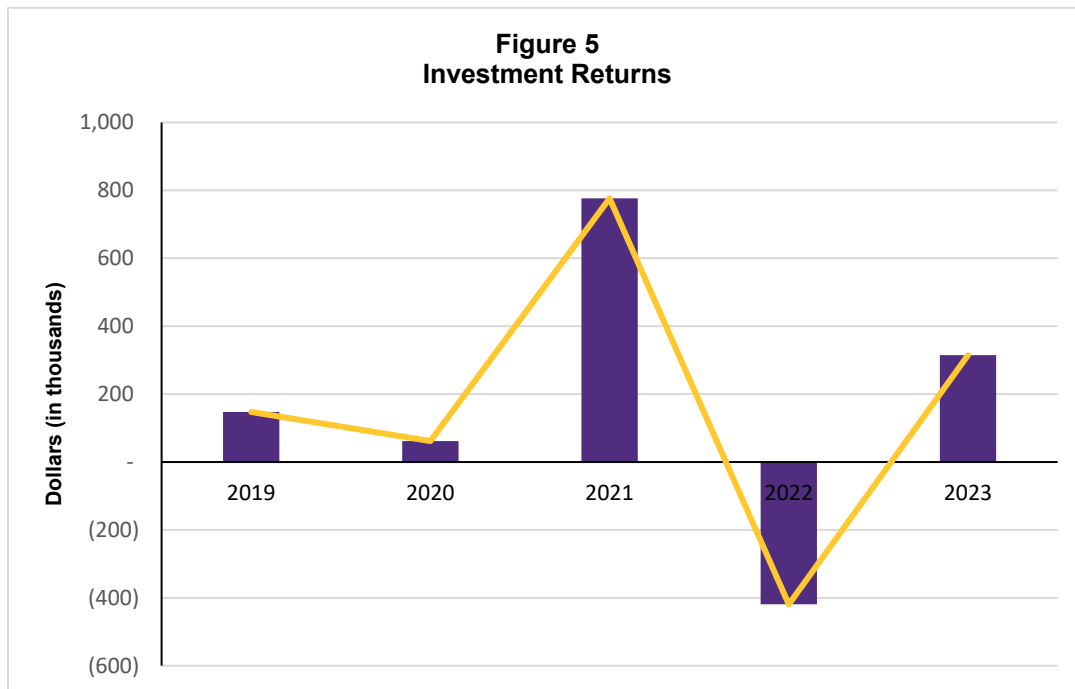
Affinity revenue for the Association for fiscal year 2023 totaled \$48 thousand, which is a slight increase from the \$40 thousand in affinity revenue during fiscal year 2022 (see Figure 3). See the Revenue Recognition portion of Note 1 for additional details on affinity revenue.



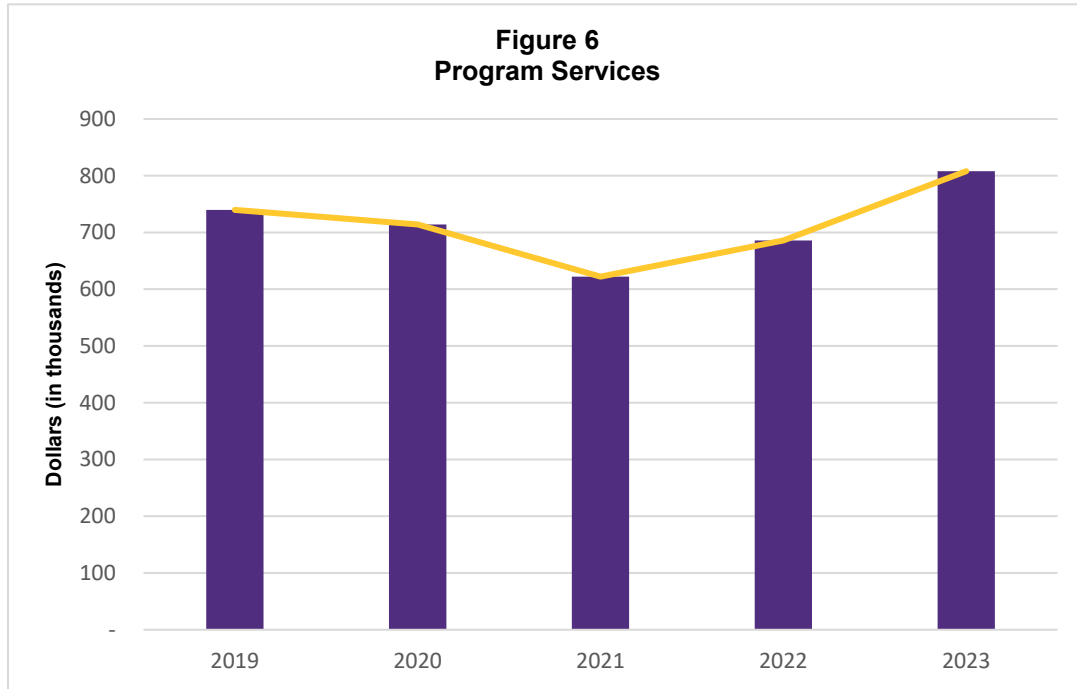
Contributions and gifts-in-kind to the Association for fiscal year 2023 totaled \$142 thousand. This represents a decrease of 20% (see Figure 4) over the contributions and gifts-in-kind of \$178 thousand received during fiscal year 2022. This decrease is attributable to an intentional effort to shift staff efforts on restarting and reengaging local Alumni Chapters, and less efforts on contributions.



The Association's sustained a net gain on investments for fiscal year 2023 of \$314 thousand, as shown in Figure 5. For the year ended June 30, 2023, the Association's investments produced a net gain of 10.0% compared to a 14.8% loss for the year ended June 30, 2022.



Program support provided by the Association funds student scholarships, alumni recognition, reunions, and other forms of communication to engage alumni, which helps them stay connected to the University and each other. In fiscal year 2023, program support totaled \$808 thousand, an increase of 17.8% from the \$686 thousand in program support provided during fiscal year 2022 (see Figure 6). This increase primarily relates to increases associated with donated services and facilities.



The Association was created to develop a spirit of cooperation and loyalty among alumni and to promote the general welfare of the institution. As you will read in the notes to the financial statements, Articles of Dissolution were filed to dissolve the Alumni Association as a separate 501(c)(3) subsequent to June 30, 2023. The efforts and impact of the Association will continue under the umbrella of the East Carolina University Foundation, Inc. The Association remains committed to playing a significant role in the future development of the University, its students, alumni, and community.

If you have any questions, please contact us.

Amanda Putzer
President

Stephanie Coleman
Executive Treasurer
Vice Chancellor of Administration & Finance

Brittany Stockstill
Foundation Controller



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
East Carolina University Alumni Association, Inc.
Greenville, North Carolina

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Carolina University Alumni Association, Inc. 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 audit 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 Alumni Association, Inc. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Carolina University Alumni Association, Inc.'s ability to continue as a going concern within one year after the date that the 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 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Carolina University Alumni Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 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 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 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 financial statements, and other knowledge we obtained during our audits of the 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
November 30, 2023

East Carolina University Alumni Association, Inc.
Statements of Financial Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,067,849	\$ 1,297,737
Investments (Notes 3 and 4)	3,362,903	2,939,827
Other receivables	837	5,275
Prepaid expenses	<u>16,212</u>	<u>11,529</u>
Total assets	<u>\$ 4,447,801</u>	<u>\$ 4,254,368</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 19,187	\$ 15,180
Agency Payable (Note 8)	1,783	-
Deferred revenue	<u>4,970</u>	<u>3,438</u>
Total liabilities	<u>25,940</u>	<u>18,618</u>
Net assets:		
Without donor restrictions (Note 7)	2,647,797	2,607,021
With donor restrictions (Notes 5 and 8)	<u>1,774,064</u>	<u>1,628,729</u>
Total net assets	<u>4,421,861</u>	<u>4,235,750</u>
Total liabilities and net assets	<u>\$ 4,447,801</u>	<u>\$ 4,254,368</u>

East Carolina University Alumni Association, Inc.
Statements of Activities
Year Ended June 30, 2023

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 53,850	\$ 58,212	\$ 112,062
Gifts in kind	30,000	-	30,000
Contributed services and facilities (Note 10)	840,837	-	840,837
Return on investments:			
Interest and dividends	87,874	23,917	111,791
Net realized and unrealized gains on investments	87,311	115,336	202,647
Revenue from affinity agreements	47,681	-	47,681
Special events and other income	120,992	4,438	125,430
Net assets released from restrictions (Note 6)	76,885	(76,885)	-
Total revenues, gains, and other support	<u>1,345,430</u>	<u>125,018</u>	<u>1,470,448</u>
Expenses:			
Program services:			
Alumni events	690,083	-	690,083
Membership, marketing and communications	61,224	-	61,224
Scholarships and awards	56,712	-	56,712
Total program services	808,019	-	808,019
Management and general	469,513	-	469,513
Fundraising	6,805	-	6,805
Total operating expenses	<u>1,284,337</u>	<u>-</u>	<u>1,284,337</u>
Total expenses	<u>1,284,337</u>	<u>-</u>	<u>1,284,337</u>
Changes in net assets	61,093	125,018	186,111
Net assets, beginning of year	2,607,021	1,628,729	4,235,750
Reclassification of net assets, donor stipulations	<u>(20,317)</u>	<u>20,317</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,647,797</u>	<u>\$ 1,774,064</u>	<u>\$ 4,421,861</u>

East Carolina University Alumni Association, Inc.
Statements of Activities
Year Ended June 30, 2022

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 77,557	\$ 73,756	\$ 151,313
Gifts in kind	26,420	520	26,940
Contributed services and facilities (Note 10)	833,026	-	833,026
Return on investments:			
Interest and dividends	121,351	72,412	193,763
Net realized and unrealized losses on investments	(399,300)	(213,631)	(612,931)
Revenue from affinity agreements	40,218	-	40,218
Special events and other income	140,322	9,642	149,964
Net assets released from restrictions (Note 6)	<u>70,410</u>	<u>(70,410)</u>	<u>-</u>
Total revenues, gains, and other support	<u>910,004</u>	<u>(127,711)</u>	<u>782,293</u>
Expenses:			
Program services:			
Alumni events	586,494	-	586,494
Membership, marketing and communications	41,592	-	41,592
Scholarships and awards	<u>57,752</u>	<u>-</u>	<u>57,752</u>
Total program services	685,838	-	685,838
Management and general	490,548	-	490,548
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,176,386</u>	<u>-</u>	<u>1,176,386</u>
Total expenses	<u>1,176,386</u>	<u>-</u>	<u>1,176,386</u>
Changes in net assets	(266,382)	(127,711)	(394,093)
Net assets, beginning of year	2,892,549	1,737,294	4,629,843
Reclassification of net assets, donor stipulations	<u>(19,146)</u>	<u>19,146</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,607,021</u>	<u>\$ 1,628,729</u>	<u>\$ 4,235,750</u>

East Carolina University Alumni Association, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services					Total
	Alumni Events	Marketing and Communications	Scholarships and Awards	Management and General	Fundraising	
Salaries and benefits reimbursements	\$ 2,158	\$ -	\$ -	\$ 40,983	\$ -	\$ 43,141
Contributed services and facilities	471,172	-	-	369,665	-	840,837
Scholarships and awards	-	-	40,000	-	-	40,000
Distributions to ECU	-	-	1,252	-	-	1,252
Contracted services	8,442	20,167	-	8,046	-	36,655
Travel	29,164	-	-	6,419	-	35,583
Registration expense	692	-	-	-	-	692
Acknowledgment and recognition	-	8,509	-	-	-	8,509
Advertising and promotion	8,649	24,206	-	5,558	-	38,413
Accounting and legal	-	-	-	10,400	-	10,400
Insurance	-	-	-	6,081	-	6,081
Supplies expense	15,399	19	100	927	-	16,445
Information technology	120	-	-	1,232	-	1,352
Postage and shipping	11,124	-	-	80	-	11,204
Printing and binding	8,491	1,786	83	1,577	-	11,937
Dues and subscriptions	-	1,297	-	361	-	1,658
Food and food services	47,027	-	471	5,526	-	53,024
Entertainment	16,999	5,120	-	-	-	22,119
Facility and equipment rental	39,411	-	-	1,560	-	40,971
Bank and payment processing fees	-	-	-	3,439	-	3,439
Repairs and maintenance	301	-	-	-	-	301
Gift in kind expense	30,000	-	-	-	-	30,000
Gift fees	-	-	14,806	-	5	14,811
Tax expense	-	-	-	6,741	-	6,741
Miscellaneous expense	934	120	-	918	6,800	8,772
Total	\$ 690,083	\$ 61,224	\$ 56,712	\$ 469,513	\$ 6,805	\$ 1,284,337

See accompanying notes.

East Carolina University Alumni Association, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	<u>Program Services</u>					<u>Fundraising</u>	<u>Total</u>
	<u>Alumni Events</u>	<u>Marketing and Communications</u>	<u>Scholarships and Awards</u>	<u>Management and General</u>			
Salaries and benefits reimbursements	\$ 2,147	\$ -	\$ -	\$ 9,021	\$ -	\$ -	\$ 11,168
Contributed services and facilities	407,625	-	-	425,401	-	-	833,026
Scholarships and awards	-	-	42,810	-	-	-	42,810
Contracted services	19,914	20,537	-	6,320	-	-	46,771
Educational expenses	-	-	-	-	-	-	-
Travel	10,589	-	-	3,077	-	-	13,666
Registration Expense	200	-	-	475	-	-	675
Acknowledgment and recognition	436	-	-	420	-	-	856
Advertising and promotion	16,708	12,985	160	1,304	-	-	31,157
Accounting and legal	-	-	-	10,900	-	-	10,900
Insurance	-	-	-	6,046	-	-	6,046
Supplies expense	867	1,995	-	1,537	-	-	4,399
Information technology	195	-	-	844	-	-	1,039
Postage and shipping	347	-	-	195	-	-	542
Printing and binding	5,475	594	-	2,019	-	-	8,088
Dues and subscriptions	-	1,190	-	1,830	-	-	3,020
Food and food services	44,363	-	706	5,901	-	-	50,970
Entertainment	3,896	4,291	-	534	-	-	8,721
Facility and equipment rental	41,649	-	-	1,499	-	-	43,148
Bank and payment processing fees	-	-	-	2,761	-	-	2,761
Gift in kind expense	26,940	-	-	-	-	-	26,940
Distributions to ECU Foundation	-	-	-	400	-	-	400
Gift fees	-	-	14,076	-	-	-	14,076
Tax expense	-	-	-	4,224	-	-	4,224
Miscellaneous expense	5,143	-	-	5,840	-	-	10,983
Total	\$ 586,494	\$ 41,592	\$ 57,752	\$ 490,548	\$ -	\$ -	\$ 1,176,386

See accompanying notes.

East Carolina University Alumni Association, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 186,111	\$ (394,093)
Permanently restricted contributions	(48,534)	(41,219)
Adjustments to reconcile change in net assets to net cash		
Provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	(202,647)	612,931
Net changes in operating assets and liabilities:		
Prepaid expenses	(4,683)	(1,880)
Other receivables	4,438	(3,539)
Accounts payable	4,007	4,671
Deferred revenue	1,532	3,437
Agency payables	1,783	-
Net cash provided (used) by operating activities	<u>(57,993)</u>	<u>180,308</u>
Cash flows from investing activities:		
Proceeds from sale of investments	26,065	473,222
Purchases of investments	<u>(246,494)</u>	<u>(134,378)</u>
Net cash provided (used) by investing activities	<u>(220,429)</u>	<u>338,844</u>
Cash flows from financing activities:		
Contributions for endowment	<u>48,534</u>	<u>41,219</u>
Net cash provided by financing activities	<u>48,534</u>	<u>41,219</u>
Net (decrease) increase in cash and cash equivalents	(229,888)	560,371
Cash and cash equivalents, Beginning of Year	<u>1,297,737</u>	<u>737,366</u>
Cash and cash equivalents, End of Year	<u>\$ 1,067,849</u>	<u>\$ 1,297,737</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

The East Carolina University Alumni Association, Inc. (the “Association”) is a membership organization whose mission is to inform, involve and serve members of the East Carolina University (the “University”) family throughout their lifelong relationship with the University through the promotion of goodwill and recognition of students and alumni.

Basis of Presentation

The accompanying 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 Association 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 Association and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, wherein the donor stipulates those resources be maintained in perpetuity. Generally, the donors of these assets permit the Association 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 has elapsed) are reported as reclassifications on the 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 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

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 4 and is in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Disclosures about Fair Value of Financial Instruments*, which defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

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 held in the investment pool.

Investments

Investments are reported at fair value with gains and losses included in the Statements of Activities. The Association entered into an agreement with East Carolina University Foundation, Inc. (the "ECU Foundation") to invest its endowment funds with the ECU Foundation's investment pool. Once a year, 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.

As shown in Note 4, the financial statements include alternative investments consisting of private equity funds and hedge funds that are valued at \$527,657 (12% of net assets) and \$519,594 (12% of net assets) at June 30, 2023 and 2022, respectively. Management, using the methodology discussed in Note 4, 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 Association'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 investment income.
- As increases in net assets without donor restrictions in all other cases.

Deferred Revenue

Deferred revenue represents the collection of royalties and event registration proceeds, in the current period, which are not yet earned. These monetary assets are reported as deferred revenue until they meet the criteria for revenue recognition.

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 (i.e., 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 Statements of Activities as net assets released from restrictions.

Income Taxes

The Association 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. For the years ended June 30, 2023 and 2022, the Association recorded income tax expense for unrelated business activities in the amount of approximately \$6,741 and \$4,224, which is included on the Statements of Activities in general and administrative expenses. Management 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 financial statements.

Revenue Recognition

The Association receives most of its support in the form of contributions from alumni and friends of the Association and revenue generated from fundraising events. The Association recognizes contributions when cash, securities or other assets are received.

The Association has several revenue streams that fall within the context of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*: (1) fundraising events, (2) special events, and (3) affinity contracts.

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. The Association recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. It recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

The Association partners with several independent vendors who offer services to alumni. The Association receives a portion of revenue generated by these programs which is classified as affinity revenue. The Association recognizes affinity revenue when received.

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.

Subsequent Events

Management evaluated subsequent events through November 30, 2023, the date the financial statements were available to be issued.

On November 2, 2023, the NC Secretary of State accepted and filed Articles of Dissolution to formally dissolve the Association. The Association has begun the process of winding down operations and closing the books for transactions that occurred through the date of filing. Once complete, all assets of the Association will be transferred to the ECU Foundation, Inc.

2. Liquidity and Availability

The Association receives contributions 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 provide support for programs and faculty; research, clinical and education activities; and scholarships and awards in accordance with the donors' stated intent. In addition, the Association receives support without donor restrictions and utilizes investment income without donor restrictions to further fund annual operating needs.

The Association 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 donor-restricted endowments and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Association.

East Carolina University Alumni Association, Inc.
Notes to Financial Statements

The Association 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 Association has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. Furthermore, the Association has a Cash Management policy which establishes a cash reserve balance target of \$900,000 which is to be replenished quarterly and more frequently if the balance is less than \$450,000.

The Association 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 Association's fiscal year. The Association's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, except for 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:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,067,849	\$ 1,297,737
Other receivables	837	5,275
Investments	<u>3,362,903</u>	<u>2,939,976</u>
Total financial assets	<u>4,431,589</u>	<u>4,242,988</u>
Less amounts not available for general expenditures within one year, due to:		
Investments in non-liquid securities	(138,278)	(142,053)
Restricted by donors with time or purpose restrictions	(1,774,064)	(1,628,729)
Board-designations:		
Quasi-endowment funds	<u>(1,607,597)</u>	<u>(1,645,768)</u>
Financial assets not available to be used within one year	<u>(3,519,939)</u>	<u>(3,416,550)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 911,650</u>	<u>\$ 826,438</u>

Liquidity of Investments

As of June 30, 2023, approximately 84.3% of the Association's investment portfolio consists of highly liquid investments (mutual funds and exchange traded funds); 15.7% 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 4.

3. Investments

Investments presented on the Statements of Financial Position include marketable securities owned by the Association and funds held in an investment pool. The Association pools a portion of its monetary assets with the ECU Foundation in order to maximize the return on investments and to minimize administrative costs.

East Carolina University Alumni Association, Inc.
Notes to Financial Statements

The aggregate fair value of the Association's marketable securities and proportionate share of the pooled investments held by the ECU Foundation at June 30, 2023 and 2022, by type of investment, are as follows:

	<u>2023</u>	<u>2022</u>
Mutual funds and exchange traded funds	\$ 2,835,246	\$ 2,420,233
Alternative investments	<u>527,657</u>	<u>519,594</u>
Total investments	<u>\$ 3,362,903</u>	<u>\$ 2,939,827</u>

The Association's investments held by the ECU Foundation totaled \$1,520,774 and \$1,387,607 at June 30, 2023 and 2022, respectively. The amounts represent approximately 1% of the total investments held by the ECU Foundation at June 30, 2023 and 2022.

Annually, interest and dividends, realized and unrealized gains/losses, and administrative fees are allocated to the Association's endowment funds. Investment income is allocated based on the actual rate of return, less any administrative fees. The unrestricted net asset funds, except for certain board-designated funds, do not receive an allocation of investment income.

4. 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 Association 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 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 are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. These valuation methodologies have not changed and are consistent with prior years.

Mutual funds and exchange traded 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, they are valued at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

East Carolina University Alumni Association, Inc.
Notes to Financial Statements

The following tables present the Association's assets and proportionate share of the pooled investments held by the ECU Foundation, measured at fair value, by classification within the fair value hierarchy, as of June 30, 2023 and 2022. There are no liabilities measured at fair value at June 30, 2023 and 2022.

	Financial Assets			Total
	at Fair Value as of June 30, 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments in mutual funds and exchange traded funds	\$ 2,835,246	\$ -	\$ -	\$ 2,835,246
Investments in private equity fund measured at net asset value ^(a)				129,374
Investments in private credit funds measured at the NAV				8,904
Investments in private distress debt measured at NAV				-
Investments in public equity strategies measured at NAV				49,485
Investments in hedge funds measured at net asset value ^(a)				339,894
Total	<u>\$ 2,835,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,362,903</u>

	Financial Assets			Total
	at Fair Value as of June 30, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments in mutual funds and exchange traded funds	\$ 2,420,233	\$ -	\$ -	\$ 2,420,233
Investments in private equity fund measured at net asset value ^(a)				133,021
Investments in private credit funds measured at the NAV				9,032
Investments in private distress debt measured at NAV				-
Investments in public equity strategies measured at NAV				42,208
Investments in hedge funds measured at net asset value ^(a)				335,333
Total	<u>\$ 2,420,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,939,827</u>

^(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 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. The Association'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.

East Carolina University Alumni Association, Inc.
Notes to Financial Statements

The following table summarizes the Association's percentage of ownership interest in the alternative investments held in the ECU Foundation investment pool at June 30, 2023 and 2022:

	2023			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private Equity Funds:				
FEG Private Investors	\$ 18,527	\$ 1,514	Ineligible	N/A
FEG Private Investors II	29,837	1,323	Ineligible	N/A
FEG Private Investors III	22,933	1,470	Ineligible	N/A
FEG Private Investors IV	34,902	3,944	Ineligible	N/A
Northgate Private Equity Partners I	241	470	Ineligible	N/A
Twin Bridge	<u>22,934</u>	<u>17,415</u>		
Total Private Equity Funds	<u>129,374</u>	<u>26,136</u>		
Private Credit Fund:				
Falcon Private Opportunities VI	8,904	3,924	Ineligible	N/A
Public Equity Strategies:				
Champlain Small Cap Fund, LLC	49,485	-	Monthly	30 days
Hedge Funds:				
Magnitude International, Ltd	108,045	-	Semi-Liquid	>90 days;
UNC Investment Fund, LLC	<u>231,849</u>	-	Monthly	<2 yrs
Total Hedge Funds	<u>339,894</u>	-		30 days
Total Alternative Investments	<u>\$ 527,657</u>	<u>\$ 30,060</u>		

	2022			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private Equity Funds:				
FEG Private Investors	\$ 25,796	\$ 1,527	Ineligible	N/A
FEG Private Investors II	37,579	1,334	Ineligible	N/A
FEG Private Investors III	24,028	1,482	Ineligible	N/A
FEG Private Investors IV	34,210	8,473	Ineligible	N/A
Northgate Private Equity Partners I	259	473	Ineligible	N/A
Twin Bridge	<u>11,149</u>	<u>28,825</u>	Ineligible	N/A
Total Private Equity Funds	<u>133,021</u>	<u>42,114</u>		
Private Credit Fund:				
Falcon Private Opportunities VI	9,032	2,991	Ineligible	N/A
Public Equity Strategies:				
Champlain Small Cap Fund, LLC	42,208	-	Monthly	30 days
Hedge Funds:				
Magnitude International, Ltd	100,326	-	Semi-Liquid	>90 days;
UNC Investment Fund, LLC	<u>235,007</u>	-	Monthly	<2 yrs
Total Hedge Funds	<u>335,333</u>	-		30 days
Total Alternative Investments	<u>\$ 519,594</u>	<u>\$ 45,105</u>		

East Carolina University Alumni Association, Inc.
Notes to Financial Statements

The Association 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 that such changes could materially affect the amounts reported in the Statements of Financial Position.

The ECU Foundation investment pool, in which the Association participates, 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.

5. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Spendable:		
Alumni events	\$ 69,065	\$ 84,210
Scholarships and awards	<u>104,560</u>	<u>100,715</u>
	<u>173,625</u>	<u>184,925</u>
Endowment:		
Donor restricted:		
Scholarships and awards	<u>1,600,439</u>	<u>1,443,804</u>
	<u>1,600,439</u>	<u>1,443,804</u>
Total net assets with donor restrictions	<u>\$ 1,774,064</u>	<u>\$ 1,628,729</u>

6. Net Assets Released from Donor Restrictions

Net assets totaling \$76,885 and \$70,410 were released from donor restrictions in 2023 and 2022, respectively, by incurring expenses satisfying the restricted purposes, or by the passage of time.

	<u>2023</u>	<u>2022</u>
Alumni events	\$ 20,827	\$ 13,525
Scholarships and awards	<u>56,058</u>	<u>56,885</u>
Total	<u>\$ 76,885</u>	<u>\$ 70,410</u>

7. Net Assets without Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 358,813	\$ 263,687
Board-designated:		
Affinity revenue reserves	596,776	610,946
Long-term membership reserves	<u>1,692,208</u>	<u>1,732,388</u>
Total net assets without donor restrictions	<u>\$ 2,647,797</u>	<u>\$ 2,607,021</u>

8. Endowments

The Association's endowment consists of 14 individual donor-restricted funds established for a variety of purposes. 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 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 Association'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 perpetual net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 perpetual net assets with donor restrictions, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in deciding 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 Association 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 Association must hold in perpetuity. Endowment assets also include the fair market value of a trust, held by an external trustee, which provides income in perpetuity to the Association. Under this policy, as approved by the Association 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.

East Carolina University Alumni Association, Inc.
Notes to Financial Statements

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Association 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 Association 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 Association 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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2023	\$ -	\$ 1,600,439	\$ 1,600,439
June 30, 2022	\$ -	\$ 1,443,804	\$ 1,443,804

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

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 1,443,804	\$ 1,576,981
Net investments gains (losses)	139,240	(141,215)
Contributions *	48,534	41,219
Appropriation of endowment expenditures	(24,959)	(35,242)
Administrative fees	(14,806)	(14,075)
Special events and other changes	8,626	16,136
Endowment net assets, end of year	<u>\$ 1,600,439</u>	<u>\$ 1,443,804</u>

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

At June 30, 2023 and 2022, there were no funds with deficiencies.

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 Association. These contributed services and facilities have been recognized in the accompanying Statements of Activities as contributions and expenses at their estimated value. The amount of these contributed services and facilities for the year was \$840,837 and \$833,026 in 2023 and 2022, respectively.

East Carolina University Alumni Association, Inc.
Notes to Financial Statements

At June 30, 2023 and 2022, the Association had payables to East Carolina University of \$1,783 and \$0, respectively. These amounts are reported as agency payable on the Statements of Financial Position.

9. Contributed Nonfinancial Assets

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

	<u>2023</u>	<u>2022</u>
Gifts in kind:		
Food	\$ 30,000	\$ 26,940
Total Gifts in Kind	<u>30,000</u>	<u>26,940</u>
Contributed services and facilities:		
University contributed services	805,922	798,111
University contributed facilities	<u>34,915</u>	<u>34,915</u>
Total contributed services and facilities	<u>840,837</u>	833,026
Total contributed nonfinancial assets	<u>\$ 870,837</u>	<u>\$ 859,966</u>

Gifts of tangible personal property, consisting primarily of food for Alumni tailgates and events, were considered and accepted only after a thorough review indicated that the items were either readily marketable or property needed by the University.

10. Concentration of Credit Risk

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

The Association deposits 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, as of June 30, 2023, the Association’s STIF account deposits would not be exposed to custodial credit risk.

Investment Brokerage Accounts

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, of which \$100,000 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 Association had investments in excess of the SIPC insurance amount.