NORTH CAROLINA COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

As of and for the Years Ended March 31, 2023 and 2022

And Report of Independent Auditor

Cherry Bekaert LLP

Your Guide Forward

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 the Foundation'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 the Foundation'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.

Cherry Bekaert LLP

Raleigh, North Carolina
September 14, 2023

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash	$ 6,296,386	$ 5,711,042
Short-term investments	250,000	517,960
Investments	389,165,867	426,783,092
Operating lease right-of-use asset	3,352,984	3,674,606
Beneficial interests in split-interest agreements	3,637,810	5,301,055
Prepaid expenses and other assets	588,948	577,843
Property, equipment, and leasehold improvements, net	144,284	213,412
Total Assets	$ 403,436,279	$ 442,779,010
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 435,693	$ 450,626
Obligations under split-interest agreements	34,174	37,964
Agency funds payable	32,342,045	33,902,004
Operating lease liability	3,704,567	4,015,724
Total Liabilities	36,516,479	38,406,318
Net Assets:		
Without Donor Restrictions:		
Designated for donor advised grants	259,449,118	287,639,058
Designated for field of interest grants	31,709,331	36,211,224
Designated for scholarships	34,473,635	35,216,226
Invested in property, equipment, and leasehold improvements, net	144,284	213,412
Undesignated	24,383,714	25,512,081
Total Without Donor Restrictions	350,160,082	384,792,001
With Donor Restrictions:		
Restricted to the passage of time	4,048,381	5,719,584
Restricted in perpetuity - endowment	9,907,881	9,764,781
Restricted - appreciation of endowment funds	2,823,442	4,096,326
Underwater endowments	(19,986)	-
Total With Donor Restrictions	16,759,718	19,580,691
Total Net Assets	366,919,800	404,372,692
Total Liabilities and Net Assets	$ 403,436,279	$ 442,779,010

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

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

YEAR ENDED MARCH 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses), and Other Support:			
Contributions	$ 22,009,437	$ 259,410	$ 22,268,847
Less amounts received on behalf of others	(1,670,081)	-	(1,670,081)
Net Contributions	20,339,356	259,410	20,598,766
Net investment return	(23,507,196)	(2,344,418)	(25,851,614)
Adjust amounts from agency funds	1,982,734	-	1,982,734
Net Investment Income and Gains	(21,524,462)	(2,344,418)	(23,868,880)
Grant income	509,239	-	509,239
Program and other income	669,774	-	669,774
Net Other Income	1,179,013	-	1,179,013
Total Revenues, Gains (Losses), and Other Support	(6,093)	(2,085,008)	(2,091,101)
Net assets released from donor restrictions	589,142	(589,142)	-
Expenses:			
Grants and scholarships	30,891,462	-	30,891,462
Less amounts disbursed on behalf of others	(942,629)	-	(942,629)
Net grants and scholarships	29,948,833	-	29,948,833
Other program expenses	3,424,968	-	3,424,968
Fundraising and development	568,570	-	568,570
Management and general	1,419,420	-	1,419,420
Total Expenses	35,361,791	-	35,361,791
Change in net assets	(34,778,742)	(2,674,150)	(37,452,892)
Net asset transfers	146,823	(146,823)	-
Net assets, beginning of year	384,792,001	19,580,691	404,372,692
Net assets, end of year	$ 350,160,082	$ 16,759,718	$ 366,919,800

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

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

YEAR ENDED MARCH 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	$ 60,403,268	$ 187,238	$ 60,590,506
Less amounts received on behalf of others	(2,924,752)	-	(2,924,752)
Net Contributions	57,478,516	187,238	57,665,754
Net investment return	7,968,711	1,258,512	9,227,223
Adjust amounts from agency funds	(878,529)	-	(878,529)
Net Investment Income and Gains	7,090,182	1,258,512	8,348,694
Grant income	-	-	-
Program and other income	674,556	-	674,556
Net Other Income	674,556	-	674,556
Total Revenues, Gains, and Other Support	65,243,254	1,445,750	66,689,004
Net assets released from donor restrictions	542,459	(542,459)	-
Expenses:			
Grants and scholarships	26,730,726	-	26,730,726
Less amounts disbursed on behalf of others	(1,495,984)	-	(1,495,984)
Net grants and scholarships	25,234,742	-	25,234,742
Other program expenses	2,979,495	-	2,979,495
Fundraising and development	537,062	-	537,062
Management and general	1,306,457	-	1,306,457
Total Expenses	30,057,756	-	30,057,756
Change in net assets	35,727,957	903,291	36,631,248
Net assets, beginning of year	349,064,044	18,677,400	367,741,444
Net assets, end of year	$ 384,792,001	$ 19,580,691	$ 404,372,692

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

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2023

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting	Total Expenses
Grants and scholarships	$ 29,948,833	$ -	$ -	$ -	$ 29,948,833
Salaries, taxes, and benefits	2,060,266	986,385	371,176	1,357,561	3,417,827
Occupancy	254,000	121,607	45,761	167,368	421,368
Services and professional fees	631,334	172,775	32,873	205,648	836,982
Fund operating expenses	136,467	-	68,395	68,395	204,862
Dues and subscriptions	29,218	13,988	5,264	19,252	48,470
Office and postage	40,779	19,524	7,347	26,871	67,650
Insurance	46,622	22,321	8,399	30,720	77,342
Marketing and communications	47,168	22,582	8,498	31,080	78,248
Seminars, conferences, and meetings	40,740	15,071	4,762	19,833	60,573
Travel	71,750	10,874	4,092	14,966	86,716
Telecommunications	17,050	8,163	3,072	11,235	28,285
Depreciation expense	49,574	23,734	8,931	32,665	82,239
Other expenses	-	2,396	-	2,396	2,396
	$ 33,373,801	$ 1,419,420	$ 568,570	$ 1,987,990	$ 35,361,791

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

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2022

		Supporting Activities			
	Program Services	Management and General	Fundraising	Total Supporting	Total Expenses
Grants and scholarships	$ 25,234,742	$ -	$ -	$ -	$ 25,234,742
Salaries, taxes, and benefits	2,004,753	957,128	402,364	1,359,492	3,364,245
Occupancy	242,864	115,950	48,744	164,694	407,558
Services and professional fees	399,792	144,097	27,778	171,875	571,667
Fund operating expenses	133,473	-	20,130	20,130	153,603
Dues and subscriptions	24,803	11,842	4,978	16,820	41,623
Office and postage	25,271	12,065	5,072	17,137	42,408
Insurance	15,203	7,259	3,051	10,310	25,513
Marketing and communications	41,823	19,967	8,556	28,523	70,346
Seminars, conferences, and meetings	22,558	4,324	1,818	6,142	28,700
Travel	5,888	2,263	1,913	4,176	10,064
Telecommunications	15,278	7,294	3,066	10,360	25,638
Depreciation expense	47,789	22,816	9,592	32,408	80,197
Other expenses	-	1,452	-	1,452	1,452
	$ 28,214,237	$ 1,306,457	$ 537,062	$ 1,843,519	$ 30,057,756

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

NORTH CAROLINA COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (37,452,892)	$ 36,631,248
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	82,239	80,197
Noncash lease expense	10,465	111,816
Net realized and unrealized losses on investments	31,605,159	333,455
Contributions restricted for long-term investment	(259,410)	(187,238)
Change in value of split-interest agreements	1,563,245	(787,957)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(11,105)	(48,794)
Accounts payable and accrued expenses	(14,933)	(9,636)
Agency funds payable	(1,559,959)	1,900,870
Net cash flows from operating activities	(6,037,191)	38,023,961
Cash flows from investing activities:		
Sale of short-term investments	267,960	-
Purchase of property and equipment	(13,111)	(3,280)
Purchase of investments	(277,378,838)	(376,875,907)
Proceeds from sale of investments	283,390,904	330,820,918
Net cash flows from investing activities	6,266,915	(46,058,269)
Cash flows from financing activities:		
Payment of obligations under split-interest agreements	(3,790)	(8,426)
Proceeds from charitable trusts	100,000	112,500
Proceeds from contributions restricted for investment in endowment	259,410	187,238
Net cash flows from financing activities	355,620	291,312
Net change in cash	585,344	(7,742,996)
Cash, beginning of year	5,711,042	13,454,038
Cash, end of year	$ 6,296,386	$ 5,711,042
Noncash investing activities:		
Right-of-use asset obtained in exchange for operating lease obligations:	$ -	$ 4,177,938

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

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. The Foundation brings together generous people and connects them to causes and organizations they care about. The Foundation serves the entire state, with a focus on rural North Carolina.

The Foundation's mission is to inspire North Carolinians to make lasting and meaningful contributions to their communities.

The Foundation believes in the power of permanent philanthropy to strengthen our communities and people. By stewarding and growing donors' gifts, the Foundation makes a powerful impact through robust grants and scholarships programs.

Governed by a volunteer Board of Directors, the Foundation sustains over 1,200 charitable funds and has awarded over $240 million in grants and scholarships since 1988. The Foundation has made this impact working with:

- Fundholders to make grants to causes and organizations they care about and provide scholarships to deserving students.
- Affiliates and giving circles to award funds annually to local charitable organizations through competitive programs.

The Foundation's grantmaking programs reflect its fundholders' and donors' commitment to 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 fundholders benefit from a full slate of philanthropic support, including 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 fundholders 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* – Fundholder annually recommends grants to specific qualified charities. In some cases, fundholder suggests specific eligible organizations to receive charitable grants in the fund agreement.
- *Designated for Field of Interest Grants* – Fundholder 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.

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

- *Designated for Scholarships* – Fundholder 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 is to see that all grants are within the charitable purposes of the Foundation as set forth in the Foundation's governing instruments.

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, 2023 and 2022 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 financial statements. 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 restrictions.

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.

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

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.

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 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 donor 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 $56,111 and $92,476 were recognized in the statements of financial position as deferred revenue for the years ended March 31, 2023 and 2022, 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, 2023 and 2022, 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.

Right-of-Use Leased Assets – The Foundation has recorded right-of-use leased assets as a result of implementing Accounting Standards Codification ("ASC") 842, *Leases*. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. The Foundation elected the package of practical expedients permitted under the transaction guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

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 annuitants. 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 and changes in net assets. These amounts are reported as agency funds payable at March 31, 2023 and 2022.

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") ASC.

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:

	2023	2022
Cash	$ 6,296,386	$ 5,711,042
Short-term investments	250,000	517,960
Investments	389,165,867	426,783,092
Beneficial interests in split-interest agreements	3,637,810	5,301,055
	399,350,063	438,313,149
Less those unavailable for general expenditures within one year:		
Required to satisfy donor restrictions and board designations	(342,391,802)	(378,647,199)
Agency funds payable	(32,342,045)	(33,902,004)
Investments held in annuity trust	(34,174)	(37,964)
	(374,768,021)	(412,587,167)
Financial assets available to meet cash needs for general expenditures within one year	$ 24,582,042	$ 25,725,982

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, 2023 and 2022 are as follows:

	2023	2022
Cash equivalents	$ 17,638,823	$ 22,494,534
Equities	226,407,033	272,420,237
Fixed income	74,016,837	69,795,008
Alternative strategies	20,012,171	25,848,507
Investments in limited liability entities	51,091,003	36,224,806
	$ 389,165,867	$ 426,783,092

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—Related party transactions

The Foundation receives contributions from its Board members. Contribution revenue from Board members was approximately $37,960 and $696,357 for the years ended March 31, 2023 and 2022, respectively.

Note 5—Property, equipment, and leasehold improvements

Property, equipment, and leasehold improvements at March 31, 2023 and 2022 consisted of the following:

	2023	2022
Land and building	$ 4,313	$ 4,313
Leasehold improvements	265,948	265,948
Office furniture and equipment	387,270	387,270
Computer equipment and software	35,552	22,441
	693,083	679,972
Less accumulated depreciation	(548,799)	(466,560)
	$ 144,284	$ 213,412

Depreciation expense was $82,239 and $80,197 for the years ended March 31, 2023 and 2022, respectively.

Note 6—Leases

The Foundation has an operating lease for administrative facilities. As of March 31, 2023 and 2022, assets recorded under the operating lease were $3,352,984 and $3,674,606, respectively. Total lease expense for the years ended March 31, 2023 and 2022 was $ 417,454 and $414,180, respectively, and included within occupancy on the statements of functional expenses. This lease agreement requires the Foundation to pay their related repairs, maintenance, utilities, and insurance.

The following summarizes the weighted average remaining lease term and discount rate as of March 31, 2023:

Weighted-average remaining lease term for operating leases	9.33 years
Weighted-average discount rate for operating leases	2.00%

Future minimum lease payments, by year and in the aggregate, under noncancelable operating lease with initial or remaining terms of one year or more at March 31, 2023 are as follows:

Years Ending March 31,	Operating
2024	$ 396,673
2025	405,635
2026	414,753
2027	424,150
2028	433,699
Thereafter	1,995,584
Total undiscounted cash flows	4,070,494
Less present value discount	(365,927)
Total lease liability	$ 3,704,567

A portion of the leased space was subleased to unaffiliated entities. For the years ended March 31, 2023 and 2022, rental income under the subleases was $3,250 and $-0-, 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.

Note 7—Fair value measurement (continued)

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.

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.

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, 2023:

	2023			
	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	$ 3,637,810	$ -	$ -	$ 3,637,810
Investments:				
Cash equivalents	17,638,823	17,638,823	-	-
Equities:				
Domestic Equities	154,504,531	154,504,531	-	-
International Equities	71,902,502	71,902,502	-	-
Total Equities	226,407,033	226,407,033	-	-
Fixed Income:				
U.S. Government and Agencies	20,500,029	-	20,500,029	-
Corporate	25,503,243	25,503,243	-	-
Blended Bond Funds	28,013,565	28,013,565	-	-
Total Fixed Income	74,016,837	53,516,808	20,500,029	-
Alternative strategies	20,012,171	17,361,818	2,650,353	
	338,074,864	$ 314,924,482	$ 23,150,382	$ -
Investments measured at net asset value*:				
Investment in Limited Liability Entities	51,091,003			
Total Investments	$ 389,165,867			

(*) 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, 2022:

	2022			
	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	$ 5,301,055	$ -	$ -	$ 5,301,055
Investments:				
Cash equivalents	22,494,534	22,494,534	-	-
Equities:				
Domestic Equities	210,547,189	210,547,189	-	-
International Equities	61,873,048	61,873,048	-	-
Total Equities	272,420,237	272,420,237	-	-
Fixed Income:				
U.S. Government and Agencies	19,651,053	-	19,651,053	-
Corporate	36,555,017	36,555,017	-	-
Blended Bond Funds	13,588,938	13,588,938	-	-
Total Fixed Income	69,795,008	50,143,955	19,651,053	-
	-			
Alternative strategies	25,848,507	23,300,713	2,547,794	
	390,558,286	$ 368,359,439	$ 22,198,847	$ -
Investments measured at net asset value*:				
Investment in Limited Liability Entities	36,224,806			
Total Investments	$ 426,783,092			

(*) 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 2023 or 2022. 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, 2023 and 2022:

2023 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	$ 5,301,055	$ -	$ (100,000)	$ (1,563,245)	$ -	$ 3,637,810

2022 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	$ 4,625,598	$ -	$ (112,500)	$ 787,957	$ -	$ 5,301,055

The following table presents further information regarding the Foundation's investments in limited liability entities at March 31, 2023:

	2023	
Strategy Category	**Fair Value**	**Redemption Frequency**
FEG Private Opportunities Fund II	$ 5,784,224	None
FEG Private Opportunities Fund III	6,402,223	None
HarbourVest Co-Investment VI Feeder Fund	1,653,311	None
Goldman Sachs Vintage IX B OffShore ScSp Fund	113,000	None
SEG Partners Offshore Ltd - I2	7,577,569	Quarterly Liquidity
Shannon River Ltd. FKA Doonberg Fund	7,438,511	Quarterly Liquidity
Starboard Value and Opportunity Fund Ltd.	8,136,471	Quarterly Liquidity
Hudson Bay International Fund	8,336,563	Quarterly Liquidity
Abbey Capital ACL Alternative Fund	5,649,131	Daily Liquidity
	$ 51,091,003	

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.

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 $0.4 million will be funded over the next year.

c) The HarbourVest Co-Investment VI Feeder Fund seeks to construct a global portfolio of direct co-investments in buyout, growth equity, and other private markets transactions diversified by lead manager, industry, stage, and geography. HCF VI seeks to source, evaluate, and execute investments primarily in companies located in North America, Europe, Asia Pacific, and, to a lesser extent in emerging private markets with the intention to make investments alongside other fund managers, partnering with investors who possess industry knowledge, cultural familiarity, and investment expertise in relevant areas. The Foundation expects the remaining $0.7 million to be funded over the next couple of years.

Note 7—Fair value measurement (continued)

d) The Goldman Sachs Vintage IX B OffShore SCSp Fund's strategy is to seek to acquire and structure portfolios of private equity partnerships and other assets with limited liquidity in the secondary market. The Fund will invest in both traditional secondaries and non-traditional secondaries. The Foundation expects capital calls to start in 2023 and continue to be called over the next few years.

e) The SEG Partners Offshore Ltd – I2 is a U.S.-focused long/short strategy that invests in companies that are believed to generate predictable and growing streams of cash earnings, have strong or improving returns on invested capital and possess real and sustainable competitive advantages.

f) The Shannon River Ltd. FKA Doonberg Fund is a long/short equity fund with a primary focus on small and mid-cap stocks in the technology sectors, broadly defined.

g) The Starboard Value and Opportunities Fund Ltd. strategy focuses primarily on investing in underperforming US companies with market capitalizations between $3-$20 billion.

h) Hudson Bay International Fund is a multi-strategy, relative value hedge fund that focuses on generating alpha by employing a diverse set of catalyst-driven absolute return strategies that are intended to be uncorrelated to each other and to the major indices. Catalyst driven trading-oriented strategies include convertible arbitrage, merger and event-driven arbitrage, long/short equity, volatility trading, and credit.

i) The Abbey Capital ACL Alternative Fund is a multi-manager fund focused on managed futures and foreign exchange. The Fund allocates to managed accounts which are traded by CTAs (commodity trading advisors) across different styles of managed futures trading. Target exposure to long-term trend following is between 50%-60% with 40%-50% exposure to global macro, short-term, countertrend, and value trading styles. The Fund sizes allocations to achieve 21% annualized volatility at the CTA level with target portfolio volatility of 12.5%

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, 2023 and 2022:

	2023	2022
Time restrictions	$ 589,142	$ 542,459

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, 2023 or 2022. 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").

Note 9—Endowment funds (continued)

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 each year. The Board's general spending policy for endowments subject to NCUPMIFA effective for the years ending March 31, 2023 and 2022 was to distribute an amount equal to approximately 4% and 5%, respectively, of a rolling 12-quarter average fund balance.

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.

Note 9—Endowment funds (continued)

The following table summarizes changes in endowment net assets for the years ended March 31, 2023 and 2022:

	Total
Endowment net assets, March 31, 2021	$ 13,685,443
Contributions	187,238
Interest and other investment income, net of fees	304,537
Realized and unrealized gains	113,850
Appropriations of endowment assets for expenditure	(272,527)
Appropriations of endowment net assets for Interfund expenditure	(18,030)
Appropriations of endowment net assets related to administrative fees	(139,404)
Endowment net assets, March 31, 2022	13,861,107
Net asset transfer	(146,823)
Contributions	259,410
Interest and other investment income, net of fees	241,371
Realized and unrealized losses	(1,088,274)
Appropriations of endowment assets for expenditure	(283,357)
Appropriations of endowment net assets for interfund expenditure	(12,435)
Appropriations of endowment net assets related to administrative fees	(119,662)
Endowment net assets, March 31, 2023	$ 12,711,337

The following table summarizes the composition of endowment net assets on March 31, 2023 and 2022:

	2023 Total
Original donor-restricted gift amount required to be maintained in perpetuity	$ 9,907,881
Accumulated investment gains	2,803,456
Endowment net assets	$ 12,711,337

	2022 Total
Original donor-restricted gift amount required to be maintained in perpetuity	$ 9,764,781
Accumulated investment gains	4,096,326
Endowment net assets	$ 13,861,107

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.

Note 9—Endowment funds (continued)

At March 31, 2023, funds with deficiencies of $19,986 were reported in net assets with donor restrictions. At March 31, 2022, there were no funds with deficiencies reported in net assets with donor restrictions.

	2023	2022
Fair value of underwater endowment funds	$ 1,398,282	$ -
Original endowment gifts	1,418,268	-
Deficiencies of underwater endowment funds	$ (19,986)	$ -

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 $163,412 and $156,942 for the years ended March 31, 2023 and 2022, respectively.

Note 11—Subsequent events

The Foundation has evaluated subsequent events through September 14, 2023, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.