

**NORTH CAROLINA CENTRAL UNIVERSITY
FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023



CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	2-3
Exhibits:	
"A" Statements of Financial Position	4
"B" Statements of Activities and Changes in Net Assets	5-6
"C" Statements of Cash Flows	7
"D" Statements of Functional Expenses	8-9
Notes to Financial Statements	10-24

INDEPENDENT AUDITOR'S REPORT

Page 1 of 2

Board of Directors
North Carolina Central University Foundation, Inc.

Opinion

We have audited the accompanying financial statements of North Carolina Central University Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 North Carolina Central University Foundation, Inc. as of June 30, 2024 and 2023, 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 Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of North Carolina Central University Foundation, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 North Carolina Central University Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

BALANCE & STRATEGY ADVISORS, CPAs LLP

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

www.b-sadvisors.com • email: cpa@b-sadvisors.com

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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Carolina Central University Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina Central University Foundation, 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.

Balance & Strategy

Chapel Hill, North Carolina
December 3, 2024

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2024 and 2023

ASSETS

	2024	2023
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 4,816,064	\$ 4,021,733
Accounts receivable, net	223,045	123,194
Contributions receivable, net (Note 3)	3,180,326	3,075,286
Investments (Notes 1, 4 and 5)	17,343,231	14,904,017
Prepaid expenses	10,700	3,317
TOTAL CURRENT ASSETS	25,573,366	22,127,547
PROPERTY AND EQUIPMENT:		
Land	36,389	142,045
Building and building improvements	127,851	127,851
	164,240	269,896
Less: accumulated depreciation	(26,759)	(22,110)
NET PROPERTY AND EQUIPMENT (Note 1)	137,481	247,786
OTHER ASSETS:		
Investments (Notes 1, 4 and 5)	22,032,133	20,810,721
Cash surrender value of life insurance (Note 1)	464,386	451,472
Contributions receivable, net (Note 3)	2,582,060	3,522,229
Funds held on behalf of others (Note 1)	236,222	194,514
Beneficial interest in split interest agreement and perpetual trust (Notes 1, 5 and 9)	2,095,366	1,850,408
TOTAL OTHER ASSETS	27,410,167	26,829,344
TOTAL ASSETS	\$ 53,121,014	\$ 49,204,677

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 151,531	\$ 100,616
Funds held on behalf of others (Note 1)	236,222	194,514
TOTAL LIABILITIES	387,753	295,130
NET ASSETS:		
Without donor restrictions (Note 11)	2,592,974	2,320,406
With donor restrictions (Notes 9 and 11)	50,140,287	46,589,141
TOTAL NET ASSETS	52,733,261	48,909,547
TOTAL LIABILITIES AND NET ASSETS	\$ 53,121,014	\$ 49,204,677

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2024 and 2023

Page 1 of 2

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 334,641	\$ 9,959,102	\$ 10,293,743
Contribution of nonfinancial assets (Note 13)	150,000	6,896,261	7,046,261
Investment return, net	846,188	2,827,222	3,673,410
Change in value of beneficial interest in split interest agreements and perpetual trust	-	244,958	244,958
Other (loss) income	596,764	1,290,646	1,887,410
	1,927,593	21,218,189	23,145,782
Net assets released from restrictions (Note 10)	16,447,631	(16,447,631)	-
TOTAL SUPPORT AND REVENUE	18,375,224	4,770,558	23,145,782
EXPENSES:			
Program services:			
University support	13,815,693	-	13,815,693
Scholarships	2,678,019	-	2,678,019
Management and general	1,558,557	-	1,558,557
Provision for bad debt	173	1,269,626	1,269,799
TOTAL EXPENSES	18,052,442	1,269,626	19,322,068
CHANGES IN NET ASSETS BEFORE NET ASSET TRANSFERS	322,782	3,500,932	3,823,714
Transfers	(50,214)	50,214	-
CHANGES IN NET ASSETS	272,568	3,551,146	3,823,714
NET ASSETS - BEGINNING OF YEAR	2,320,406	46,589,141	48,909,547
NET ASSETS - END OF YEAR	\$ 2,592,974	\$ 50,140,287	\$ 52,733,261

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2024 and 2023

Page 2 of 2

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 429,496	\$ 11,887,033	\$ 12,316,529
Contribution of nonfinancial assets (Note 13)	1,338	5,287,928	5,289,266
Investment return, net	226,306	2,155,102	2,381,408
Change in value of beneficial interest in split interest agreements and perpetual trust	-	(30,293)	(30,293)
Other income	505,234	1,287,413	1,792,647
	1,162,374	20,587,183	21,749,557
Net assets released from restrictions (Note 10)	12,197,908	(12,197,908)	-
TOTAL SUPPORT AND REVENUE	13,360,282	8,389,275	21,749,557
EXPENSES:			
Program services:			
University support	10,584,011	-	10,584,011
Scholarships	1,640,327	-	1,640,327
Management and general	1,334,510	-	1,334,510
Provision for bad debt	18,089	109,681	127,770
TOTAL EXPENSES	13,576,937	109,681	13,686,618
CHANGES IN NET ASSETS BEFORE NET ASSET TRANSFERS	(216,655)	8,279,594	8,062,939
Transfers	124,678	(124,678)	-
CHANGES IN NET ASSETS	(91,977)	8,154,916	8,062,939
NET ASSETS - BEGINNING OF YEAR	2,412,383	38,434,225	40,846,608
NET ASSETS - END OF YEAR	\$ 2,320,406	\$ 46,589,141	\$ 48,909,547

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,823,714	\$ 8,062,939
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted in perpetuity	(1,675,058)	(3,087,972)
Depreciation	4,649	4,649
Realized and unrealized (gain) loss on investments	(2,442,266)	(1,462,375)
Change in discount on contributions receivable	2,811	(1,253)
Change in value of beneficial interest in split interest agreements and perpetual trust	(244,958)	30,293
Change in cash surrender value of life insurance	(12,914)	(2,477)
Fair value of property donated	-	(105,656)
Changes in assets and liabilities:		
Accounts receivable, net	(99,852)	(121,035)
Contributions receivable	832,318	(995,910)
Prepaid expenses	(7,383)	4,896
Accounts payable and accrued expenses	50,915	50,585
Funds held on behalf of others	41,708	30,119
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>273,684</u>	<u>2,406,803</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	105,656	-
Proceeds from sale of investments	3,011,840	2,120,151
Purchase of investments	(4,230,199)	(17,078,361)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,112,703)</u>	<u>(14,958,210)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted in perpetuity	1,675,058	3,087,972
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,675,058</u>	<u>3,087,972</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	836,039	(9,463,435)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,216,247</u>	<u>13,679,682</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,052,286</u>	<u>\$ 4,216,247</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 4,816,064	\$ 4,021,733
Funds held on behalf of others	236,222	194,514
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 5,052,286</u>	<u>\$ 4,216,247</u>
SUPPLEMENTAL DISCLOSURES:		
Non-cash activity:		
Contribution of nonfinancial assets	<u>\$ 7,046,261</u>	<u>\$ 5,289,266</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended June 30, 2024 and 2023

Page 1 of 2

	2024				2023
	University Support	Scholarships	Management and General	Totals	Totals
Telephone and communications	\$ 6,606,604	\$ -	\$ 16,480	\$ 6,623,084	\$ 5,264,935
University expense	2,902,567	-	2,500	2,905,067	2,545,586
Grants and scholarships	-	2,678,019	-	2,678,019	1,640,327
Provision for bad debt	-	-	1,269,799	1,269,799	127,770
Personnel costs	-	-	787,583	787,583	699,142
Entertainment	420,648	-	289,666	710,314	540,863
Travel	527,713	-	72,858	600,571	392,574
Office expenses and supplies	554,239	-	41,016	595,255	320,951
Professional fees	1,339,102	-	143,913	1,483,015	693,470
Program support	440,620	-	28,531	469,151	508,474
Equipment expense	261,030	-	22,963	283,993	233,728
Meetings	206,783	-	21,652	228,435	203,193
Sponsorships	98,195	-	40,968	139,163	185,714
Dues and fees	102,329	-	12,749	115,078	68,895
Printing	64,182	-	9,422	73,604	22,973
Bank charges	52,339	-	11,970	64,309	65,849
Rental expense	48,433	-	1,164	49,597	9,625
Miscellaneous expense	19,009	-	20,592	39,601	14,537
Housing	38,093	-	-	38,093	-
Books and subscriptions	30,274	-	5,681	35,955	13,143
Memberships	25,916	-	9,307	35,223	37,147
Advertising	27,377	-	3,375	30,752	8,200
Postage and freight	24,328	-	3,291	27,619	38,725
Insurance	9,565	-	6,137	15,702	17,090
Gifts	12,284	-	-	12,284	-
Repairs and maintenance	4,063	-	2,090	6,153	29,058
Depreciation expense	-	-	4,649	4,649	4,649
Total expenses	13,815,693	2,678,019	2,828,356	19,322,068	13,686,618
Less provision for bad debt	-	-	(1,269,799)	(1,269,799)	(127,770)
Total functional expenses	\$ 13,815,693	\$ 2,678,019	\$ 1,558,557	\$ 18,052,269	\$ 13,558,848

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended June 30, 2024 and 2023

Page 2 of 2

	2023			
	University Support	Scholarships	Management and General	Totals
Telephone and communications	\$ 5,249,303	\$ -	\$ 15,632	\$ 5,264,935
University expense	2,536,299	-	9,287	2,545,586
Grants and scholarships	-	1,640,327	-	1,640,327
Provision for bad debt	-	-	127,770	127,770
Personnel costs	-	-	699,142	699,142
Entertainment	354,644	-	186,219	540,863
Travel	309,184	-	83,390	392,574
Office expenses and supplies	285,004	-	35,947	320,951
Professional fees	596,219	-	97,251	693,470
Program support	435,752	-	72,722	508,474
Equipment expense	225,166	-	8,562	233,728
Meetings	153,423	-	49,770	203,193
Sponsorships	173,894	-	11,820	185,714
Dues and fees	65,788	-	3,107	68,895
Printing	22,697	-	276	22,973
Bank charges	54,879	-	10,970	65,849
Rental expense	9,625	-	-	9,625
Miscellaneous expense	-	-	14,537	14,537
Books and subscriptions	13,143	-	-	13,143
Memberships	29,072	-	8,075	37,147
Advertising	8,200	-	-	8,200
Postage and freight	32,218	-	6,507	38,725
Insurance	12,803	-	4,287	17,090
Repairs and maintenance	16,698	-	12,360	29,058
Depreciation expense	-	-	4,649	4,649
Total expenses	10,584,011	1,640,327	1,462,280	13,686,618
Less provision for bad debt	-	-	(127,770)	(127,770)
Total functional expenses	\$ 10,584,011	\$ 1,640,327	\$ 1,334,510	\$ 13,558,848

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS**

Page 1 of 15

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**ORGANIZATION**

North Carolina Central University Foundation, Inc. (the “Foundation”) was formed in June 1972. The Foundation’s purpose is to foster and promote the growth of higher education in North Carolina and, specifically, at North Carolina Central University (the “University”).

SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Accounting.**

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U. S. GAAP”). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. In preparing its financial statements, the Foundation’s net assets and support and revenue, 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 use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

B. Cash and Cash Equivalents.

For purposes of reporting cash flows, the Foundation considers all cash and cash equivalents monies on deposit at financial institutions, and other highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and cash equivalents do not include money market funds held with investment advisors as part of their portfolio. At times, the Foundation maintains deposits with a bank in amounts that are in excess of the federally insured amounts. The Foundation has not experienced any financial loss related to such deposits.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS**

Page 2 of 15

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Contributions Receivable.**

Unconditional contributions receivable are recognized as support in the period promised and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. An allowance is provided for amounts management estimates to be uncollectible.

Conditional contributions receivable are recognized when the conditions upon which they depend are substantially met.

D. Accounts Receivable.

Accounts receivable consist primarily of amounts due from contract commissions and are recorded at net realizable value. Collections from commissions are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographical and industry specific economic factors. The Foundation also considers any specific collection issues. At origination, the Foundation evaluates credit risk based on a variety of credit quality factors including prior payment experience, financial information, credit ratings, probability of default, industry trends, and other internal metrics. There were no write-offs for credit losses for the years ended June 30, 2024 and 2023.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS**

Page 3 of 15

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****E. Investments.**

Investments are stated at fair value based on readily available market values. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short sales positions and call options written, for which the last quoted asked price is used. Government-sponsored enterprises and commercial paper are stated at cost plus accrued interest, which approximates fair value. Net investment return is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Donated securities are initially recorded at fair value at the date of gift.

F. Securities Transactions, Interest and Dividends.

Securities transactions are recorded on a trade-date basis and are carried at fair value. Realized gains and losses on securities transactions, determined on a specific-identification basis, and the difference between the cost and the fair value of open investments are included as net investment return in the accompanying statements of activities and changes in net assets. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Unrealized and realized gains and losses, dividends and interest income, and any losses from investing in income-producing assets are included in the net asset classification based on donor restrictions.

G. Cash Surrender Value of Life Insurance.

Certain donors contribute beneficiary interests in life insurance policies to the Foundation, of which, the Foundation is the owner of these policies. These gifts are recorded at current cash values less any loans outstanding on the policies.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 4 of 15

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Property and Equipment.

The Foundation capitalizes assets that have a value or cost in excess of \$1,000 on the date of acquisition and an expected useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and building improvements.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2024 and 2023.

The Foundation reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

I. Beneficial Interest in Split-interest Agreements and Perpetual Trust.

The Foundation records assets from irrevocable split interest agreements and perpetual trusts. At June 30, 2024 and 2023, amounts from two such agreements totaling \$2,095,366 and \$1,850,408, respectively, have been recorded. From time to time the Foundation is named beneficiary of revocable split-interest agreements. It is the Foundation's policy not to record its beneficial interests in such agreements if they are revocable or if the donor retains the unilateral right to change beneficiaries. The Foundation is aware of two such trust agreements.

J. Funds Held on Behalf of Others.

The Foundation accounts for agency and reciprocal transactions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. The Foundation records a liability for reciprocal funds provided by donors where the donors themselves are named as beneficiary. Substantially all of the Foundation's funds held on behalf of others at June 30, 2024 and 2023, represent amounts held on behalf of the University.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 5 of 15

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. Contributions.

The Foundation reports contributions as support with donor restrictions and without donor restrictions, depending on the existence or nature of any donor restrictions. 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 to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Some contributions are restricted in perpetuity which represent only those contributions restricted by the donor to be invested for the purpose of providing a permanent source of income. The accumulated earnings are reflected in net assets with donor restrictions until appropriated.

L. Income Tax Status.

The Foundation is exempt from income tax as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Management evaluated tax positions for the years ended June 30, 2023 through 2024, and concluded that there are no uncertain tax positions, and believes there is no income tax effect on the financial statements. If applicable, penalties and interest assessed by income taxing authorities related to unrecognized tax positions are included as management and general expenses in the statements of activities and changes in net assets.

M. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, and could be material.

N. New Accounting pronouncement.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard was effective July 1, 2023.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 6 of 15

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,816,064	\$ 4,021,733
Accounts receivable, net	223,045	123,194
Contributions receivable, net	3,180,326	3,075,286
Investments	<u>17,343,231</u>	<u>14,904,017</u>
	25,562,666	22,124,230
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor for purpose	<u>(23,430,727)</u>	<u>(20,405,780)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,131,939</u></u>	<u><u>\$ 1,718,450</u></u>

The Foundation's endowment funds consist of donor-restricted endowments and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Foundation has board-designated funds of \$134,689 and \$180,770, at June 30, 2024 and 2023, respectively. The designated funds are not reflected in the accompanying liquidity and availability schedule above. Although the Foundation does not intend to spend from its board-designated funds, amounts could be made available if necessary in the event of financial distress. In addition, the Foundation obtained a line of credit up to \$1,000,000 that can be used for general expenditures if necessary.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 7 of 15

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Receivable within one year	\$ 3,180,326	\$ 3,075,286
Receivable within one to five years	<u>3,957,836</u>	<u>4,121,305</u>
 Gross unconditional contributions receivable	 7,138,162	 7,196,591
Discount at a rate of 1.75%	(68,113)	(70,882)
Allowance for doubtful contributions receivable	<u>(1,307,663)</u>	<u>(528,194)</u>
 Net present value of unconditional contributions receivable	 <u>\$ 5,762,386</u>	 <u>\$ 6,597,515</u>

Reconciliation of contributions receivable at June 30, 2024 and 2023, as shown on the statements of financial position are as follows:

	<u>2024</u>	<u>2023</u>
Current assets:		
Contributions receivable, net	\$ 3,180,326	\$ 3,075,286
Other assets:		
Contributions receivable, net	<u>2,582,060</u>	<u>3,522,229</u>
 Total contributions receivable, net	 <u>\$ 5,762,386</u>	 <u>\$ 6,597,515</u>

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 8 of 15

NOTE 4. INVESTMENTS

Investments at June 30, 2024, are comprised of the following:

	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Money market funds	\$ 9,298,819	\$ -	\$ 9,298,819
Mutual funds	4,282,554	19,821	4,302,375
Equity securities	7,348,288	2,582,971	9,931,259
Debt securities	4,759,621	881,354	5,640,975
U.S. Government obligations	9,399,093	(1,650,676)	7,748,417
Commodities	2,518,598	(65,079)	2,453,519
	<u>\$ 37,606,973</u>	<u>\$ 1,768,391</u>	<u>\$ 39,375,364</u>

Investments at June 30, 2023, are comprised of the following:

	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Money market funds	\$ 9,750,945	\$ -	\$ 9,750,945
Mutual funds	5,107,101	(300,602)	4,806,499
Equity securities	6,705,710	1,321,452	8,027,162
Debt securities	3,777,351	(229,301)	3,548,050
U.S. Government obligations	7,935,432	(113,057)	7,822,375
Commodities	1,823,167	(63,460)	1,759,707
	<u>\$ 35,099,706</u>	<u>\$ 615,032</u>	<u>\$ 35,714,738</u>

NOTE 5. FAIR VALUE OF ASSETS

U.S. GAAP defines fair value as 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 (i.e. the exit price). The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS**

Page 9 of 15

NOTE 5. FAIR VALUE OF ASSETS (CONTINUED)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2 – Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Financial instruments that are not actively traded on an active exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

In determining fair value, the Foundation uses various valuation approaches within the fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Money market funds: Money market funds are in active markets and classified within Level 1 of the valuation hierarchy.

Equity securities: Equity securities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Debt securities: Investment in debt securities includes corporate and foreign bonds that are either exchange-traded and/or valued at last sales price. If there is no sale and the market is considered active, the securities are valued at the mean of the last bid and asked prices on such exchange. These fixed income investments are classified within Level 2 of the valuation hierarchy.

U.S. Government obligations: Investments in government and government agency obligations are either exchange-traded and/or valued at last sales price. If there is no sale and the market is considered active, the securities are valued at the mean of the last bid and asked prices on such exchange. These fixed income investments are classified within Level 2 of the valuation hierarchy.

Mutual funds and commodities: Mutual funds and commodities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Beneficial interest in perpetual trust: The Foundation has been named as a beneficiary in a perpetual trust in which the Foundation is not the trustee. This interest is valued using the fair value of the assets in the trust, as a practical expedient, since no facts and circumstances indicate that the fair value of the assets in the trusts differs from the fair value of the beneficial interest.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 10 of 15

NOTE 5. FAIR VALUE OF ASSETS (CONTINUED)

Due to the nature of perpetual trust, the Foundation does not have the ability to redeem the assets at the practical expedient. Under the guidelines set forth in the FASB ASC 820 fair value hierarchy, the beneficial interest are classified as Level 3 inputs.

There were no changes during the years ending June 30, 2024 and 2023, to the Foundation's valuation techniques used to measure asset values on a recurring basis. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table summarizes financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 9,298,819	\$ -	\$ -	\$ 9,298,819
Mutual funds	4,302,375	-	-	4,302,375
Equities	9,931,259	-	-	9,931,259
Debt securities	-	5,640,975	-	5,640,975
U.S. Government obligations	-	7,748,417	-	7,748,417
Commodities	2,453,519	-	-	2,453,519
Total investments	25,985,972	13,389,392	-	39,375,364
Beneficial interest in perpetual trust	-	-	2,095,366	2,095,366
Total assets	\$ 25,985,972	\$ 13,389,392	\$ 2,095,366	\$ 41,470,730

The following table summarizes financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 9,750,945	\$ -	\$ -	\$ 9,750,945
Mutual funds	4,806,499	-	-	4,806,499
Equities	8,027,162	-	-	8,027,162
Debt securities	-	3,548,050	-	3,548,050
U.S. Government obligations	-	7,822,375	-	7,822,375
Commodities	1,759,707	-	-	1,759,707
Total investments	24,344,313	11,370,425	-	35,714,738
Beneficial interest in perpetual trust	-	-	1,850,408	1,850,408
Total assets	\$ 24,344,313	\$ 11,370,425	\$ 1,850,408	\$ 37,565,146

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 11 of 15

NOTE 6. COMMITMENTS

The Foundation leases a house to tenants under a noncancelable operating lease. The agreement was executed August 2022 and expiring in October 2024. This lease has an annual rental rate of \$29,280. A new agreement was executed in August 2024 and expiring in October 2025 at the same rate. Rental income totaled \$29,856 and \$27,600, for the years ended June 30, 2024 and 2023, respectively.

Future minimum rental income under the lease agreement is as follows:

<u>Year ending June 30,</u>	
2025	\$ 29,280
2026	<u>9,760</u>
Total future minimum rental income	<u><u>\$ 39,040</u></u>

NOTE 7. LINE OF CREDIT

The Foundation obtained a secured line of credit totaling \$1,000,000 with a bank in November 2019. The line renews annually. Interest is payable monthly with a variable rate. There was no outstanding balance on the line of credit at years ended June 30, 2024 and 2023.

NOTE 8. EMPLOYEE BENEFIT PLAN

The Foundation provides a defined contribution retirement plan for its employees. Under the plan, the Foundation will match employee contributions up to 3% of annual compensation. Employer contributions totaled \$15,900 and \$15,021, for the years ended June 30, 2024 and 2023, respectively.

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023, are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Scholarships and University support	\$ 24,603,119	\$ 23,411,846
Investment in perpetuity, the income from which is expendable to support scholarships and other University support	23,510,601	21,389,984
Beneficial interest in perpetual trust	<u>2,026,567</u>	<u>1,787,311</u>
	<u><u>\$ 50,140,287</u></u>	<u><u>\$ 46,589,141</u></u>

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 12 of 15

NOTE 10. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Substantially all net assets that were released from donor restrictions during the years ended June 30, 2024 and 2023, related to scholarships and University support expenses incurred satisfying the restricted purposes.

NOTE 11. ENDOWMENTS

The Foundation's endowment funds consist of approximately 336 individual funds established for a variety of purposes, generally scholarship related. The endowment includes both donor-restricted endowment funds and one fund designated by the Board of Directors to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 Foundation classifies as 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. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of the Foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation's investment policy establishes an achievable return objective, through diversification of asset classes of 4% above the rate of inflation over a rolling three-year period. To achieve this return, the Foundation must assume a moderate level of risk with a considerable exposure in equity securities. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (dividends and interest). Returns are measured against a weighted average of nationally recognized benchmark indices, such as the Russell 1000 Growth Index and the Morgan Stanley Capital International Europe, Australasia and the Far East Index (MSCI EAFE), appropriate for each asset style.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 13 of 15

NOTE 11. ENDOWMENTS (CONTINUED)*Strategies Employed for Achieving Objectives*

The Foundation's current general spending policy is to distribute an amount up to 5% of a rolling three-year average of the investment market value at the end of each year. This spending policy is consistent with the average long-term return expectation, providing ongoing support of donors' charitable interests and additional growth to the endowment funds. Appropriations from endowment funds are approved by the Foundation's Board.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that SPMIFA requires to retain as a fund of perpetual duration. There were 52 endowment funds with a fair value of \$3,405,526 that are underwater by \$77,834 as of June 30, 2023. There were no underwater endowment funds as of June 30, 2024.

The Foundation assesses a management fee on endowment funds to support the administration and stewardship of funds received. This fee is set by the Foundation's Board of Directors and is currently 2% of the investment market value at the end of each year, although the fee percentage may be adjusted by the Board.

The changes in endowment net assets for the year ended June 30, 2024, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 180,769	\$ 22,092,285	\$ 22,273,054
Contributions	-	1,675,058	1,675,058
Interest and other investment income, net of investment fees	2,918	510,446	513,364
Realized and unrealized gains	12,556	2,196,248	2,208,804
Endowment management fees	(2,509)	(438,887)	(441,396)
Appropriation of endowment assets for expenditure	(9,056)	(257,501)	(266,557)
Other transfers	(50,000)	244,455	194,455
Endowment net assets, end of year	<u>\$ 134,678</u>	<u>\$ 26,022,104</u>	<u>\$ 26,156,782</u>

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 14 of 15

NOTE 11. ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the year ended June 30, 2023, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 176,351	\$ 18,366,516	\$ 18,542,867
Contributions	-	3,087,972	3,087,972
Interest and other investment income, net of investment fees	4,496	473,339	477,835
Realized and unrealized losses	12,449	1,341,144	1,353,593
Endowment management fees	(3,486)	(363,051)	(366,537)
Appropriation of endowment assets for expenditure	(9,041)	(838,635)	(847,676)
Other transfers	-	25,000	25,000
Endowment net assets, end of year	<u>\$ 180,769</u>	<u>\$ 22,092,285</u>	<u>\$ 22,273,054</u>

The following table summarizes the composition of endowment net assets by fund type at June 30, 2024:

	Without Donor Restrictions	Donor Restricted for Purpose	Donor Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 2,503,174	\$ 23,518,930	\$ 26,022,104
Board designated endowment funds	134,678	-	-	134,678
Total endowment net assets	<u>\$ 134,678</u>	<u>\$ 2,503,174</u>	<u>\$ 23,518,930</u>	<u>\$ 26,156,782</u>

The following table summarizes the composition of endowment net assets by fund type at June 30, 2023:

	Without Donor Restrictions	Donor Restricted for Purpose	Donor Restricted in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 542,175	\$ 21,550,110	\$ 22,092,285
Board designated endowment funds	180,769	-	-	180,769
Total endowment net assets	<u>\$ 180,769</u>	<u>\$ 542,175</u>	<u>\$ 21,550,110</u>	<u>\$ 22,273,054</u>

NOTE 12. FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. All expenses are directly allocated based upon usage.

NORTH CAROLINA CENTRAL UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 15 of 15

NOTE 13. CONTRIBUTION OF NONFINANCIAL ASSETS

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities and changes in net assets included the following:

	2024	2023
Technology	\$ 6,608,156	\$ -
Equipment	242,140	5,230,644
Services	150,000	1,500
Goods	45,965	52,827
Clothing	-	4,295
	<u>\$ 7,046,261</u>	<u>\$ 5,289,266</u>

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Foundation.

Contributed food, goods, and equipment are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed food and goods are used in program services.

Gifts-in-kind received during the year ended June 30, 2024, were \$6,896,261 restricted, and \$150,000 unrestricted. Gifts-in-kind received during the year ended June 30, 2023, were \$5,287,928 restricted, and \$1,338 unrestricted.

The Foundation’s officers and board of directors serve without compensation. No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements.

NOTE 15. CONTINGENCY

The Foundation has entered into a retention bonus agreement with current Executive Director. Upon meeting all the eligibility criteria the Foundation will pay a retention bonus equal to their current annual salary. For the year ending June 30, 2024 the criteria have not been met and as such, no amount has been accrued.

NOTE 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through December 3, 2024, which was the date that the financial statements were available to be issued, and determined there were no additional subsequent events requiring disclosure.