

East Carolina University Medical & Health Sciences Foundation, Inc.

Financial Statements

Years Ended June 30, 2024 and 2023

Table of Contents

Management’s Discussion and Analysis 1

Independent Auditor’s Report 6

Financial Statements:

 Statements of Financial Position 8

 Statements of Activities..... 10

 Statements of Functional Expenses 12

 Statements of Cash Flows 14

 Notes to Financial Statements..... 15

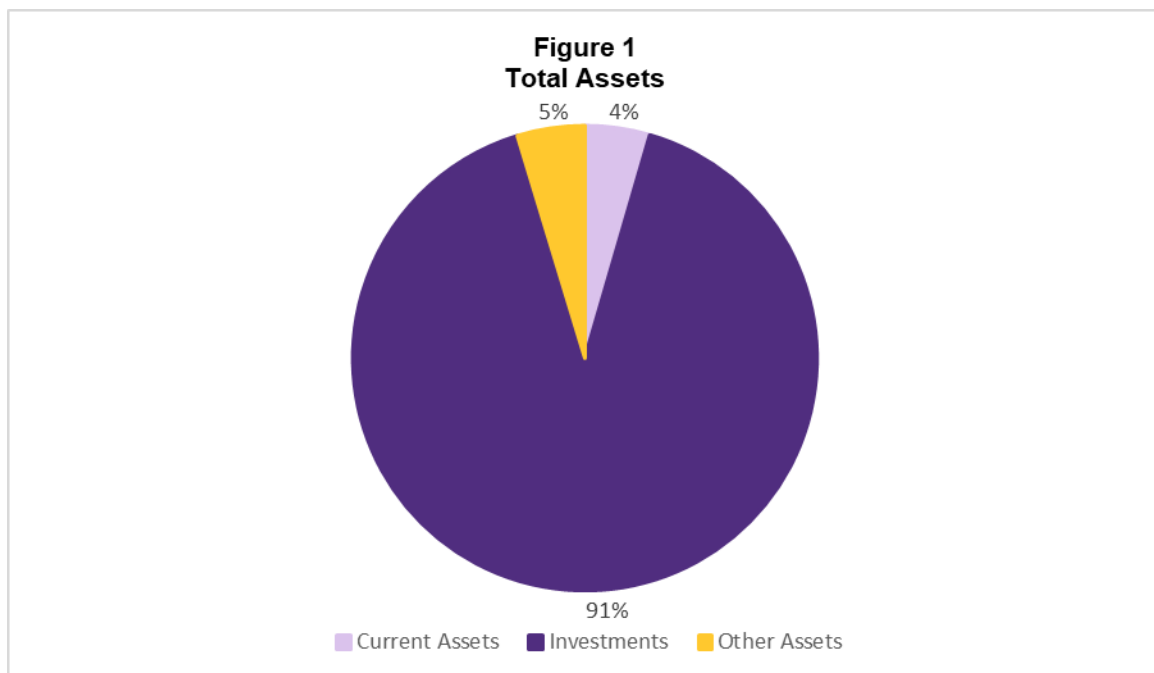
Management’s Discussion and Analysis

November 6, 2024

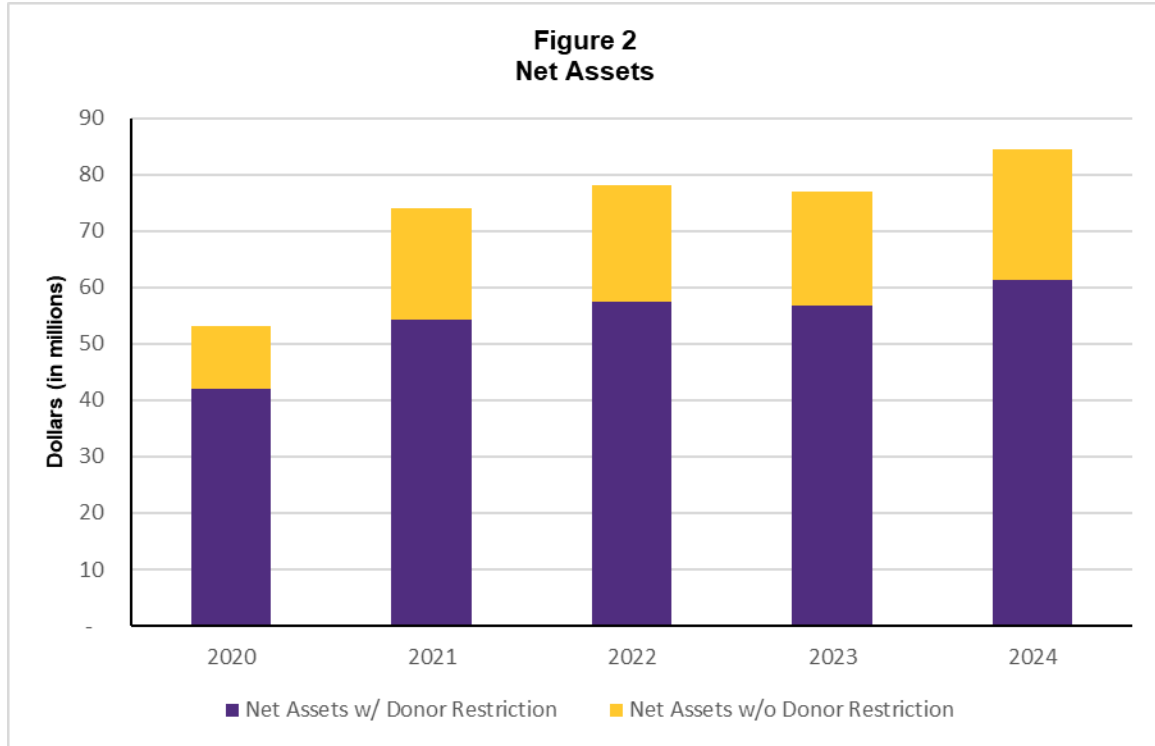
The East Carolina University Medical & Health Sciences Foundation, Inc. (the “Foundation”) is a volunteer led, 501(c)(3) organization whose mission is to raise, manage, and distribute gift resources for academic programs that directly benefit the Health Sciences Campus at East Carolina University (“ECU”). The attached financial statements, audited by the firm of Bernard Robinson & Company, L.L.P., received an unmodified opinion. The unmodified opinion from our auditors reflects the commitment of our volunteers and staff to stewarding the Foundation’s resources in a responsible manner while fulfilling the Foundation’s mission with integrity and in compliance with the rules and regulations that govern its operations.

As the financial statements illustrate, for the fiscal year ended June 30, 2024, the Foundation saw a small increase in net assets. The following graphs summarize the financial results for the year ended June 30, 2024.

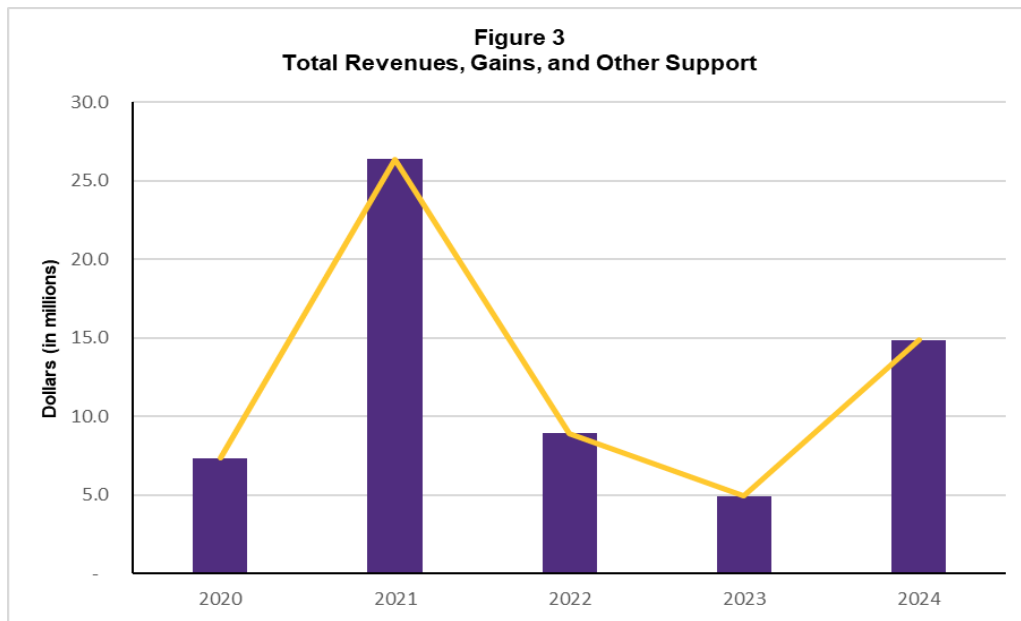
Total assets of the Foundation at June 30, 2024 were \$85.2 million. The Foundation’s investment pool represented the largest percentage of the Foundation’s assets at the end of the fiscal year (see Figure 1).



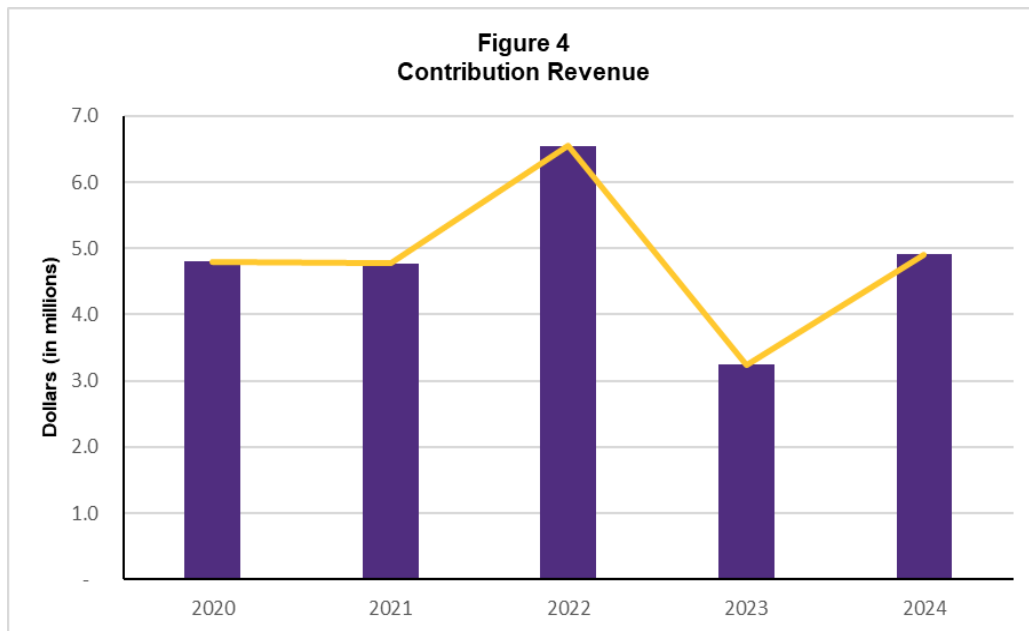
The Foundation's ending total net assets of \$84.5 million were an increase of 9.9% from the prior year's ending net assets (see Figure 2). This was primarily due to the continued growth of the Foundation's investment portfolio, as well as the continued generosity and financial commitments of the Foundation's donors.



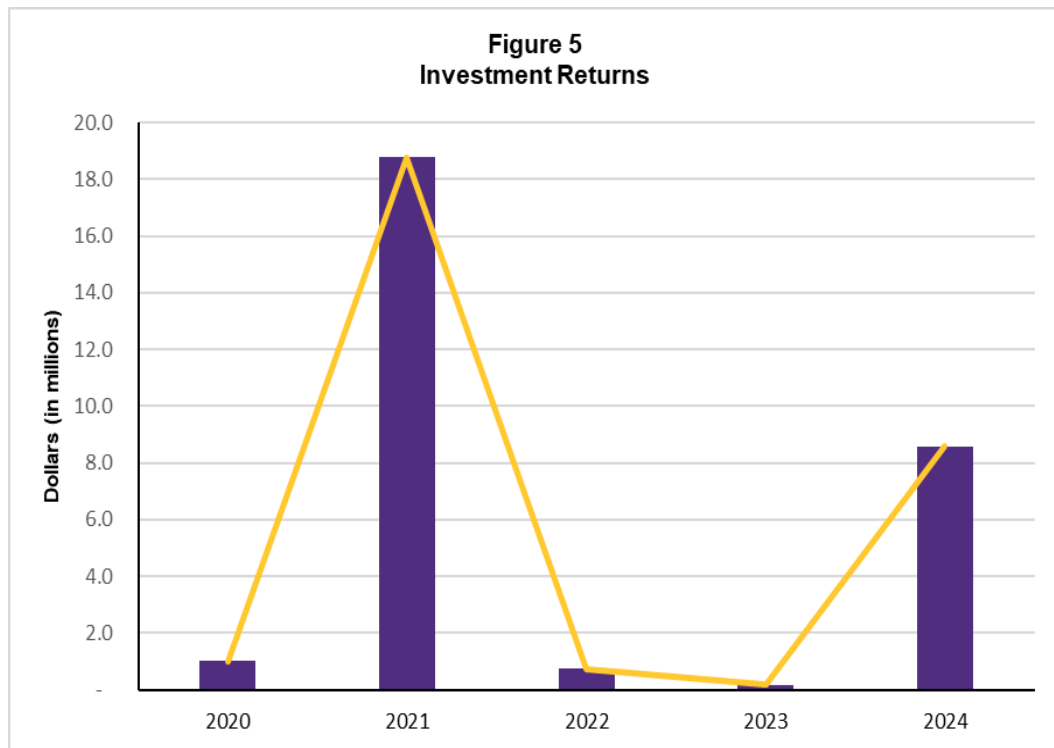
The total revenues, gains, and other support received by the Foundation during the year were \$14.9 million. As illustrated by Figure 3, the change in total revenues represented a 200% increase over the previous year's total revenue of \$5.0. The increase was driven by positive investment returns (see Figure 5) and contributions from donors (see Figure 4) received during fiscal year 2024 compared to the prior year.



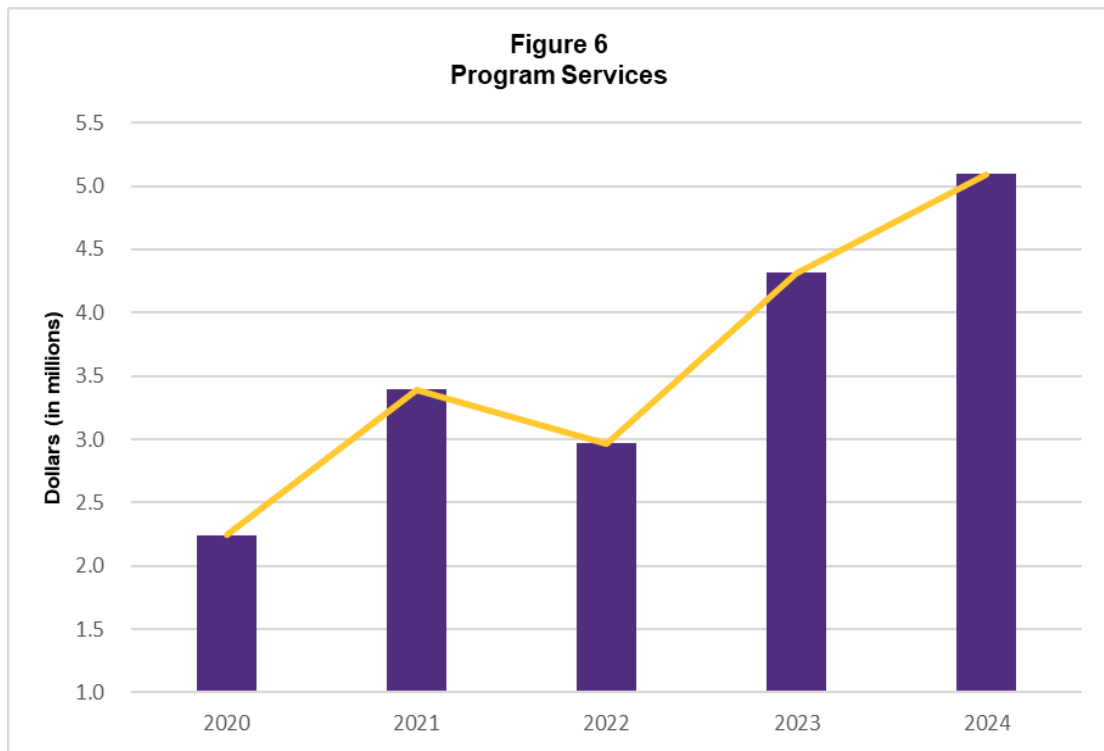
Contributions and gifts-in-kind to the Foundation for the 2024 and 2023 fiscal years totaled \$4.6 million and \$3.2 million, respectively. During fiscal year 2024, the Foundation received a contribution commitment of \$1 million from a donor to support student scholarships in the ECU College of Nursing. Additionally, the Foundation received generous gift-in-kind support from a donor providing clinical equipment to be used in the educational programs of the ECU School of Dental Medicine.



The Foundation received investment income and gains for fiscal year 2024 totaling \$8.6 Million, as shown in Figure 5. For the year ended June 30, 2024, the Foundation's investments produced a gain of 11.7% compared to a 0.2% gain for the year ended June 30, 2023.



The Foundation fulfills its mission through program services, which provide private resources for the benefit of the ECU Health Sciences Campus, its students, and programs. Program support provided by the Foundation funds student scholarships, faculty and program development, and research, clinical and educational opportunities at ECU. In fiscal year 2024, the Foundation provided \$5.1 million in financial support for the ECU Health Sciences Campus (see Figure 6). The Foundation continued supporting ECU students by awarding over \$1.2 million in scholarships during the 2024 fiscal year – the seventh consecutive year that the Foundation has provided over \$1.0 million in scholarships. The Foundation also provided nearly \$1.5 million in research, clinical and education support to Health Sciences Campus colleges and schools, as well as providing \$1.0 million in support for three new distinguished professorships in the Brody School of Medicine.



The Foundation is a forward-looking organization committed to playing a significant role in the future development of the University, its students, faculty, and community. The financial information that follows illustrates that the Foundation is well positioned to fulfill its commitments both today and in the future.

If you have any questions, please contact us.

Scott Senatore
Chief Philanthropic Officer & President

Joel B. Stocks, CPA, MBA
Executive Treasurer & Controller



Independent Auditor's Report

To the Board of Directors of
East Carolina University Medical & Health
Sciences Foundation, Inc.
Greenville, North Carolina

Opinion

We have audited the financial statements of East Carolina University Medical & Health Sciences Foundation, Inc. (the "Foundation") (a North Carolina nonprofit corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of East Carolina University Medical & Health Sciences Foundation, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent East Carolina University Medical & Health Sciences Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Carolina University Medical & Health Sciences Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 East Carolina University Medical and Health Sciences Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Carolina University Medical & Health Sciences Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
November 6, 2024

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,547,741	\$ 3,441,693
Current portion of unconditional promises to give, net (Note 3)	782,963	803,851
Prepaid expenses	17,064	7,973
Other receivables (Note 15)	<u>499,587</u>	<u>114,101</u>
Total current assets	<u>3,847,355</u>	<u>4,367,618</u>
Investments:		
Investments (Notes 4 and 5)	74,678,761	66,622,923
Real estate held for investment (Note 5)	<u>2,658,526</u>	<u>2,658,526</u>
Total investments	<u>77,337,287</u>	<u>69,281,449</u>
Capital assets, net (Note 12)	<u>50,846</u>	<u>53,196</u>
Other assets:		
Life insurance policy - cash surrender value	35,472	28,877
Beneficial interest in charitable remainder trusts (Note 5)	731,340	678,741
Beneficial interest in perpetual trusts (Note 5)	742,970	694,433
Assets held in charitable remainder trusts and annuities (Notes 5 and 6)	897,714	837,272
Collectibles	251,080	389,357
Unconditional promises to give, less current portion (Note 3)	<u>1,294,420</u>	<u>1,088,547</u>
Total other assets	<u>3,952,996</u>	<u>3,717,227</u>
Total assets	<u>\$ 85,188,484</u>	<u>\$ 77,419,490</u>

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Financial Position
June 30, 2024 and 2023

(Continued)

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable (Note 15)	\$ 245,760	\$ 187,859
Accrued expenses	8,935	8,836
Current portion of charitable gift annuities payable (Notes 5 and 7)	36,047	36,047
Deferred revenue	<u>8,100</u>	<u>8,700</u>
Total current liabilities	<u>298,842</u>	<u>241,442</u>
Long-term liabilities:		
Charitable gift annuities payable, less current portion (Notes 5 and 7)	255,611	161,009
Liabilities under charitable remainder trusts (Notes 5 and 6)	<u>164,897</u>	<u>153,023</u>
Total long-term liabilities	<u>420,508</u>	<u>314,032</u>
Total liabilities	<u>719,350</u>	<u>555,474</u>
Net assets:		
Without donor restrictions (Note 10)	23,149,079	20,219,052
With donor restrictions (Notes 8, 9, and 11)	<u>61,320,055</u>	<u>56,644,964</u>
Total net assets	<u>84,469,134</u>	<u>76,864,016</u>
Total liabilities and net assets	<u>\$ 85,188,484</u>	<u>\$ 77,419,490</u>

East Carolina University Medical & Health Sciences Foundation, Inc.
Statement of Activities
Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions	\$ 49,175	\$ 4,563,529	\$ 4,612,704
Gifts in kind	-	299,203	299,203
Contributed services and facilities (Note 14 and 15)	1,209,665	-	1,209,665
Return on investments:			
Interest and dividends	143,353	17,843	161,196
Net realized and unrealized gains on investments	3,282,217	5,149,329	8,431,546
Other income	199,591	155,352	354,943
Revaluation of real estate and collectibles	-	(138,277)	(138,277)
Change in value of split interest agreements	(12,601)	(59,499)	(72,100)
Net assets released from restrictions (Note 9)	<u>5,401,814</u>	<u>(5,401,814)</u>	<u>-</u>
Total revenues, gains, and other support	<u>10,273,214</u>	<u>4,585,666</u>	<u>14,858,880</u>
Expenses:			
Program services:			
Program and faculty support	2,399,377	-	2,399,377
Research, clinical, and education	1,456,716	-	1,456,716
Scholarships and awards	<u>1,238,619</u>	<u>-</u>	<u>1,238,619</u>
Total program services	5,094,712	-	5,094,712
Management and general	830,471	-	830,471
Fundraising	<u>1,291,129</u>	<u>-</u>	<u>1,291,129</u>
Total operating expenses	7,216,312	-	7,216,312
Credit losses	<u>750</u>	<u>36,700</u>	<u>37,450</u>
Total expenses	<u>7,217,062</u>	<u>36,700</u>	<u>7,253,762</u>
Changes in net assets	3,056,152	4,548,966	7,605,118
Net assets, beginning of year	20,219,052	56,644,964	76,864,016
Reclassification of net assets, donor stipulations and Board match (Note 16)	<u>(126,125)</u>	<u>126,125</u>	<u>-</u>
Net assets, end of year	<u>\$ 23,149,079</u>	<u>\$ 61,320,055</u>	<u>\$ 84,469,134</u>

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statement of Activities
Year Ended June 30, 2023

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 41,699	\$ 3,174,470	\$ 3,216,169
Gifts in kind	-	30,846	30,846
Contributed services and facilities (Note 14 and 15)	1,129,252	-	1,129,252
Return on investments:			
Interest and dividends	111,686	134,096	245,782
Net realized and unrealized gains on investments	(138,988)	60,710	(78,278)
Other income	197,690	172,783	370,473
Change in value of split interest agreements	(8,932)	46,044	37,112
Net assets released from restrictions (Note 9)	<u>4,487,868</u>	<u>(4,487,868)</u>	<u>-</u>
Total revenues, gains, and other support	<u>5,820,275</u>	<u>(868,919)</u>	<u>4,951,356</u>
Expenses:			
Program services:			
Program and faculty support	1,614,517	-	1,614,517
Research, clinical, and education	1,402,366	-	1,402,366
Scholarships and awards	<u>1,297,017</u>	<u>-</u>	<u>1,297,017</u>
Total program services	4,313,900	-	4,313,900
Management and general	797,249	-	797,249
Fundraising	<u>1,140,364</u>	<u>-</u>	<u>1,140,364</u>
Total operating expenses	6,251,513	-	6,251,513
Credit losses	<u>-</u>	<u>16,544</u>	<u>16,544</u>
Total expenses	<u>6,251,513</u>	<u>16,544</u>	<u>6,268,057</u>
Changes in net assets	(431,238)	(885,463)	(1,316,701)
Net assets, beginning of year	20,723,240	57,457,477	78,180,717
Reclassification of net assets, donor stipulations and Board match (Note 16)	<u>(72,950)</u>	<u>72,950</u>	<u>-</u>
Net assets, end of year	<u>\$ 20,219,052</u>	<u>\$ 56,644,964</u>	<u>\$ 76,864,016</u>

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services					
	Program and Faculty Support	Research, Clinical, and Education	Scholarships and Awards	Management and General	Fundraising	Total
Salaries and benefits reimbursements	\$ 63,698	\$ 433,785	\$ 134	\$ 231,950	\$ 493,873	\$ 1,223,440
Contributed services and facilities	-	-	-	512,497	697,168	1,209,665
Scholarships and awards	8,350	500	1,223,283	-	-	1,232,133
Distributions to University	1,015,095	473,220	-	-	-	1,488,315
Distributions to ECU Foundation	500	-	-	-	-	500
Contracted services	131,828	324,345	-	321	2,763	459,257
Depreciation	-	2,350	-	-	-	2,350
Clinical and research expenses	4,412	21,542	-	-	-	25,954
Educational expenses	45,255	16,668	916	-	815	63,654
Travel	88,051	42,457	4,800	635	6,291	142,234
Registration Expense	39,559	10,442	-	-	1,518	51,519
Acknowledgment and recognition	41,777	1,249	-	-	893	43,919
Advertising and promotion	49,728	23,686	-	1,147	30,649	105,210
Accounting and legal	-	-	-	18,048	-	18,048
Professional fees	39,372	1,686	-	867	-	41,925
Insurance	353	415	-	19,138	-	19,906
Office supplies	152,147	37,734	-	3,335	4,137	197,353
Information technology	12,179	723	-	2,588	5,940	21,430
Postage and shipping	5,309	834	-	757	1,950	8,850
Printing and binding	19,697	4,180	-	621	7,548	32,046
Dues and subscriptions	3,894	4,409	-	3,929	-	12,232
Food and food services	308,132	45,879	-	9,599	37,190	400,800
Entertainment	10,439	179	-	-	-	10,618
Facility and equipment rental	36,780	3,880	-	1,350	150	42,160
Bank and payment processing fees	366	68	-	1,976	-	2,410
Repairs and maintenance	-	2,369	-	-	-	2,369
Building and construction	15,000	-	-	-	-	15,000
Utilities and occupancy	-	-	-	17,170	-	17,170
Gift in kind expense	299,203	-	-	-	-	299,203
Gift fees	3,183	2,816	9,486	-	-	15,485
Miscellaneous expense	5,070	1,300	-	4,543	244	11,157
Total	\$ 2,399,377	\$ 1,456,716	\$ 1,238,619	\$ 830,471	\$ 1,291,129	\$ 7,216,312

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services					
	Program and Faculty Support	Research, Clinical, and Education	Scholarships and Awards	Management and General	Fundraising	Total
Salaries and benefits reimbursements	\$ 99,187	\$ 431,016	\$ 25,067	\$ 152,381	\$ 450,280	\$ 1,157,931
Contributed services and facilities	-	-	-	558,622	570,630	1,129,252
Scholarships and awards	17,080	950	1,254,323	-	-	1,272,353
Distributions to University	666,000	305,108	-	-	-	971,108
Distributions to ECU Foundation	-	49,352	-	-	-	49,352
Contracted services	106,784	186,938	-	-	5,799	299,521
Depreciation	-	2,350	-	-	-	2,350
Clinical and research expenses	120,749	47,784	-	-	-	168,533
Educational expenses	33,084	17,411	-	-	-	50,495
Travel	59,640	38,007	6,000	283	10,203	114,133
Registration Expense	32,393	4,515	3,435	-	1,619	41,962
Acknowledgment and recognition	33,732	1,861	260	-	5,988	41,841
Advertising and promotion	26,930	10,797	-	1,371	18,657	57,755
Accounting and legal	-	-	-	22,675	-	22,675
Professional fees	7,757	10,338	-	722	-	18,817
Insurance	753	960	-	19,102	-	20,815
Office supplies	55,148	180,632	-	1,198	20,496	257,474
Information technology	13,349	14,550	-	3,665	-	31,564
Postage and shipping	6,393	2,128	-	813	2,642	11,976
Printing and binding	23,297	8,295	-	1,144	4,765	37,501
Dues and subscriptions	10,533	6,265	-	4,990	-	21,788
Food and food services	248,009	38,513	-	5,997	45,492	338,011
Entertainment	1,032	-	-	-	-	1,032
Facility and equipment rental	21,977	2,740	-	-	3,637	28,354
Bank and payment processing fees	245	379	-	929	-	1,553
Repairs and maintenance	87	25,266	-	-	-	25,353
Utilities and occupancy	-	-	-	17,648	-	17,648
Gift in kind expense	20,356	10,491	-	-	-	30,847
Gift fees	3,546	1,499	7,932	-	-	12,977
Miscellaneous expense	6,456	4,221	-	5,709	156	16,542
Total	<u>\$ 1,614,517</u>	<u>\$ 1,402,366</u>	<u>\$ 1,297,017</u>	<u>\$ 797,249</u>	<u>\$ 1,140,364</u>	<u>\$ 6,251,513</u>

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,605,118	\$ (1,316,701)
Permanently restricted contributions	(2,353,845)	(953,031)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,350	2,350
Credit loss expense	37,450	16,544
Net realized and unrealized loss (gain) on investments	(8,431,546)	78,278
Revaluation of real estate and collectibles	138,277	-
Changes in value of split-interest agreements, net	72,100	(37,112)
Net changes in operating assets and liabilities:		
Unconditional promises to give	(222,435)	380,124
Other receivables	(385,486)	111,391
Prepaid expenses	(9,091)	4,754
Assets under charitable remainder trusts and annuities	(49,212)	38,203
Accounts payable, accrued expenses and deferred revenue	<u>57,399</u>	<u>10,549</u>
Net cash used by operating activities	<u>(3,538,921)</u>	<u>(1,664,651)</u>
Cash flows from investing activities:		
Proceeds from sale of investments, net	327,171	9,534,077
Purchases of investments	<u>-</u>	<u>(8,993,629)</u>
Net cash provided by investing activities	<u>327,171</u>	<u>540,448</u>
Cash flows from financing activities:		
Contributions for endowment	2,353,845	953,031
Payments on annuity obligations	<u>(36,047)</u>	<u>(36,047)</u>
Net cash provided by financing activities	<u>2,317,798</u>	<u>916,984</u>
Net decrease in cash and cash equivalents	(893,952)	(207,219)
Cash, Beginning of Year	<u>3,441,693</u>	<u>3,648,912</u>
Cash, End of Year	<u>\$ 2,547,741</u>	<u>\$ 3,441,693</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

The East Carolina University Medical & Health Sciences Foundation, Inc. (the “Foundation”) is a not-for-profit corporation organized under the laws of the State of North Carolina. The Foundation exists for the purposes of supporting and promoting the educational and charitable purposes and the lawful activities of the East Carolina University (“ECU” or the “University”) Health Sciences Campus.

Joint Operating Agreement

Effective December 31, 2022, the Foundation and University Health Systems of Eastern Carolina Foundation, Inc., d/b/a Vidant Health Foundation (“VHF”) entered into a joint operating agreement (JOA) to move towards an aligned and consolidated fundraising and stewardship operations, pursuant to the joint operating agreement executed on January 1, 2022, between Vidant Health (d/b/a ECU Health) and the University to achieve greater clinical integration. The JOA will create closer alignment between the Foundation and VHF and support the combined philanthropic efforts of the health education and health care efforts of ECU Health and the University in creating a premier, rural academic health system that cares for 1.4 million people throughout eastern North Carolina.

Under the JOA, the Foundation and VHF will retain their separate 501(c)(3) legal entities and continue to report to their respective Boards, but will operate as a single philanthropic enterprise with an integrated fundraising and stewardship operation under a new, shared brand known as ECU Health Foundation. There are no changes to the employment status or benefits of current employees and no assets will be exchanged as a result of the JOA; however, the JOA will operate under the single leadership of the Chief Philanthropic Officer who fills both the role of the President of both the ECU Medical & Health Sciences Foundation and Vidant Health Foundation. The role of Chief Philanthropic Officer/President began on May 1, 2023, and is jointly employed by both the University and ECU Health.

A joint operating committee (“JOC”) of eleven members was formed and serves as a non-fiduciary, oversight and advisory committee responsible for providing advice, guidance and oversight to the Chief Philanthropic Officer/President regarding management and oversight of the ECU Health Foundation. The fiduciary authority and responsibility for each organization remains with the respective Boards, but the JOC will provide routine oversight and governance to the integrated ECU Health Foundation, including the areas of strategic planning and budgeting, fundraising, donor stewardship and engagement, marketing, and program development.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for the non-profit industry. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

- Net assets with donor restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, wherein the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications on the Statements of Activities between the applicable classes of net assets as “Net assets released from restrictions.”

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that directly affect the results of reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Fair Value of Financial Instruments

The carrying amounts of cash, prepaid expenses, other receivables, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. The fair value of investments is described in Notes 4 and 5 and is in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Disclosures about Fair Value of Financial Instruments*, which defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with an original maturity of three-months or less at the time of purchase. Amounts excluded from cash and cash equivalents include short-term investments that are restricted for endowments, investments held in charitable remainder trusts, and investments held in perpetual trusts. These exclusions are classified with investments and assets held in charitable remainder and perpetual trusts and annuities, as appropriate.

Unconditional Promises to Give

Unconditional promises to give are recorded as receivables and revenues in the year pledged. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible unconditional promises is provided based upon management’s judgment including such factors as prior collection history, the type of contribution, and the nature of fundraising activity.

Investments

Investments are reported at fair value with gains and losses included in the Statements of Activities. Investments subject to donor-imposed restrictions are combined with funds not subject to restrictions into one investment pool. Once a year, interest, dividends, realized and unrealized gains/losses, and investment fees are allocated to the funds based on the fund's percentage of ownership interest in the pool of investments. Other investments, including investments in limited partnerships and real estate held for investment, are carried at fair value.

As shown in Note 4, the financial statements include alternative investments consisting of hedge funds that are valued at \$74,678,761 (88% of net assets) and \$66,622,679 (87% of net assets) at June 30, 2024 and 2023, respectively. Management, using the methodology discussed in Note 5, has valued these investments using net asset value as the practical expedient to estimate fair values.

Allocation of Investment Income

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- As increases in perpetual net assets with donor restrictions if the terms of the gift or the Foundation's interpretation of relevant state law require that they be added to the principal of a perpetual endowment fund.
- As increases in net assets with donor restrictions that are not to be held in perpetuity if the terms of the gift impose restrictions on the use of the investment income.
- As increases in net assets without donor restrictions in all other cases.

Capital Assets

Capital assets are capitalized and recorded at cost under the same policy used by the University, which is to capitalize such assets with a value or cost of \$5,000 or greater at the date of acquisition. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are thirty years for buildings and improvements.

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. No impairments were recognized during the fiscal years ended June 30, 2024 and 2023.

Cash Surrender Value of Life Insurance

Life insurance policies owned by the Foundation are reported at the cash surrender value of the policy. Changes in cash surrender value of life insurance are reported as changes in value of split interest agreements under the support and revenue category in net assets without donor restrictions and net assets with donor restrictions.

Split-Interest Agreements

The Foundation has a beneficial interest in two irrevocable charitable remainder trusts, one perpetual trust and one life estate not administered by the Foundation. The Foundation is also the trustee and the remainder beneficiary for one irrevocable charitable remainder unitrust. In addition, the Foundation administers two charitable gift annuities.

East Carolina University Medical & Health Sciences Foundation, Inc.

Notes to Financial Statements

The assets contributed under these agreements are carried at fair value and pooled with the Foundation's other investment securities, except for the assets held in the charitable remainder trusts which are invested separately or held by the Foundation. Liabilities have been recorded at the present value of the future cash flows expected to be paid over the estimated remaining lives of the beneficiaries.

The difference in the fair value of the assets of the split-interest agreements and the present value of the estimated future distributions to be paid is initially recorded as contribution revenue and increases net assets with donor restrictions.

Adjustments to reflect revaluations of the present value of the estimated future payments and changes in actuarial assumptions are recognized in the Statements of Activities as a change in value of split-interest agreements.

Beneficial interests in irrevocable charitable remainder trusts are recorded as contributions at fair value when the Foundation is notified of the gift's existence and are adjusted for changes in fair value as they occur.

Collectibles

The Foundation owns a collection that is composed of historical artifacts related to the medical profession held on display for the general public. The Foundation capitalizes donated items to the collections at their fair market value on the date of their donation. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence of donor-imposed restrictions. During the fiscal year ended June 30, 2024, the Foundation removed items from the collection totaling \$138,277. During the fiscal year ended June 30, 2023, there were no additions to or removals from the collection.

Revenue Recognition

The Foundation receives the majority of its support in the form of contributions from alumni, faculty, and friends of the ECU Health Sciences Campus. The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Foundation has several revenue streams that fall within the context of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*: (1) research symposium registrations, (2) non-refundable program applications, (3) fundraiser sales, and (4) special events.

The Foundation recognizes research symposium registrations when the performance obligations of providing the services are met and the event takes place. Revenues from non-refundable program applications is recognized at the time the application is submitted and payment is received. Fundraiser sales are recognized at the time of purchase. Payments are required at the time of sale. Amounts received in advance are deferred to the applicable period.

Special events revenue is composed of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. At June 30, 2024 and 2023, the Foundation has not recorded any tax liabilities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Administrative and Gift Fees

The Foundation assesses fees which are intended to provide for the Foundation's operating costs and for a portion of certain development and fundraising programs. An administrative fee is assessed to certain funds, based on the fair value of the applicable fund. Fees are also assessed on new gifts of cash or securities. Such fees are deducted from the individual restricted funds and are included in net assets released from restrictions. The Foundation's Board of Directors reviews the fee assessment rates annually.

Contributions

Unconditional contributions are considered available for unrestricted use unless specifically restricted by the donor. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e. when a stipulated time restriction ends, or purpose restriction is accomplished) net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Adoption of New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The Foundation adopted the new standard effective July 1, 2022, the first day of the Foundation's fiscal year using the modified retrospective approach. There was no impact on prior year results due to adoption of this new standard.

Subsequent Events

Management evaluated subsequent events through November 6, 2024, the date the financial statements were available to be issued.

2. Liquidity and Availability

The Foundation receives significant contributions and promises to give with donor restrictions to be used in accordance with the associated purpose restriction. It also receives gifts to establish endowments that will exist in perpetuity. The income generated from such endowments is used to provide support for programs and faculty; research, clinical and education activities; and scholarships and awards in accordance with the donors' stated intent. In addition, the Foundation receives support without donor restrictions and utilizes investment income without donor restrictions to further fund annual operating needs.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

- Maintaining sufficient reserves to provide reasonable assurance that long-term funding commitments and obligations under donor-restricted endowments and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. Furthermore, the Foundation has a Cash Management policy which establishes a cash reserve balance target of \$500,000 which is to be replenished quarterly and more frequently if the balance is less than \$250,000.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year. The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts that are designated for general use. Donor-restricted endowment funds are not available for general expenditure.

The table below presents financial assets available for general expenditures within one year at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,547,741	\$ 3,441,693
Current portion of unconditional promises to give, net	782,963	803,851
Other receivables	499,587	114,101
Investments	<u>74,678,761</u>	<u>66,622,923</u>
Total financial assets	<u>78,509,052</u>	<u>70,982,568</u>
Less amounts not available for general expenditures within one year, due to:		
Investments in non-liquid securities	-	-
Restricted by donors with time or purpose restrictions	(61,320,055)	(56,644,964)
Board-designations:		
Amounts designated for support of Deans, Directors, etc.	<u>(2,040,164)</u>	<u>(1,938,672)</u>
Financial assets not available to be used within one year	<u>(63,360,219)</u>	<u>(58,583,636)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 15,148,833</u>	<u>\$ 12,398,932</u>

Liquidity of Investments

As of June 30, 2024 and 2023, 100% of the Foundation's investment portfolio may be redeemed in whole or in part at future specified redemption dates upon timely written notice of the redemption request as described in Note 5.

3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2024 and 2023 are summarized as follows:

	<u>2024</u>	<u>2023</u>
Receivables due in less than one year	\$ 964,637	\$ 1,135,821
Receivables due in one to five years	1,513,758	1,257,408
Receivables due in more than five years	<u>10,000</u>	<u>15,000</u>
	2,488,395	2,408,229
Less: Allowance for unamortized discount	(177,271)	(99,827)
Less: Allowance for uncollectible receivables	<u>(233,741)</u>	<u>(416,004)</u>
Net unconditional promises to give	<u>\$ 2,077,383</u>	<u>\$ 1,892,398</u>

Unconditional promises to give are discounted using a rate determined by management at the time the unconditional promises to give are initially recognized. Unconditional promises to give recognized during the years ended June 30, 2024 and 2023 are discounted at a rate of 9.50% and 9.25%, respectively.

4. Investments

The aggregate fair values of investments at June 30, 2024 and 2023, by type of investment are as follows:

	<u>2024</u>	<u>2023</u>
Mutual funds and exchange traded funds	\$ 26,004	\$ 244
Non-interest bearing cash	3,449	-
Alternative investments	<u>74,649,308</u>	<u>66,622,679</u>
Total investments	<u>\$ 74,678,761</u>	<u>\$ 66,622,923</u>

5. Fair Value Measurements

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs; and

- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. These valuation methodologies have not changed and are consistent with prior years.

Mutual funds, exchange traded funds and common stocks listed on a national market or exchanges are valued at the last sales price. If there is no sale, and the market is considered still active, they are valued at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy. Investments in real estate are valued based on independent appraisals and county tax records and are classified within Level 2 of the valuation hierarchy.

Assets held in charitable remainder trusts and annuities are valued at the market price of the investments held and are classified as Level 2 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts – the majority of which are publicly traded and readily available in active markets – the trusts themselves do not have daily quoted active market prices. Investments in these trusts are valued per share based on the market prices of the underlying assets.

Beneficial interest in charitable remainder trusts are valued at the market price of the investments and are classified as Level 3 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts – the majority of which are publicly traded and readily available in active markets – the beneficial interests are determined through discounted cash flow analysis.

Beneficial interest in perpetual trusts are valued at the market price of the investments held and are classified as Level 2 of the valuation hierarchy. While the Foundation has access to a detailed listing of the underlying assets held in these trusts – the majority of which are publicly traded and readily available in active markets – the trusts themselves do not have daily quoted active market prices. Investments in these trusts are valued per share based on the market prices of the underlying assets.

The fair value of the Foundation's charitable gift annuity obligations is based on the net present value of the anticipated benefit using the difference between the assets received and the original contribution. As beneficiary payments are made, the liability is adjusted based on an amortization schedule. The annuity obligations are included in Level 2 of the fair value hierarchy.

The fair value of liabilities under charitable remainder trusts is based on the net present value of the anticipated benefit payments from the trust for which the Foundation is both a beneficiary and trustee. The Foundation adjusts the liability as beneficiary payments are made, life expectancy of the beneficiary decreases, and the discount rate fluctuates. The trust agreements are included in Level 2 of the fair value hierarchy.

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

The following tables present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2024 and 2023, respectively:

	Financial Assets (Liabilities) at Fair Value as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Investments in mutual funds and exchange traded funds	\$ 26,004	\$ -	\$ -	\$ 26,004
Investments in real estate	-	2,658,526	-	2,658,526
Investments in hedge funds measured at net asset value ^(a)				74,649,308
Total	\$ 26,004	\$ 2,658,526	\$ -	\$77,333,838 ^(b)
Investments in charitable remainder trusts and annuities	\$ -	\$ 897,714	\$ -	\$ 897,714
Beneficial interest in charitable remainder trusts	\$ -	\$ -	\$ 731,340	\$ 731,340
Beneficial interest in perpetual trusts	\$ -	\$ 742,970	\$ -	\$ 742,970
Liabilities under charitable gift annuities	\$ -	\$ (291,658)	\$ -	\$ (291,658)
Liabilities under charitable remainder trusts	\$ -	\$ (164,897)	\$ -	\$ (164,897)

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

	Financial Assets (Liabilities) at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments in mutual funds and exchange traded funds	\$ 244	\$ -	\$ -	\$ 244
Investments in real estate	-	2,658,526	-	2,658,526
Investments in hedge funds measured at net asset value ^(a)				66,622,679
Total	\$ 244	\$ 2,658,526	\$ -	\$ 69,281,449
Investments in charitable remainder trusts and annuities	\$ -	\$ 837,272	\$ -	\$ 837,272
Beneficial interest in charitable remainder trusts	\$ -	\$ -	\$ 678,741	\$ 678,741
Beneficial interest in perpetual trusts	\$ -	\$ 694,433	\$ -	\$ 694,433
Liabilities under charitable gift annuities	\$ -	\$ (197,056)	\$ -	\$ (197,056)
Liabilities under charitable remainder trusts	\$ -	\$ (153,023)	\$ -	\$ (153,023)

^(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Financial Position.

^(b) The Foundation held non-interest bearing cash totaling \$3,449 at June 30, 2024 within its investment portfolio, which is not classified as a level in accordance with GAAP.

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2024 and 2023. When transfers occur, they are recognized at the end of the reporting period.

Management determines the fair value measurement valuation procedures, including those for Level 3 recurring and nonrecurring measurements. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2024 and 2023:

	2024	2023
Balance, beginning of year	\$ 678,741	\$ 636,736
Net unrealized gains (losses)	52,599	42,005
Balance, end of year	\$ 731,340	\$ 678,741

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

Realized and unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) shown on the previous page are included in net income for 2024 and 2023 in the Statements of Activities.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and ranges of values for those unobservable inputs.

Significant Unobservable Inputs at June 30, 2024				
	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Beneficial interests in charitable remainder trusts	\$ 731,340	Discounted Cash Flows	Payout Rate Discount Rate	5.0-6.4% 6.1%
Significant Unobservable Inputs at June 30, 2023				
	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Beneficial interests in charitable remainder trusts	\$ 678,741	Discounted Cash Flows	Payout Rate Discount Rate	5.0-6.7% 6.4%

The following table summarizes the Foundation's alternative investments, which consist solely of hedge funds, at June 30, 2024 and 2023:

Alternative Investments at June 30, 2024			
	<u>Fair Value</u>	<u>Redemption Frequency (if currently available)</u>	<u>Redemption Notice Period</u>
Hedge Funds:			
UNC Investment Fund, LLC	\$ 74,649,308	Monthly	30 days
Total alternative investments	<u>\$ 74,649,308</u>		
Alternative Investments at June 30, 2023			
	<u>Fair Value</u>	<u>Redemption Frequency (if currently available)</u>	<u>Redemption Notice Period</u>
Hedge Funds:			
UNC Investment Fund, LLC	66,361,067	Monthly	30 days
Aquilo Capital, LP	\$ 261,612	Quarterly	60 days
Total hedge funds	<u>66,622,679</u>		
Total alternative investments	<u>\$ 66,622,679</u>		

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

The Foundation invests in alternative investment vehicles as a hedge against broader market risks by further diversifying the portfolio holdings. Investments in hedge funds are in the fund-of-funds category. The hedge fund investments pursue a variety of strategies, including real estate, equity, and other hedging strategies.

The Foundation invests in various types of investment securities, which are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the Statements of Financial Position.

6. Assets and Liabilities under Charitable Remainder Trusts and Annuities

The Foundation has a beneficial interest in two irrevocable charitable remainder trusts, one perpetual trust and one life estate not administered by the Foundation. The Foundation is also the trustee and the remainder beneficiary for one irrevocable charitable remainder unitrust. Payments based on the lesser of trust income or a percentage of the fair value of the assets as of a specific valuation date, are required to be paid to the grantors for life. In addition, the Foundation administers two charitable gift annuities. The following is a summary of the related assets and liabilities:

	<u>2024</u>	<u>2023</u>
Assets held in annuities	\$ 746,099	\$ 696,887
Assets held in charitable remainder trusts	<u>151,615</u>	<u>140,385</u>
Assets held in charitable remainder trusts and annuities	<u>\$ 897,714</u>	<u>\$ 837,272</u>
Present value of estimated future payments	\$ (56,438)	\$ (52,135)
Use obligation under life estate	<u>(108,459)</u>	<u>(100,888)</u>
Liabilities under charitable remainder trusts	<u>\$ (164,897)</u>	<u>\$ (153,023)</u>

7. Annuities Payable

The Foundation has accepted contributions from two donors in exchange for Foundation funded life annuities (charitable gift annuities). Total annuity payments for each of the years ended June 30, 2024 and 2023 were \$36,047.

The annuities payable balance at June 30, 2024 and 2023, of \$291,658 and \$197,056, respectively, is the present value of the quarterly payments to the annuitants based on the actuarially determined life expectancy of the annuitants and payout rates ranging from 5% to 6%. The Foundation's obligation for the remainder of the annuitants' lives is \$36,047 per year. The estimated remaining life expectancies of the annuitants range from 6 to 14 years.

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

8. Net Assets with Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Spendable:		
Program and faculty support	\$ 4,928,781	\$ 5,447,280
Research, clinical, and education	4,471,905	4,876,784
Scholarships and awards	<u>1,034,901</u>	<u>1,038,117</u>
	<u>10,435,587</u>	<u>11,362,181</u>
Endowment:		
Donor restricted:		
Program and faculty support	10,513,138	9,473,021
Research, clinical, and education	18,040,868	16,237,729
Scholarships and awards	<u>20,253,079</u>	<u>17,680,062</u>
	<u>48,807,085</u>	<u>43,390,812</u>
Pledged:		
Spendable:		
Program and faculty support	141,924	257,374
Research, clinical, and education	555,294	958,064
Scholarships and awards	369,842	438,009
Endowment:		
Program and faculty support	272,376	27,440
Research, clinical, and education	248	43,237
Scholarships and awards	<u>737,699</u>	<u>167,847</u>
	<u>2,077,383</u>	<u>1,891,971</u>
Total net assets with donor restrictions	<u>\$ 61,320,055</u>	<u>\$ 56,644,964</u>

9. Net Assets Released from Donor Restrictions

Net assets totaling \$5,401,814 and \$4,487,868 were released from donor restrictions in 2024 and 2023, respectively, by incurring expenses satisfying the restricted purposes, or by the passage of time.

	<u>2024</u>	<u>2023</u>
Program and faculty support	\$ 2,405,258	\$ 1,519,104
Research, clinical, and education	1,557,080	1,496,714
Scholarships and awards	<u>1,439,476</u>	<u>1,472,050</u>
Total	<u>\$ 5,401,814</u>	<u>\$ 4,487,868</u>

10. Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2024 and 2023 are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 21,108,915	\$ 18,280,380
Board-designated:		
Operating reserves	837,632	837,632
Program and faculty support	1,176,409	1,074,917
Research, clinical, and education	11,373	11,373
Scholarships and awards	<u>14,750</u>	<u>14,750</u>
Total net assets without donor restrictions	<u>\$ 23,149,079</u>	<u>\$ 20,219,052</u>

11. Endowments

The Foundation's endowment consists of 308 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the board of directors or restricted by donors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

A donor-restricted endowment is classified as either perpetual (donor stipulates investment in perpetuity of certain net assets) or term (donor stipulates investment for a specific period of time of certain net assets). Unless stipulated by the donor as a term endowment, all donor-restricted endowments funds are classified as perpetual.

The principal of a donor-restricted endowment is: (a) the original value of initial and subsequent gifts restricted to the endowment, (b) accumulations or additions stipulated by the applicable donor gift instrument to be added to principal and (c) for perpetual endowments only, accumulations stipulated by UPMIFA, if any, to be held in perpetuity. The appreciation of a donor-restricted endowment is accumulated net investment gains and losses net of amounts appropriated for spending by the Board of Directors and applicable gift and administrative fees. The fair value of donor-restricted endowment is the combination of principal and appreciation.

Interpretation of Relevant Law

The Foundation's management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board classifies as perpetual net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual net assets with donor restrictions, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation, in a manner consistent with the standard of prudence prescribed by UPMIFA.

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the application of investments;
- (6) Other resources of the institution; and
- (7) The investment policies of the organization.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Endowment assets also include the fair market value of a trust, held by an external trustee, which provides income in perpetuity to the Foundation. Under this policy, as approved by the Foundation Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the rate of inflation as measured by the annual Consumer Price Index plus the annual spending distribution and fees as adopted by the Board. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating a spending amount each year for distribution based on the year-end endowment fund's 36-month weighted average balance, prior to the addition of the current year investment return. For each of the years ended June 30, 2024 and 2023, the appropriation amounts were 4.00%. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Endowment net asset composition by fund type as of June 30, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2024	<u>\$ -</u>	<u>\$ 49,817,408</u>	<u>\$ 49,817,408</u>
June 30, 2023	<u>\$ -</u>	<u>\$ 43,629,336</u>	<u>\$ 43,629,336</u>

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

For the fiscal years ended June 30, 2024 and 2023, changes in endowment net assets with donor restrictions were comprised of the following:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 43,629,336	\$ 43,428,421
Net investments gains (losses)	5,068,917	115,718
Contributions *	2,354,345	953,031
Appropriation of endowment expenditures	(970,565)	(809,090)
Administrative fees	(370,516)	(311,592)
Reclassification of net assets, donor stipulation and Board match	148,162	257,277
Other changes	<u>(42,271)</u>	<u>(4,429)</u>
Endowment net assets, end of year	<u>\$ 49,817,408</u>	<u>\$ 43,629,336</u>

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

	<u>2024</u>	<u>2023</u>
Contributions of cash and securities	\$ 1,107,978	\$ 684,254
Realized bequests and planned gifts	439,869	268,777
Unconditional promises to give	<u>806,498</u>	<u>-</u>
Total contributions to endowments	<u>\$ 2,354,345</u>	<u>\$ 953,031</u>

Underwater Endowment Funds

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

At June 30, 2024 and 2023, funds with deficiencies of \$6,121 and \$50,935, respectively, were reported in net assets with donor restrictions.

	<u>2024</u>	<u>2023</u>
Fair value of underwater endowment funds	\$ 262,550	\$ 1,213,263
Original endowment gift amount	<u>268,671</u>	<u>1,264,198</u>
Deficiencies of underwater endowment funds	<u>\$ (6,121)</u>	<u>\$ (50,935)</u>

East Carolina University Medical & Health Sciences Foundation, Inc.
Notes to Financial Statements

12. Capital Assets

The Foundation's capital assets at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Buildings and land	\$ 100,000	\$ 100,000
Less accumulated depreciation	<u>(49,154)</u>	<u>(46,804)</u>
Total	<u>\$ 50,846</u>	<u>\$ 53,196</u>

13. Leases

The Foundation has one operating lease agreement on property the Foundation owns. The amended lease term expires May 19, 2025. The following is a schedule of future minimum rental lease payments to be received as of June 30, 2024:

<u>Year</u>	<u>Future Minimum Lease Payment</u>
2025	\$ <u>189,407</u>
Total	<u>\$ 189,407</u>

14. Contributed Nonfinancial Assets

For the fiscal years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2024</u>	<u>2023</u>
Medical supplies	\$ 2,000	\$ 4,654
Clinical equipment	297,203	16,317
Landscaping supplies	-	9,875
University contributed services	1,171,347	1,071,775
University contributed facilities	<u>38,318</u>	<u>57,477</u>
Total	<u>\$ 1,508,868</u>	<u>\$ 1,160,098</u>

Gifts of tangible personal property, including but not limited to works of art, manuscripts, literary works, boats, motor vehicles, journals, antique equipment, computer hardware, medical supplies, and clinical equipment, were considered and accepted only after a thorough review indicated that the items were either readily marketable or property needed by the University.

Contributed books and publications were utilized for program and faculty support and were restricted for use by the ECU Health Sciences Campus library. Fair value is estimated based on the amount that would be received for selling similar products in the United States.

Contributed medical supplies were utilized for student instruction, research, clinical and education purposes in the Brody School of Medicine's Clinical Simulation Center. The Foundation values donations of medical supplies based on wholesale value that would be received selling similar products in the United States.

Contributed clinical equipment was utilized for research, clinical or education purposes and were restricted for use by the ECU College of Allied Health Sciences and School of Dental Medicine. Fair value is estimated to be the amount that would be received for selling similar products in the United States. The fair value of contributed equipment valued in excess of \$5,000 is estimated by a qualified independent appraiser.

Contributed landscaping supplies were utilized to install a memorial garden at the University's Country Doctor Museum. The fair value of contributed landscaping supplies is estimated to be the amount that would be received for selling similar products in the United States.

The University provides certain support such as accounting, fundraising, general administrative services for the benefit of the Foundation. These contributed services have been recognized in the accompanying Statements of Activities as contributions and expenses. In valuing contributed services, the Foundation estimates the values based on actual and estimated salaries, wages and benefits of those positions at ECU providing support (either all or in part) to the Foundation. For external fundraising service support, the Foundation assigns a value based on its estimated proportionate share of the total support provided to and paid by the University for those services.

The University provides the Foundation access to certain facilities and equipment for the benefit of furthering administrative and fundraising operations of the Foundation. In valuing these facilities, the Foundation estimated the values based on estimated rates per square foot provided by the University.

15. Related Party Transactions

East Carolina University

The University provides certain support such as accounting, fundraising, general administrative services, and the use of facilities and equipment for the benefit of the Foundation. These contributed services and facilities have been recognized in the accompanying Statements of Activities as contributions and expenses at their estimated value. The amount of these contributed services and facilities for the years 2024 and 2023 was \$1,209,665 and \$1,129,252 respectively.

At June 30, 2023, the Foundation had receivables due from East Carolina University of \$16,474. At June 30, 2024, there were no receivables due from East Carolina University to the Foundation. These amounts are included in other receivables on the Statements of Financial Position.

At June 30, 2024 and 2023, the Foundation had payables to East Carolina University of \$100,444 and \$77,980, respectively. These amounts are included in accounts payable on the Statements of Financial Position.

The Brody Foundation, Inc.

The Brody Foundation, Inc. ("Brody Foundation") supports the Foundation by acquiring, retaining, and administering funds to be used for the benefit of The Brody School of Medicine and the Brody Scholars Program at East Carolina University. The Foundation remits payment for expenses on behalf of the Brody Foundation and is reimbursed for these expenses by the Brody Foundation. At June 30, 2024 and 2023, the Foundation had remitted payments to third parties, for which the Brody Foundation had not yet reimbursed the Foundation in the amount of \$467,069 and \$7,189, respectively. These amounts are included in other receivables on the Statements of Financial Position.

East Carolina University Foundation, Inc.

During the year ended June 30, 2020, the East Carolina University Foundation, Inc. ("ECU Foundation") received a contribution of real property from a donor. The donor's stated intent is that the proceeds from the sale of the property be used to support multiple programs throughout the University, including a portion designated for the Foundation in support of the ECU School of Dental Medicine. At June 30, 2022, the Foundation recorded a receivable due from the ECU Foundation in the amount of \$217,217, which represents the estimated value of proceeds due to the Foundation upon the sale of the property. During the year ended June 30, 2023, the donor directed that the proceeds from the sale of the property be used solely to support University programs supported by the ECU Foundation. Accordingly, the value of the receivable due from ECU Foundation was reduced to \$0.

At June 30, 2024, there were no outstanding receivables due from the ECU Foundation. These amounts are included in other receivables on the Statements of Financial Position.

16. Reclassification of Net Assets

The "Reclassification of net assets, donor stipulations and Board match" is the result of donor stipulations that require the transfer of funds and the decision by the Board to use funds without donor restriction to solicit donations that would be matched. Reclassifications of net assets during the years ended June 30, 2024 and 2023 consisted of the following:

	2024	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Board-designated matching program	\$ (126,125)	\$ 126,125
Donor stipulations	-	-
Total reclassifications of net assets	<u>\$ (126,125)</u>	<u>\$ 126,125</u>

	2023	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Board-designated matching program	\$ (66,500)	\$ 66,500
Donor stipulations	(6,450)	6,450
Total reclassifications of net assets	<u>\$ (72,950)</u>	<u>\$ 72,950</u>

17. Concentration of Credit Risk

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

The Foundation deposits funds into the State of North Carolina Short-Term Investment Fund ("STIF Account") that is managed by the North Carolina State Treasurer. This portfolio fund is the primary cash management account for the State and is managed to allow funds to be readily convertible in cash. The North Carolina Administrative Code requires depositories to collateralize all balances that are not insured and must maintain specified security types in a third-party escrow account designated by the State Treasurer. The securities collateral must be governmental in origin or the highest-grade commercial paper and bankers' acceptances. The market value of the collateral must not be less than the value of the uninsured deposits; therefore, as of June 30, 2024, the Foundation's STIF account deposits would not be exposed to custodial credit risk.

Investment Brokerage Accounts

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, of which \$100,000 may be cash. Insurance protects assets held in the case of broker-dealer insolvency and not against decline in market values. As of June 30, 2024 and 2023, the Foundation had investments in excess of the SIPC insurance amount.