NORTH CAROLINA COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

As of and for the Years Ended March 31, 2021 and 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
North Carolina Community Foundation, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of the North Carolina Community Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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 the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of March 31, 2021 and 2020 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.

Cherry Bekaert LLP

Raleigh, North Carolina
September 17, 2021

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash	$ 13,454,038	$ 29,421,260
Short-term investments	516,059	510,155
Investments	381,063,459	256,682,779
Contributions receivable, net	-	100,000
Beneficial interests in split-interest agreements	4,625,598	3,083,343
Prepaid expenses and other assets	529,049	478,065
Property, equipment, and leasehold improvements, net	290,329	370,508
Total Assets	$ 400,478,532	$ 290,646,110
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 689,564	$ 1,479,407
Obligations under split-interest agreements	46,390	53,447
Agency funds payable	32,001,134	22,799,600
Total Liabilities	32,737,088	24,332,454
Net Assets:		
Without Donor Restrictions:		
Designated for donor advised grants	250,116,826	187,689,278
Designated for field of interest grants	39,840,615	24,075,694
Designated for scholarships	34,241,357	25,648,706
Invested in property, equipment, and leasehold improvements, net	290,329	370,508
Undesignated	24,574,917	15,402,856
Total Without Donor Restrictions	349,064,044	253,187,042
With Donor Restrictions:		
Restricted to the passage of time	4,991,957	3,510,351
Restricted in perpetuity - endowment	9,577,253	8,810,142
Restricted - appreciation of endowment funds	4,108,190	1,162,517
Underwater endowments	-	(356,396)
Total With Donor Restrictions	18,677,400	13,126,614
Total Net Assets	367,741,444	266,313,656
Total Liabilities and Net Assets	$ 400,478,532	$ 290,646,110

NORTH CAROLINA COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	$ 37,841,531	$ 2,249,849	$ 40,091,380
Less amounts received on behalf of others	(1,670,232)	-	(1,670,232)
Net Contributions	36,171,299	2,249,849	38,421,148
Net investment return	103,254,801	4,044,032	107,298,833
Adjust amounts from agency funds	(9,275,560)	-	(9,275,560)
Net Investment Income and Gains	93,979,241	4,044,032	98,023,273
Grant income	497,000	-	497,000
Program and other income	588,721	-	588,721
Net Other Income	1,085,721	-	1,085,721
Total Revenues, Gains and Other Support	131,236,261	6,293,881	137,530,142
Net assets released from donor restrictions	743,095	(743,095)	-
Expenses:			
Grants and scholarships	32,904,799	-	32,904,799
Less amounts disbursed on behalf of others	(1,357,474)	-	(1,357,474)
Net Grants and Scholarships	31,547,325	-	31,547,325
Other program expenses	2,969,444	-	2,969,444
Fundraising and development	422,766	-	422,766
Management and general	1,162,819	-	1,162,819
Total Expenses	36,102,354	-	36,102,354
Change in net assets	95,877,002	5,550,786	101,427,788
Net assets, beginning of year	253,187,042	13,126,614	266,313,656
Net assets, end of year	$ 349,064,044	$ 18,677,400	$ 367,741,444

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	$ 56,937,335	$ 165,825	$ 57,103,160
Less amounts received on behalf of others	(1,329,651)	-	(1,329,651)
Net Contributions	55,607,684	165,825	55,773,509
Net investment return	(23,316,712)	(901,816)	(24,218,528)
Adjust amounts from agency funds	2,246,432	-	2,246,432
Net Investment Income and Gains	(21,070,280)	(901,816)	(21,972,096)
Program and other income	765,149	-	765,149
Total Revenues, Gains, and Other Support	35,302,553	(735,991)	34,566,562
Net assets released from donor restrictions	384,276	(384,276)	-
Expenses:			
Grants and scholarships	22,718,730	-	22,718,730
Less amounts disbursed on behalf of others	(2,468,024)	-	(2,468,024)
Net Grants and Scholarships	20,250,706	-	20,250,706
Other program expenses	2,767,740	-	2,767,740
Fundraising and development	627,753	-	627,753
Management and general	1,258,652	-	1,258,652
Total Expenses	24,904,851	-	24,904,851
Change in net assets	10,781,978	(1,120,267)	9,661,711
Net assets, beginning of year	242,405,064	14,246,881	256,651,945
Net assets, end of year	$ 253,187,042	$ 13,126,614	$ 266,313,656

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2021

	Program Services	Supporting Activities: Management and General	Supporting Activities: Fundraising	Supporting Activities: Total Supporting	Total Expenses
Grants and scholarships	$ 31,547,325	$ -	$ -	$ -	$ 31,547,325
Salaries, taxes, and benefits	2,006,180	853,626	313,525	1,167,151	3,173,331
Occupancy	252,341	107,371	39,436	146,807	399,148
Services and professional fees	403,850	122,533	19,128	141,661	545,511
Fund operating expenses	109,309	-	23,265	23,265	132,574
Dues and subscriptions	23,528	10,011	3,677	13,688	37,216
Office and postage	25,562	10,876	3,995	14,871	40,433
Insurance	13,434	5,716	2,099	7,815	21,249
Marketing and communications	34,701	18,765	5,423	24,188	58,889
Seminars, conferences and meetings	31,078	3,437	1,262	4,699	35,777
Travel	3,010	1,009	571	1,580	4,590
Telecommunications	15,762	6,707	2,463	9,170	24,932
Depreciation expense	50,689	21,568	7,922	29,490	80,179
Other expenses	-	1,200	-	1,200	1,200
	$ 34,516,769	$ 1,162,819	$ 422,766	$ 1,585,585	$ 36,102,354

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2020

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting	Total Expenses
Grants and scholarships	$ 20,250,706	$ -	$ -	$ -	$ 20,250,706
Salaries, taxes, and benefits	1,749,042	827,368	352,327	1,179,695	2,928,737
Occupancy	233,026	110,231	46,941	157,172	390,198
Services and professional fees	385,007	218,791	32,795	251,586	636,593
Fund operating expenses	141,296	-	148,464	148,464	289,760
Dues and subscriptions	21,552	10,195	4,342	14,537	36,089
Office and postage	35,718	16,896	7,196	24,092	59,810
Insurance	10,212	4,831	2,057	6,888	17,100
Marketing and communications	29,493	21,675	8,501	30,176	59,669
Seminars, conferences and meetings	18,868	5,277	1,887	7,164	26,032
Travel	79,067	12,088	10,259	22,347	101,414
Telecommunications	16,041	7,588	3,231	10,819	26,860
Depreciation expense	48,418	22,905	9,753	32,658	81,076
Other expenses	-	807	-	807	807
	$ 23,018,446	$ 1,258,652	$ 627,753	$ 1,886,405	$ 24,904,851

The accompanying notes to the financial statements are an integral part of this statement.

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 101,427,788	$ 9,661,711
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	80,179	81,076
Net realized and unrealized (gains) losses on investments	(100,908,905)	32,075,210
Contributions of split-interest agreements	(1,482,448)	-
Contributions restricted for long-term investment	(767,401)	(165,825)
Change in value of split-interest agreements	(159,366)	(282,734)
Changes in assets and liabilities:		
Contributions receivable, net	100,000	-
Prepaid expenses and other assets	(50,984)	(8,696)
Accounts payable and accrued expenses	(789,843)	690,614
Agency funds payable	9,201,534	(3,737,179)
Net cash flows from operating activities	6,650,554	38,314,177
Cash flows from investing activities:		
Purchase of property and equipment	-	(8,175)
Purchase of investments	(159,200,358)	(169,737,524)
Proceeds from sale of investments	135,722,679	149,893,929
Net cash flows from investing activities	(23,477,679)	(19,851,770)
Cash flows from financing activities:		
Payment of obligations under split-interest agreements	(7,057)	(2,469)
Proceeds from split interest agreements	99,559	133,980
Proceeds from contributions restricted for investment in endowment	767,401	165,825
Net cash flows from financing activities	859,903	297,336
Net change in cash	(15,967,222)	18,759,743
Cash, beginning of year	29,421,260	10,661,517
Cash, end of year	$ 13,454,038	$ 29,421,260

Note 1—Nature of the Foundation and summary of significant accounting policies

The North Carolina Community Foundation, Inc. (the "Foundation") was established in 1988 as a nonprofit corporation and is a statewide organization created to build capacity through philanthropy. Governed by a volunteer Board of Directors, the Foundation administers nearly 1,200 component funds and provides long-term support of a broad range of charitable needs, nonprofit organizations, and scholarships across North Carolina, with an emphasis on underserved areas.

The Foundation's grantmaking programs reflect its fund holders' and donors' commitment to a number of charitable causes that are important in North Carolina and beyond. Individuals, families, corporations, institutions, and nonprofit organizations may establish funds with the Foundation. The Foundation's fund holders benefit from inclusion in a large portfolio of funds with access to experienced investment managers and professional administration for grantmaking, planned giving, and endowment services.

Basis of Presentation – The accompanying financial statements are prepared using the accrual basis of accounting.

Classification of Contributions and Net Assets – The Foundation presents its net assets and its revenue and gains (losses) based upon existence or absence of donor-imposed restrictions. Accordingly, net assets 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-imposed restrictions. Net assets without donor restrictions also include the investment in property, equipment, and leasehold improvements, net of accumulated depreciation. The Foundation's policy is to report revenues, gains, and other support that are limited to specific uses by donor-imposed restrictions as increases in net assets without donor restrictions when the restrictions are met in the same reporting period as the income recognized.

While certain donors and fund holders may make recommendations on distribution of funds, a 501(c)(3) community foundation retains variance power pursuant to U.S. Treasury regulations. This variance power provides the Foundation's Board of Directors (the "Board") with the ability to modify donor stipulations that are unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. As a result of this variance power, the Foundation's financial statements classify the majority of funds as net assets without donor restrictions. For internal management and recordkeeping, the Foundation classifies net assets without donor restrictions as follows:

- *Designated for Donor Advised Grants* – Fund holder annually recommends grants to specific qualified charities. In some cases, fund holder suggests specific eligible organizations to receive charitable grants in the fund agreement.

- *Designated for Field of Interest Grants* – Fund holder establishes a fund for unspecified programs or organizations in a general field of interest important to the donor, such as education, historic preservation, children, the elderly, the environment, or arts and culture.

- *Designated for Scholarships* – Fund holder recommends an academic focus for the scholarship fund (such as nursing, the arts, or engineering) and eligibility criteria (including financial need, academic merit, geographic residence, and/or community service). The Foundation provides oversight and administrative support of the scholarship selection process and manages due diligence.

All distributions are approved by the Board, whose charge it is to see that all grants are within the charitable purposes of the Foundation as set forth in the Foundation's governing instruments.

Note 1—Nature of the Foundation and summary of significant accounting policies (continued)

Net Assets With Donor 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.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the 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. Actual results could differ from those estimates.

Cash – The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. At times, the Foundation maintains deposits with financial institutions that are in excess of the federal depository insurance limit, but management believes that such deposits pose no significant credit risk.

Short-Term Investments – Short-term investments at March 31, 2021 and 2020 represent certificates of deposit with original maturities of 12 months.

Valuation of Investments – Investments are stated at fair value. See Note 7 for further information related to fair value measurements.

Securities Transactions, Interest, and Dividends – Securities transactions are recorded on a trade-date basis. 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 realized and unrealized gains (losses) in the accompanying statements of activities. Interest and other investment income are recognized on the accrual basis. At each month-end, investment income is allocated to all funds using the daily average balance of the assets for each component fund. Other assets earn investment income based upon earnings of the specific investments held.

Interest and dividends and net realized and unrealized gains (losses) are generally recorded as revenue without donor restriction, unless restricted by the donor, because the related investments on which the revenue is earned are classified as assets without donor restriction.

Certain donors contribute beneficiary interests in life insurance policies to the Foundation. These gifts are recorded at current cash surrender values less any outstanding loans.

Revenues – 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 restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are released from restriction and reclassified between the applicable classes of net assets. The Foundation’s policy is to report revenues, gains, and other support that are limited to specific uses by donor-imposed restrictions as increases in net assets without donor restrictions when the restrictions are met in the same reporting period as the income recognized. The Foundation also has administrative fee revenue earned from funds held as agency funds and its policy is to recognize this revenue over time as it is earned.

Note 1—Nature of the Foundation and summary of significant accounting policies (continued)

Contributions and Donor-Imposed Restrictions – Contributions are recognized as revenue when received or unconditionally promised. Most contributions, including those with donor-imposed stipulations, are subject to variance power established by the Foundation. This variance power provides the Foundation's Board of Directors with the ability to modify donor stipulations that are incapable of fulfillment or inconsistent with the needs of the community. The Foundation reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated asset to a future time period. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes on net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Foundation initially recognizes donated assets, including gifts of real estate and stock, at fair value on the date of the gift.

A portion of the Foundation's revenue is derived from grant making support services, annual membership dues, and seminar fees for Foundation component funds. Such revenue is conditioned upon certain performance obligations and amounts received are recognized as revenue once those requirements have been met. Amounts received prior to meeting those performance obligations are reported as deferred revenue and included in accounts payable and accrued expenses in the statements of financial position. Payments of $110,476 and $216,681 were recognized in the statements of financial position as deferred revenue for the years ended March 31, 2021 and 2020, respectively.

Contributions Receivable – Unconditional promises to give that are expected to be collected within one-year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recognized at the present value of 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.

Management evaluates contributions receivable for collectability at least annually. The Foundation provides an allowance for uncollectible contributions equal to the estimated uncollectible amounts. Management's estimate is based on historical charge-offs, factors related to specific donors' ability to pay, donor giving history, and current economic trends. If amounts become uncollectible, they will be charged to operations in the period in which that determination is made.

Conditional Promises to Give – Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release are not recognized until the conditions on which they depend have been met. From time to time, the Foundation may become aware of certain donors having named the Foundation in their wills. These testamentary gifts are treated as conditional promises to give and not recognized as revenue until a probate court finalizes a decedent's will, declares the will valid, and authorizes distribution of assets to the Foundation. If the value of the bequest is not known, or cannot be reasonably estimated, the contribution receivable is not recorded until amounts can be estimated with reasonable accuracy. At March 31, 2021 and 2020, the Foundation did not have any conditional promises to give.

Property, Equipment, and Leasehold Improvements – Purchased property, equipment, and leasehold improvements are initially recorded at cost and capitalized when the cost exceeds $3,000. Those assets which are donated are initially recorded at fair value at the date of receipt. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 31.5 years. Leasehold improvements are depreciated over the shorter of the useful life of the assets or the term of the lease. Once an asset meets the criteria to be classified as held for sale, the Foundation discontinues depreciation on that asset.

Note 1—Nature of the Foundation and summary of significant accounting policies (continued)

The Foundation evaluates property, equipment, and leasehold improvements for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of these assets is based on an estimate of the undiscounted future cash flows resulting from the use of the assets and their eventual disposition.

Grants and Scholarships – The Foundation receives grant and scholarship recommendations from donors on a regular basis. Only recommendations that have been unconditionally approved by the Foundation as of the end of the year and not yet paid are recorded as grants and scholarships payable within accounts payable and accrued expenses on the accompanying statements of financial position. Multi-year grants and scholarships are expensed in the year in which the grant or scholarship is approved, although the amounts approved may be payable over several years. Recommendations are not recorded until paid or they become unconditional.

Split-Interest Agreements – Certain donors have entered into trust or other arrangements under which the Foundation is to receive benefits that are shared with other beneficiaries. Only irrevocable split-interest agreements are reported in the accompanying financial statements, which are summarized as follows:

Charitable Lead Trusts – The Foundation has been named as a beneficiary in charitable lead trusts in which the Foundation is not the trustee. When the Foundation is notified of an irrevocable trust, contribution revenue, and the related receivable under the trust agreement are recorded at the present value of management's estimate of expected future cash receipts. The discount rates used in determining the present value of the expected future payments are based on U.S. Department of Labor consumer price indexes.

Gift Annuities – The Foundation has been named as a beneficiary in certain gift annuities in which the Foundation is the trustee. When the Foundation receives assets in connection with an annuity, the assets are recorded at fair value while a liability is recorded at the present value of the expected future payments to be made to the beneficiary. The discount rate and actuarial assumptions used in determining the present value of the expected future payments are based on the U.S. Department of Labor consumer price indexes and applicable Internal Revenue Service life expectancy assumptions.

Beneficial Interest in Charitable Remainder Trusts – The Foundation has been named as a beneficiary in certain charitable remainder trusts in which an independent third party serves as trustee. When the Foundation is notified of an irrevocable charitable remainder trust, contribution revenue, and a related receivable under the trust agreement are recorded at the present value of management's estimate of future expected cash receipts (remainder interests). The discount rates and actuarial assumptions used in determining the present value of the expected future payments are based on the U.S. Department of Labor consumer price indexes. Amounts reported approximate fair value due to the nature of the discounts used to determine present value of estimated future cash receipts.

Agency Funds Payable – The Foundation has entered into agreements whereby it acts as an agent, or an intermediary, on behalf of a donor or donee. The agency relationship is established when the Foundation has received assets from the donor and agreed to use or transfer those assets, the return on investment of those assets, or both to a grantee beneficiary specified by the donor. These include arrangements in which the Foundation's Board does not have the unilateral power (i.e., variance power) to redirect the use of the transferred assets to another beneficiary, or when the Foundation receives assets transferred to the Foundation by a not-for-profit organization that specifies itself as the designated grantee of the fund or endowment.

Note 1—Nature of the Foundation and summary of significant accounting policies (continued)

Agency fund assets are included in the statements of financial position, and a corresponding liability is recorded to reflect the intent that the assets will eventually be transferred back to the beneficiary. Asset transfers to these funds and related distributions and expenses are not reflected in change in net assets in the Foundation's statements of activities. These amounts are reported as agency funds payable at March 31, 2021 and 2020.

Fair Value of Financial Instruments – The carrying amounts of all financial instruments approximate fair value.

Functional Allocation of Expenses – The statements of functional expenses present the natural classification detail of expenses by function. The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and, accordingly, certain costs have been allocated, based on management's judgment, among the programs and supporting services benefited.

The financial statements report expenses attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses, excluding grant disbursements and expenses directly attributable to a function, are allocated based on estimates of time and effort.

Income Taxes – The Foundation is a public charity and is exempt from federal income taxation as defined by Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code and is generally exempt from state income taxes under the provisions of the North Carolina Nonprofit Corporation Act. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the *Income Taxes* Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Future Pronouncements – In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the year ended March 31, 2023. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2—Liquidity and availability of resources

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

	2021	2020
Cash	$ 13,454,038	$ 29,421,260
Short-term investments	516,059	510,155
Investments	381,063,459	256,682,779
Contributions receivable	-	100,000
Beneficial interests in split-interest agreements	4,625,598	3,083,343
	399,659,154	289,797,537
Less those unavailable for general expenditures within one year:		
Required to satisfy donor restrictions and board designations	(342,876,198)	(250,540,292)
Agency funds payable	(32,001,134)	(22,799,600)
Investments held in annuity trust	(46,390)	(53,447)
	(374,923,722)	(273,393,339)
Financial assets available to meet cash needs for general expenditures within one year	$ 24,735,432	$ 16,404,198

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. The Foundation considers general expenditures to include program expenses, supporting services and any commitments or liabilities to be paid in the subsequent year. The Foundation has certain assets limited to use for donor restricted purposes.

Note 3—Investments

The fair value of investments by type at March 31, 2021 and 2020 are as follows:

	2021	2020
Cash equivalents	$ 9,177,425	$ 10,929,052
Equities	256,352,809	160,449,460
Fixed income	80,626,095	60,132,090
Alternative strategies	25,363,129	16,320,599
Investments in Limited Liability Entities	9,544,001	8,839,924
Mortgage notes receivable	-	11,654
	$ 381,063,459	$ 256,682,779

The Foundation invests in a combination of equity securities, fixed income securities, money market mutual funds, and other investment securities. Investments are exposed to various risks, such as interest rate, credit, and market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the Foundation's investment balance reported in the statements of financial position.

Note 3—Investments (continued)

Market Risk – Market risk arises primarily from changes in the market value of financial instruments. Theoretically, the Foundation's exposure is equal to the value of the securities purchased.

Exposure to market risk is influenced by several factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Concentrations of Credit Risk – The Foundation is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Foundation may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Foundation's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees, and administrators that contain a variety of representations and warranties which provide general indemnifications in connection with their activities as an agent of, or service providers to, the Foundation. The Foundation's maximum exposure under these agreements is unknown, as this may involve future claims that could be made against the Foundation and have not yet occurred. The Foundation expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the financial statements for these indemnifications.

Note 4—Contributions receivable, net

Contributions receivable include unconditional promises to give (i.e., pledges) and pending distributions from an estate or trust as directed by a donor's bequest. Contributions receivable are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. All contributions receivable at March 31, 2020 were expected to be received within one-year and were received during the year ending March 31, 2021.

Note 5—Property, equipment, and leasehold improvements

Property, equipment, and leasehold improvements at March 31, 2021 and 2020 consisted of the following:

	2021	2020
Land and building	$ 4,313	$ 4,313
Leasehold improvements	265,948	265,948
Office furniture and equipment	387,270	394,119
Computer equipment and software	19,161	31,492
	676,692	695,872
Less accumulated depreciation	(386,363)	(325,364)
	$ 290,329	$ 370,508

Depreciation expense was $80,179 and $81,076 for the years ended March 31, 2021 and 2020, respectively.

Note 6—Leases

The Foundation leases office equipment and administrative facilities under operating leases. Total lease expense for the years ended March 31, 2021 and 2020 was $384,814 and $385,906, respectively. The lease agreements require the Foundation to pay their related repairs, maintenance, utilities, and insurance.

Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more at March 31, 2021 are as follows:

Years Ending March 31,	Amount
2022	$ 386,044
2023	387,990
2024	396,673
2025	405,635
2026	414,753
Thereafter	459,561
	$ 2,450,656

A portion of the leased space was subleased to unaffiliated entities. For the years ended March 31, 2021 and 2020, rental income under the subleases was $5,000 and $6,000, respectively. Sublease rental income is included in program and other income on the statements of activities and changes in net assets.

Note 7—Fair value measurement

Guidance provided by FASB 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. The Foundation uses valuation techniques to maximize the use of observable inputs and to 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 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.

The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and certain fixed income securities. As required by the guidance provided by FASB, the Foundation does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments within this category would include certain fixed income securities, less liquid and restricted equity securities, and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Note 7—Fair value measurement (continued)

In determining fair value, the Foundation uses various valuation approaches within FASB ASC 820 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.

Cash Equivalents – Cash equivalents and money market funds are in active markets and classified within Level 1 of the valuation hierarchy.

Equities – Equity securities and equity mutual funds 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.

Fixed Income – Investments in debt securities include corporate bonds and funds and blended fixed income mutual funds that are either exchange-traded and/or valued at last sales price. If there is no sale and the market is considered active, these securities are valued at the mean of the last bid and asked prices on such exchange. These fixed income investments are classified within Level 1 of the valuation hierarchy. Government and government agency obligation bonds are classified within Level 2, as exact securities may not be traded on a daily basis.

Mortgage Note Receivable – The Foundation held a promissory note during the year ending March 31, 2020 that was collateralized by real property in an active market. The amounts receivable under the promissory note were classified within Level 2 of the valuation hierarchy. During the year ending March 31, 2021, the Foundation collected this receivable in full.

Alternative Strategies – Alternative securities mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the active 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.

Investments in Limited Liability Entities – Ownership interests in limited liability partnerships and corporations are typically valued using the net asset valuations provided by the partnerships or the corporation and information provided by professional appraisers.

Beneficial Interests in Split-Interest Agreements – The Foundation has been named as a beneficiary in charitable lead and remainder trusts in which the Foundation is not the trustee. Amounts reported approximate fair value.

Under the guidelines set forth in FASB ASC 820 fair value hierarchy, the charitable lead and remainder trust assets are classified as Level 3 inputs due to the nature of the discounts used to determine present value of estimated future cash flows.

Note 7—Fair value measurement (continued)

The following table summarizes financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of March 31, 2021:

	2021			
	Investments Measured at Fair Value	**Quoted Prices Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Beneficial interests in split-interest agreements	$ 4,625,598	$ -	$ -	$ 4,625,598
Investments:				
Cash equivalents	$ 9,177,425	$ 9,177,425	$ -	$ -
Equities:				
Domestic Equities	159,839,830	159,839,830	-	-
International Equities	96,512,979	96,512,979	-	-
Total Equities	256,352,809	256,352,809	-	-
Fixed Income:				
U.S. Government and Agencies	11,066,842	-	11,066,842	-
Corporate	13,317,800	13,317,800	-	-
Blended Bond Funds	56,241,453	56,241,453	-	-
Total Fixed Income	80,626,095	69,559,253	11,066,842	-
Alternative strategies	25,363,129	25,363,129	-	-
	371,519,458	$ 360,452,616	$ 11,066,842	$ -
Investments measured at net asset value				
Investment in Limited Liability Entities	9,544,001			
Total Investments	$ 381,063,459			

(*) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient 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 amounts presented in the statements of financial position.

Note 7—Fair value measurement (continued)

The following table summarizes financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of March 31, 2020:

	2020			
	Investments Measured at Fair Value	**Quoted Prices Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Beneficial interests in split-interest agreements	$ 3,083,343	$ -	$ -	$ 3,083,343
Investments:				
Cash equivalents	$ 10,929,052	$ 10,929,052	$ -	$ -
Equities:				
Domestic Equities	99,983,090	99,983,090	-	-
International Equities	60,466,370	60,466,370	-	-
Total Equities	160,449,460	160,449,460	-	-
Fixed Income:				
U.S. Government and Agencies	10,364,343	-	10,364,343	-
Corporate	11,530,346	11,530,346	-	-
Blended Bond Funds	38,237,401	38,237,401	-	-
Total Fixed Income	60,132,090	49,767,747	10,364,343	-
Mortgage notes receivable	11,654	-	11,654	-
Alternative strategies	16,320,599	16,320,599	-	-
	247,842,855	$ 237,466,858	$ 10,375,997	$ -
Investments measured at net asset value *				
Investment in Limited Liability Entities	8,839,924			
Total Investments	$ 256,682,779			

(*) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient 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 amounts presented in the statements of financial position.

There were no changes in the valuation techniques during 2021 or 2020. Unrealized gains (losses) are included in net investment return on the statements of activities and changes in net assets. Transfers between levels, if any, are recognized at the end of the year.

Note 7—Fair value measurement (continued)

The following tables reconcile the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended March 31, 2021 and 2020:

2021 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Beginning Balance	Contributions	Distributions	Change in Value	Write-offs	Ending Balance
Beneficial Interests in Split-Interest Agreements	$ 3,083,343	$ 1,482,448	$ (99,559)	$ 159,366	$ -	$ 4,625,598

2020 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Beginning Balance	Contributions	Distributions	Change in Value	Write-offs	Ending Balance
Beneficial Interests in Split-Interest Agreements	$ 2,934,589	$ -	$ (133,980)	$ 282,734	$ -	$ 3,083,343

The following presents further information regarding the Foundation’s investments in limited liability entities at March 31, 2021:

		2021	
Strategy Category		**Fair Value**	**Redemption Frequency**
FEG Private Opportunities Fund II	(a)	4,797,530	Time Table TBE
FEG Private Opportunities Fund III	(b)	4,746,471	Time Table TBE

a) The FEG Private Opportunities Fund II includes investments in private equity, private debt, and private real assets. The current value of the Foundation’s Investment in the FEG Private Opportunities Fund II is the funded portion of a $5 million commitment made in April 2015. The Foundation expects that the remaining $0.2 million will be funded over the next year. The redemption notice period for the fund has not yet been established.

b) The FEG Private Opportunities Fund III includes investments in private equity, private debt, and private real assets. The current value of the Foundation’s Investment in the FEG Private Opportunities Fund III is the funded portion of a $6.5 million commitment made in August 2016. The Foundation expects that the remaining $0.6 million will be funded over the next two years. The redemption notice period for the fund has not yet been established.

Note 8—Net assets released from donor restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time or other events specified by the donors. Net assets released from donor restrictions were as follows for the years ended March 31, 2021 and 2020:

	2021	2020
Time restrictions	$ 743,095	$ 384,276

Note 9—Endowment funds

The Foundation's endowment funds consist of individual funds established for a variety of charitable purposes. The endowment funds consist solely of donor-restricted endowment funds as there are no funds designated by the Board to function as endowments at March 31, 2021 or 2020. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has determined that no other individual fund meets the definition of endowment under Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The Foundation's Board of Directors has interpreted the North Carolina enacted version of UPMIFA ("NCUPMIFA") 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, we retain in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund
- Price level trends and general economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

The Foundation's spending and investment policies establish an achievable return objective through diversification of asset classes of 6% above the rate of inflation, as measured by the Consumer Price Index, over a complete market and economic cycle (generally three to five years). 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 Far East Index (MSCI EAFE), as appropriate for each asset style.

Appropriations from endowment funds are approved by the Foundation's Board of Directors each year. The Boards' current general spending policy is to calculate an Available to Distribute ("ATD") as an amount equal to 5% of a rolling 12 quarter average fund balance. From time to time, however, the fair value of assets associated with a donor-restricted endowment fund may fall below the level that the donor or NCUPMIFA requires the Foundation to retain as a fund of perpetual duration. When this occurs in any given year, the endowment is said to be "underwater," and the Board's general spending policy is to make the ATD available as follows:

- Fund balance ≥ 90% of fund principal balance: 100% ATD
- Fund balance < 90% of fund principal balance: 50% ATD
- Fund balance < 75% of fund principal balance: 0% ATD

Note 9—Endowment funds (continued)

The spending policies are the Board's approved guidelines consistent with the average long-term return expectation, providing ongoing support of donors' charitable interests and additional growth to the endowment funds. In any given year, the Board may override its general spending policies with regards to any particular fund's annual appropriation in a manner consistent with the standard of prudence prescribed by NCUPMIFA.

The following table summarizes changes in endowment net assets for the years ended March 31, 2021 and 2020:

	Total
Endowment net assets, March 31, 2019	$ 10,908,670
Contributions	165,825
Interest and other investment income, net of fees	276,894
Realized and unrealized gains	(1,211,530)
Appropriations of endowment assets for expenditure	(237,295)
Appropriations of endowment net assets for Interfund expenditure	(178,078)
Appropriations of endowment net assets related to administrative fees	(108,223)
Endowment net assets, March 31, 2020	9,616,263
Contributions	767,401
Interest and other investment income, net of fees	206,253
Realized and unrealized gains	3,786,774
Appropriations of endowment assets for expenditure	(381,374)
Appropriations of endowment net assets for interfund expenditure	(192,175)
Appropriations of endowment net assets related to administrative fees	(117,699)
Endowment net assets, March 31, 2021	$ 13,685,443

Note 9—Endowment funds (continued)

The following tables summarize the composition of endowment net assets on March 31, 2021 and 2020:

	2021 Total
Original donor-restricted gift amount required to be maintained in perpetuity	$ 9,577,253
Accumulated investment gains	4,108,190
Endowment net assets	$ 13,685,443

	2020 Total
Original donor-restricted gift amount required to be maintained in perpetuity	$ 8,810,142
Accumulated investment gains	806,121
Endowment net assets	$ 9,616,263

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At March 31, 2020, funds with deficiencies of $356,396 were reported in net assets with donor restrictions. At March 31, 2021, there were no funds with deficiencies reported in net assets with donor restrictions.

	2021	2020
Fair value of underwater endowment funds	$ -	$ 3,025,722
Original endowment gifts	-	3,382,118
Deficiencies of underwater endowment funds	$ -	$ (356,396)

Note 10—Retirement plan

All full-time employees participated in the Foundation's defined contribution retirement plan. Employees are vested 100% from the date of employment. The Foundation contributes 3% to 6% of each employee's salary annually. The expenses related to this plan were $151,202 and $139,081 for the years ended March 31, 2021 and 2020, respectively.

Note 11—Related party transactions

The Foundation receives contributions from its Board members. Contribution revenue from Board members was approximately $886,022 and $248,340 for the years ended March 31, 2021 and 2020, respectively.

Note 12—Paycheck Protection Program loan forgiveness

The Foundation received a loan of $497,000 under the Paycheck Protection Program ("PPP"), which was established under the Cares Act and administered by the Small Business Administration ("SBA"). The application for the PPP loan required the Foundation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Foundation. This certification further required the Foundation to consider current business activity and ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loans and the forgiveness of the PPP loans were dependent on the Foundation having initially qualified for the PPP loans. Qualifying for the forgiveness of such PPP loans was based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loans. The Foundation applied for forgiveness with the SBA, and on January 5, 2021, the SBA forgave the PPP loan in full. As a result, the Foundation recognized $497,000 to grant income on the statement of activities and changes in net assets.

Note 13—Subsequent events

The Foundation has evaluated subsequent events through September 17, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

On April 19, 2021, the Foundation entered into a five-year extension on its administrative facilities lease, resulting in a July 2032 maturity date. The extension includes amended escalation terms, half-month rent abatement for the period May 2021 to October 2021, and an allowance for improvements at the beginning of the lease extension period in May 2027.