

# **East Carolina University Educational Foundation, Inc.**

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**Financial Statements**

**Years Ended June 30, 2024 and 2023**

Table of Contents

Management’s Discussion and Analysis ..... 1

Independent Auditors’ Report ..... 7

Financial Statements:

    Statements of Financial Position ..... 9

    Statements of Activities..... 11

    Statements of Functional Expense..... 13

    Statements of Cash Flows..... 15

    Notes to Financial Statements..... 16



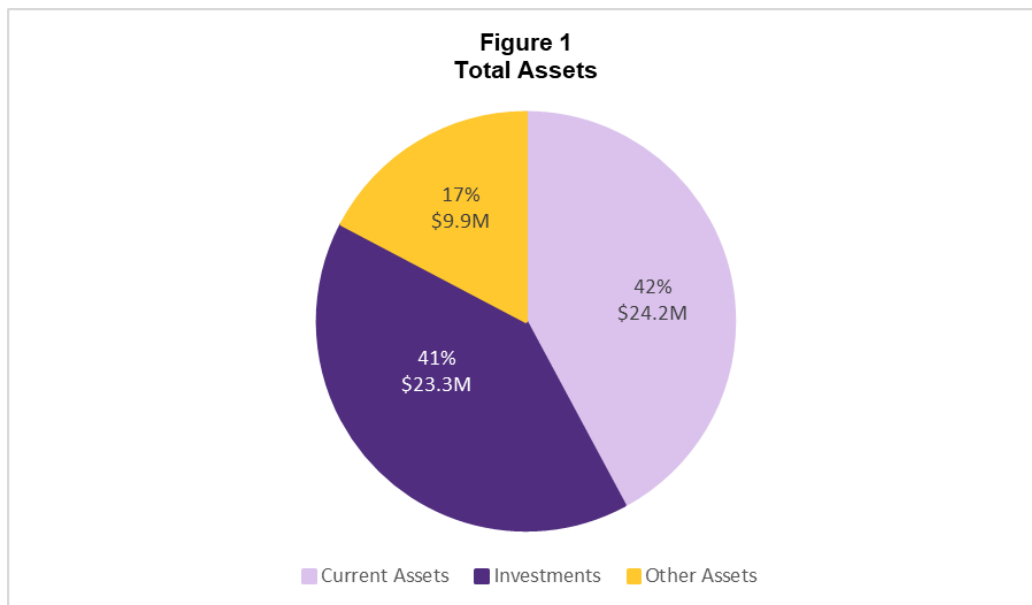
## Management's Discussion and Analysis

November 6, 2024

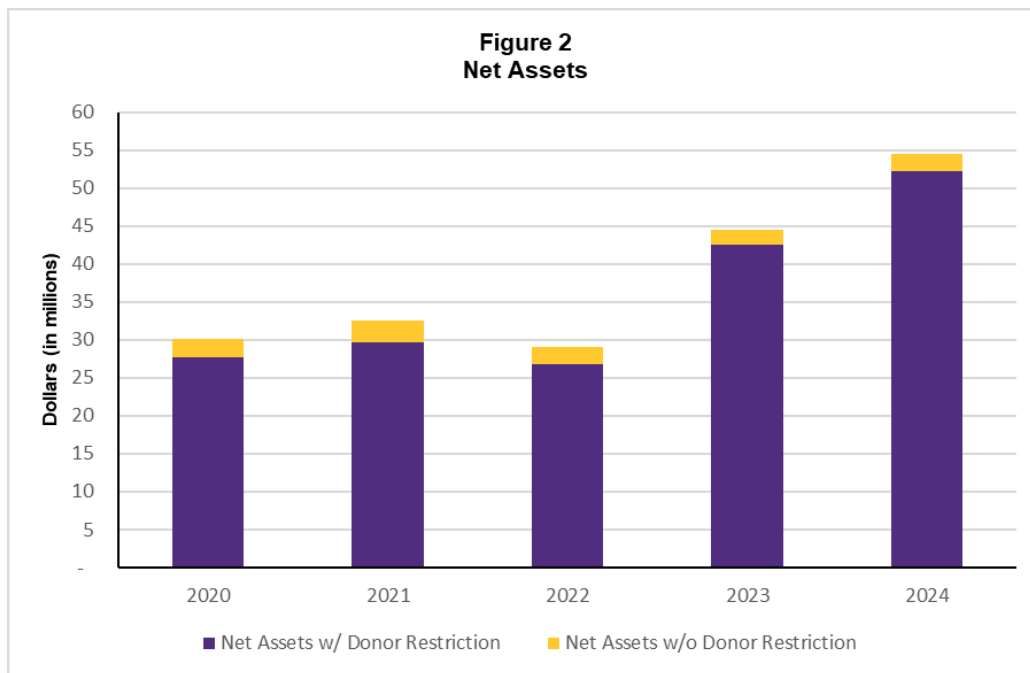
The East Carolina University Educational Foundation, Inc. (the "Foundation"), is a 501(c)(3) organization whose mission is to be the friend-raising and fund-raising arm of East Carolina University's Division I athletics program. The attached financial statements, audited by the firm of Bernard Robinson & Company LLP, 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 honesty and integrity and in compliance with the rules and regulations that govern its operations.

The following graphs and explanations summarize the financial results for the year ended June 30, 2024.

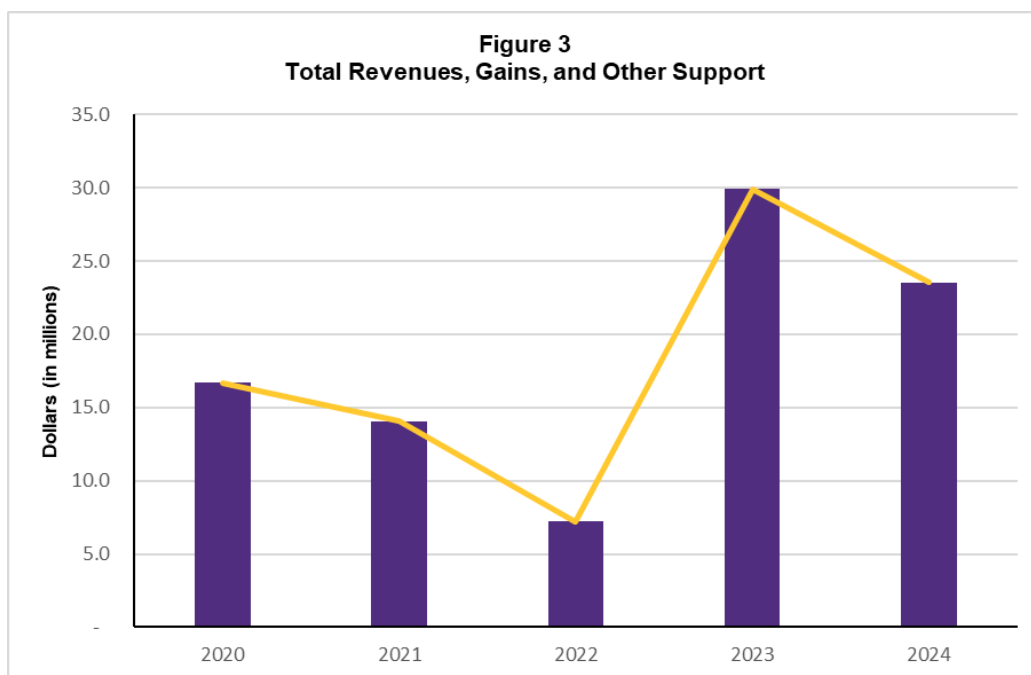
Total assets of the Foundation at June 30, 2024 were \$57.4 million. The Foundation's current assets represented the largest percentage of the Foundation's assets at the end of the fiscal year (see Figure 1).



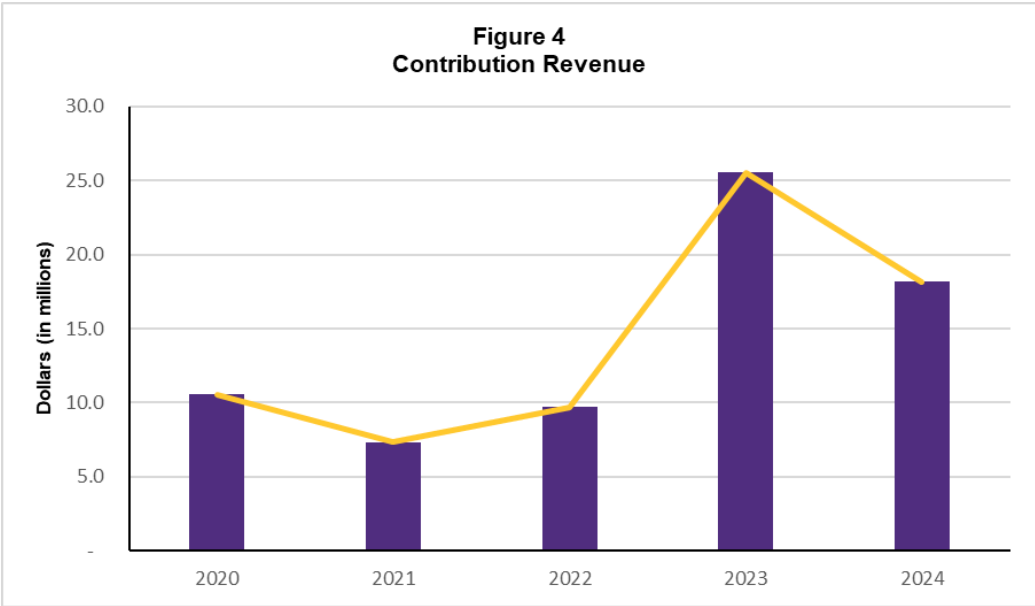
The Foundation's ending total net assets of \$54.4 million increased by 22.3% over the prior year's ending net assets (see Figure 2).



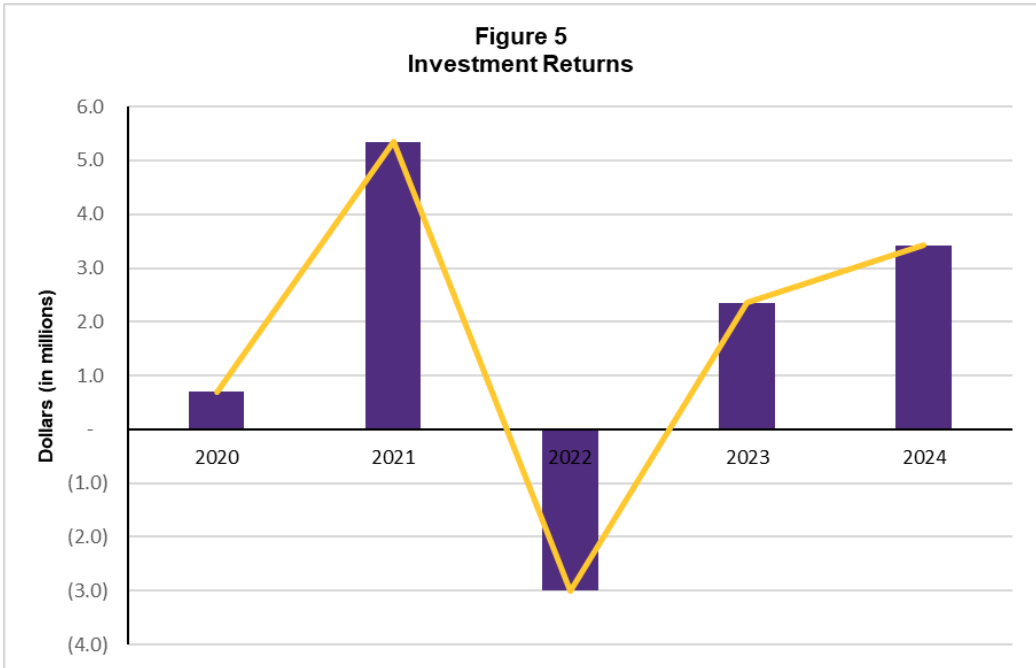
Total revenues, gains, and other support received by the Foundation during the year were \$23.5 million. As illustrated by Figure 3, the change in total revenues represented a 21.3% decrease compared to the previous year's total revenue of \$29.9 million. This was the result of increased contributions in fiscal year 2023, which was the first full year of the Pirates Unite Campaign for Comprehensive Excellence.



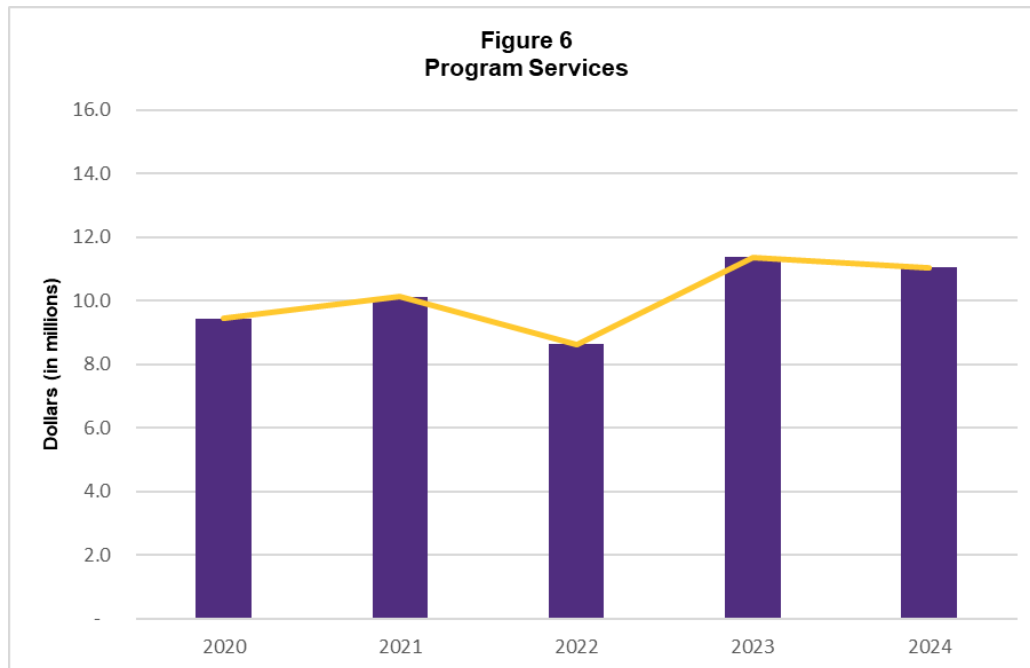
Gifts to the Foundation for fiscal year 2024 totaled \$18.2 million, a decrease of 28.9% compared to the prior year (see Figure 4). The decrease in contribution revenue is primarily related to contributions with donor restrictions. During fiscal year 2023 and 2024, the Foundation focused fundraising efforts on the Pirates Unite Campaign. As evidenced by the sustained increase in contribution revenue over fiscal years prior to 2023, the Campaign attracted significant support from Pirate Nation.



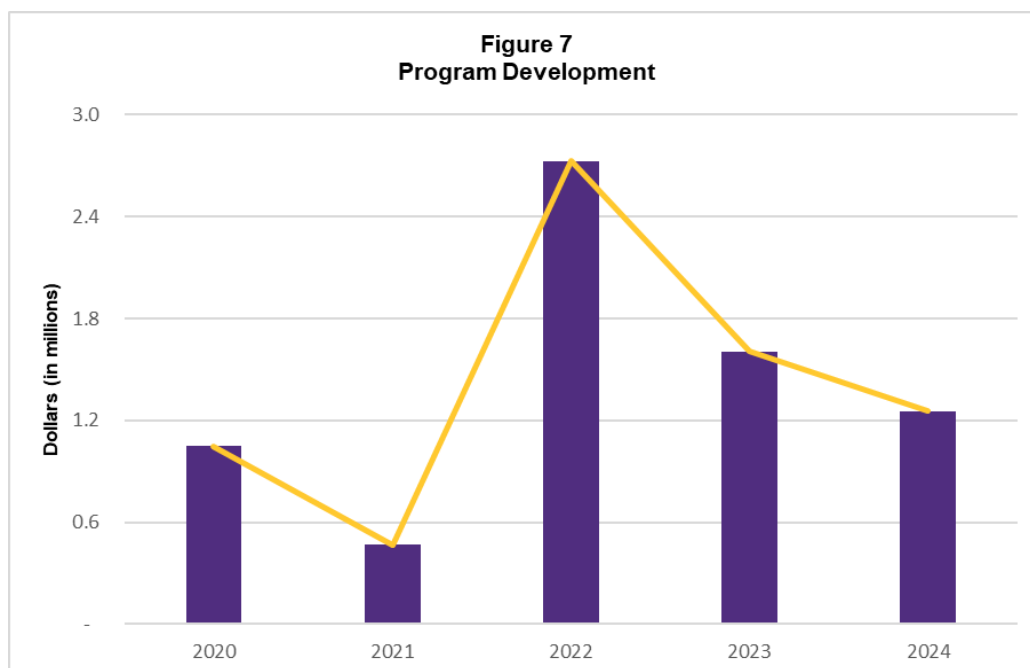
The Foundation sustained a net gain on investments for fiscal year 2024 of \$3.4 million, as shown in Figure 5. For the year ended June 30, 2024, the Foundation's investments produced a net gain of 15.4% compared to a net gain of 11.6% for the year ended June 30, 2023.



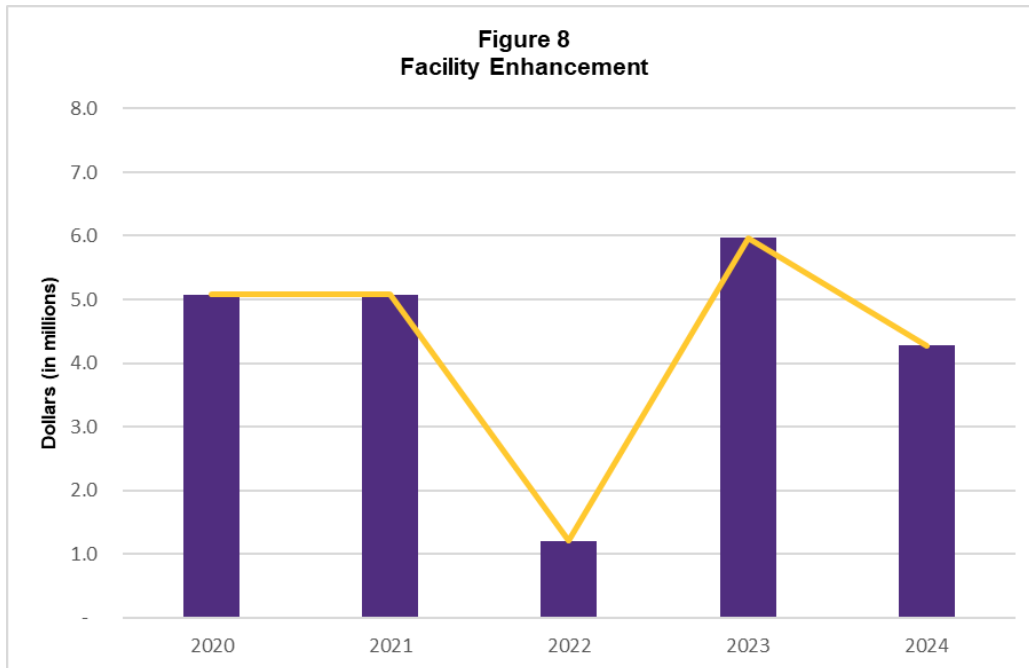
A major focus of the Foundation is to raise, manage, and provide private resources for program services for the student athletes of East Carolina University. The Foundation provided \$11.1 million in program services for the fiscal year ended June 30, 2024, a slight decrease from fiscal year ended June 30, 2023 (see Figure 6). This is primarily related to decreases in program development expenses. There was a shift in expenses between facility enhancement and scholarship expense.



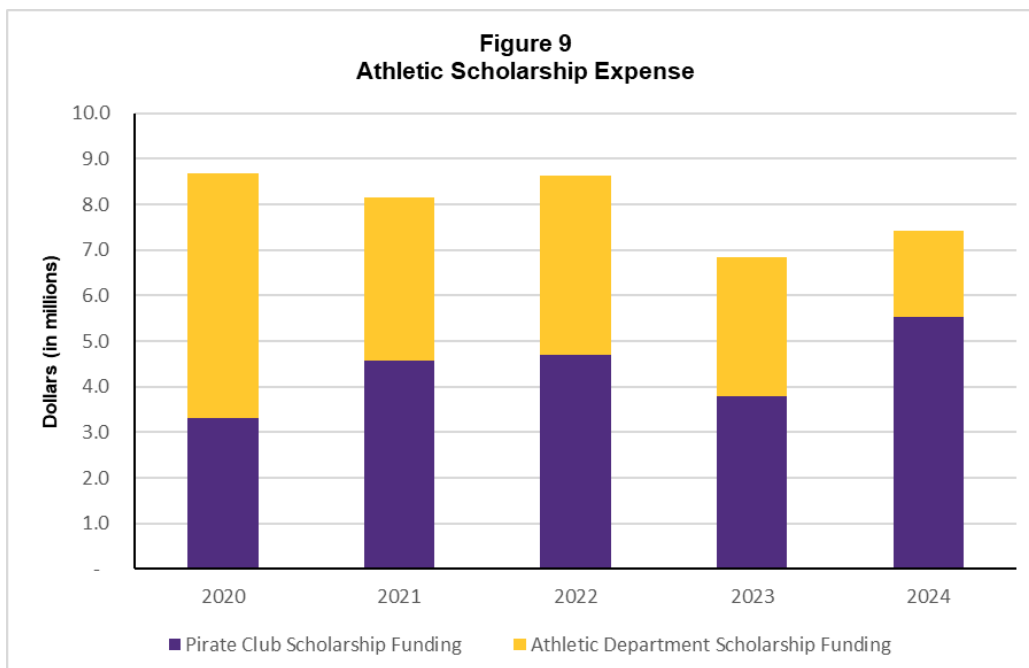
The decrease in program services in fiscal year 2024 is primarily a result of a decrease in program development (Figure 7) and facility enhancement (Figure 9) expenses against a significant increase in scholarship expenses (Figure 8). Program development expense fluctuates from year to year based on the needs of the Athletics department and the individual sports programs.



The decrease in facility enhancement expense is primarily related to the multiple capital projects completed during fiscal year 2023. Construction of the Rogers Family Performance Center along with upgrades to the Minges Swimming & Diving locker rooms was completed during fiscal year 2023. Additionally, the Foundation provided support for a portion of the Dowdy Ficklen Stadium scoreboard upgrades. There were no large facilities projects during fiscal year 2024.



Scholarship support is a key component of the program service support provided by the Foundation. The Foundation provided scholarship support for the fiscal year ended June 30, 2024 of \$5.5 million. This scholarship support helped fund the \$7.4 million of total athletic scholarship expense paid by the East Carolina University athletics department during fiscal year 2024. Scholarships support, as shown in Figure 9 increased in fiscal year 2024 as a result of decreased facility enhancement support provided in lieu of scholarships.

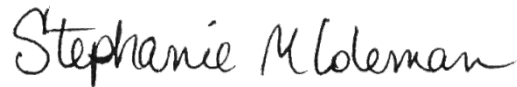


The Foundation is a vibrant, forward-looking organization committed to playing a significant role in the future development of the University athletics program. The financial information that follows provides additional insights into the Foundation's financial position and fiscal year results.

If you have any questions, please contact us.

A handwritten signature in black ink, appearing to read "Ryan Robinson".

Ryan Robinson  
Executive Director

A handwritten signature in black ink, appearing to read "Stephanie M. Coleman".

Stephanie M. Coleman  
Executive Treasurer  
Vice Chancellor for Administration & Finance,  
East Carolina University

A handwritten signature in black ink, appearing to read "Brittany Stockstill".

Brittany Stockstill  
Controller





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
East Carolina University Educational Foundation, Inc.  
Greenville, North Carolina

### Opinion

We have audited the financial statements of East Carolina University Educational Foundation, Inc. (the "Foundation") (a 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 Educational 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 of East Carolina University Educational 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 Educational 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 Educational 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 Educational 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 Educational Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15,651,205	\$ 10,373,892
Current portion of unconditional promises to give, net (Note 3)	6,593,297	7,084,830
Prepaid expenses	147,077	128,393
Other receivables	<u>1,825,761</u>	<u>48,169</u>
Total current assets	<u>24,217,340</u>	<u>17,635,284</u>
Investments:		
Investments (Notes 5 and 6)	23,100,152	20,883,179
Real estate held for investment (Notes 6 and 7)	<u>201,252</u>	<u>201,252</u>
Total investments	<u>23,301,404</u>	<u>21,084,431</u>
Operating right-of-use asset	<u>30,129</u>	<u>50,436</u>
Other assets:		
Other assets	-	-
Life insurance policy - cash surrender value	163,559	772,145
Beneficial interest in charitable remainder trusts (Note 6)	2,708,131	2,048,372
Unconditional promises to give, less current portion (Note 3)	<u>7,026,151</u>	<u>6,223,961</u>
Total other assets	<u>9,897,841</u>	<u>9,044,478</u>
Total assets	<u><u>\$ 57,446,714</u></u>	<u><u>\$ 47,814,629</u></u>

See accompanying notes.

**East Carolina University Educational Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 583,775	\$ 164,992
Accrued expenses	129,956	133,503
Current portion of operating lease liability (Note 16)	19,931	29,239
Current portion of notes payable (Note 9)	450,000	450,000
Current portion of charitable gift annuities payable (Notes 6 and 8)	975	975
Current portion of deferred revenue	<u>83,054</u>	<u>177,991</u>
Total current liabilities	<u>1,267,691</u>	<u>956,700</u>
Long-term liabilities:		
Notes payable, less current portion (Note 9)	382,383	832,383
Other non-current liability (Note 10)	1,237,500	1,375,000
Operating lease liability, less current portion (Note 16)	7,983	19,833
Charitable gift annuities payable, less current portion (Notes 6 and 8)	2,611	3,920
Deferred revenue, less current portion	<u>109,564</u>	<u>118,160</u>
Total long-term liabilities	<u>1,740,041</u>	<u>2,349,296</u>
Total liabilities	<u>3,007,732</u>	<u>3,305,996</u>
Net assets:		
Without donor restrictions (Notes 13 and 14)	2,169,294	1,930,557
With donor restrictions (Notes 11, 12, and 14)	<u>52,269,688</u>	<u>42,578,076</u>
Total net assets	<u>54,438,982</u>	<u>44,508,633</u>
Total liabilities and net assets	<u>\$ 57,446,714</u>	<u>\$ 47,814,629</u>

**East Carolina University Educational Foundation, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2024**

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, gains, and other support			
Contributions	\$ 6,797,048	\$ 11,220,136	\$ 18,017,184
Gifts in kind (Note 17)	159,536	-	159,536
Contributed services and facilities (Notes 15 and 17)	831,277	-	831,277
Return on investments:			
Interest and dividends	145,526	1,104,409	1,249,935
Net realized and unrealized gains on investments	2,015	2,174,860	2,176,875
Other income	351,417	1,089	352,506
Gain on disposition of property	-	1,666	1,666
Change in value of split interest agreements	-	659,759	659,759
Change in value of charitable gift annuity	-	334	334
Change in value of life insurance	-	76,857	76,857
Net assets released from restrictions (Note 12)	<u>5,471,514</u>	<u>(5,471,514)</u>	<u>-</u>
Total revenues, gains, and other support	<u>13,758,333</u>	<u>9,767,596</u>	<u>23,525,929</u>
Expenses:			
Program services:			
Program development	1,255,725	-	1,255,725
Facility enhancement	4,274,627	-	4,274,627
Scholarships	<u>5,521,792</u>	<u>-</u>	<u>5,521,792</u>
Total program services	11,052,144	-	11,052,144
General and administrative	2,296,138	-	2,296,138
Fundraising	<u>136,314</u>	<u>-</u>	<u>136,314</u>
Total operating expenses	13,484,596	-	13,484,596
Credit losses	<u>-</u>	<u>110,984</u>	<u>110,984</u>
Total expenses	<u>13,484,596</u>	<u>110,984</u>	<u>13,595,580</u>
Changes in net assets	273,737	9,656,612	9,930,349
Net assets, beginning of year	1,930,557	42,578,076	44,508,633
Reclassification of net assets, donor Stipulations	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,169,294</u>	<u>\$ 52,269,688</u>	<u>\$ 54,438,982</u>

See accompanying notes.

**East Carolina University Educational Foundation, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions	\$ 6,987,660	\$ 17,881,055	\$ 24,868,715
Gifts in kind (Note 17)	382,171	297,896	680,067
Contributed services and facilities (Notes 15 and 17)	745,300	-	745,300
Return on investments:			
Interest and dividends	55,486	705,083	760,569
Net realized and unrealized gains on investments	5,534	1,586,596	1,592,130
Other income	253,396	8,000	261,396
Loss on disposition of property	-	(16,246)	(16,246)
Change in value of split interest agreements	-	946,115	946,115
Change in value of charitable gift annuity	-	(228)	(228)
Change in value of life insurance	(4,240)	73,022	68,782
Net assets released from restrictions (Note 12)	4,991,466	(4,991,466)	-
Total revenues, gains, and other support	13,416,773	16,489,827	29,906,600
Expenses:			
Program services:			
Program development	1,605,040	-	1,605,040
Facility enhancement	5,964,796	-	5,964,796
Scholarships	3,800,954	-	3,800,954
Total program services	11,370,790	-	11,370,790
General and administrative	2,221,809	-	2,221,809
Fundraising	98,190	-	98,190
Total operating expenses	13,690,789	-	13,690,789
Credit losses	-	717,323	717,323
Total expenses	13,690,789	717,323	14,408,112
Changes in net assets	(274,016)	15,772,504	15,498,488
Net assets, beginning of year	2,204,573	26,805,572	29,010,145
Net assets, end of year	\$ 1,930,557	\$ 42,578,076	\$ 44,508,633

See accompanying notes.

**East Carolina University Educational Foundation, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	<u>Program Services</u>					
	<u>Program Development</u>	<u>Facility Enhancement</u>	<u>Scholarships</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits reimbursement	\$ 2,726	\$ -	\$ -	\$ 937,681	\$ -	\$ 940,407
Contributed services and facilities	479,791	-	-	351,486	-	831,277
Scholarships and awards	11,000	-	3,299	-	-	14,299
Distributions to University	-	-	5,518,493	-	-	5,518,493
Contracted services	73,487	1,063,674	-	14,207	26,115	1,177,483
Travel	43,901	-	-	154,606	-	198,507
Registration expense	850	-	-	1,250	-	2,100
Advertising and promotion	-	-	-	1,240	2,100	3,340
Accounting and legal	-	-	-	17,102	-	17,102
Insurance	60,722	-	-	29,895	-	90,617
Office supplies	-	-	-	2,814	-	2,814
Information technology	17,565	-	-	49,031	-	66,596
Postage and shipping	105	-	-	15,495	-	15,600
Printing and binding	150	-	-	27,105	-	27,255
Dues and subscriptions	29,331	-	-	8,982	-	38,313
Other supplies	131,981	21,667	-	118,907	21,724	294,279
Food and food services	85,462	-	-	9,318	6,164	100,944
Entertainment	24,085	-	-	324,040	19,495	367,620
Facility and equipment rental	32,300	-	-	42,331	36,713	111,344
Bank and payment processing fees	-	-	-	146,215	469	146,684
Repairs and maintenance	210,639	2,724,583	-	325	-	2,935,547
Gift in kind expense	31,624	72,637	-	31,741	23,534	159,536
Other aids and grants	-	358,097	-	-	-	358,097
ABC permits	1,975	-	-	-	-	1,975
Tax expense	12,763	-	-	4,574	-	17,337
Interest	-	33,969	-	-	-	33,969
Miscellaneous expense	5,268	-	-	7,793	-	13,061
Total	<u>\$ 1,255,725</u>	<u>\$ 4,274,627</u>	<u>\$ 5,521,792</u>	<u>\$ 2,296,138</u>	<u>\$ 136,314</u>	<u>\$ 13,484,596</u>

See accompanying notes.

**East Carolina University Educational Foundation, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	Program Services					
	Program Development	Facility Enhancement	Scholarships	General and Administrative	Fundraising	Total
Salaries and benefits reimbursement	\$ 19,803	\$ -	\$ -	\$ 978,151	\$ -	\$ 997,954
Contributed services and facilities	422,861	-	-	322,439	-	745,300
Scholarships and awards	16,000	-	5,000	17,331	-	38,331
Distributions to University	-	-	3,795,954	-	-	3,795,954
Contracted services	107,959	3,026,200	-	13,116	21,912	3,169,187
Travel	22,874	-	-	24,301	-	47,175
Registration expense	440	-	-	1,374	-	1,814
Advertising and promotion	-	-	-	3,161	-	3,161
Accounting and legal	-	1,021	-	20,174	-	21,195
Insurance	50,995	-	-	27,795	-	78,790
Office supplies	5,192	-	-	3,299	-	8,491
Information technology	54,587	49,208	-	44,507	-	148,302
Postage and shipping	927	-	-	16,885	-	17,812
Printing and binding	79	-	-	27,273	-	27,352
Dues and subscriptions	22,018	-	-	8,066	-	30,084
Other supplies	616,836	931,610	-	162,700	16,566	1,727,712
Food and food services	96,343	-	-	5,846	2,290	104,479
Entertainment	37,930	-	-	215,903	14,534	268,367
Facility and equipment rental	22,257	-	-	54,074	26,307	102,638
Bank and payment processing fees	-	-	-	135,648	-	135,648
Repairs and maintenance	68,004	1,184,493	-	1,828	-	1,254,325
Gift in kind expense	19,467	513,313	-	130,806	16,481	680,067
Other aids and grants	-	209,791	-	-	-	209,791
ABC permits	4,633	-	-	-	-	4,633
Tax expense	15,835	-	-	3,251	-	19,086
Interest	-	49,160	-	-	-	49,160
Miscellaneous expense	-	-	-	3,881	100	3,981
Total	<u>\$ 1,605,040</u>	<u>\$ 5,964,796</u>	<u>\$ 3,800,954</u>	<u>\$ 2,221,809</u>	<u>\$ 98,190</u>	<u>\$ 13,690,789</u>

See accompanying notes.



**East Carolina University Educational 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	\$ 9,930,349	\$ 15,498,488
Permanently restricted contributions	(117,509)	(161,654)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Credit loss expense	110,984	717,323
Net realized and unrealized gains on investments	(2,176,875)	(1,592,130)
(Gain) loss on sale of property	(1,666)	16,246
Prior year other asset purchases expensed in current year	-	1,129,094
Contributed real estate held for investment	(154,000)	(365,000)
Liquidation of life insurance	685,443	-
Change in value of life insurance	(76,857)	(68,782)
Change in value of split-interest agreements	(659,759)	(946,115)
Change in value of charitable gift annuity	(334)	228
Net changes in operating assets and liabilities:		
Unconditional promises to give	(421,641)	(9,339,653)
Prepaid expenses	(18,684)	(123,713)
Other receivables	(1,777,592)	136,749
Operating lease assets and liabilities	(851)	(1,364)
Accounts payable	418,783	(423,485)
Accrued expense	(3,547)	6,235
Other non-current liability	(137,500)	(137,500)
Deferred revenue	(103,533)	170,437
Net cash provided by operating activities	<u>5,495,211</u>	<u>4,515,404</u>
Cash flows from investing activities:		
Proceeds from disposition of real estate held for investment	155,666	348,754
Purchases of investments	(8,078,036)	(6,931,287)
Proceeds from sale of investments	8,037,938	6,880,705
Purchase of other assets	-	-
Net cash used provided by investing activities	<u>115,568</u>	<u>298,172</u>
Cash flows from financing activities:		
Payments on annuity obligations	(975)	(975)
Contributions for endowment	117,509	161,654
Payments on note payable	(450,000)	(450,000)
Net cash used by financing activities	<u>(333,466)</u>	<u>(289,321)</u>
Net increase in cash and cash equivalents	<u>5,277,313</u>	<u>4,524,255</u>
Cash and cash equivalents, Beginning of Year	<u>10,373,892</u>	<u>5,849,637</u>
Cash and cash equivalents, End of Year	<u>\$ 15,651,205</u>	<u>\$ 10,373,892</u>
Supplemental disclosure of financing activities:		
Cash payments for interest	<u>\$ 33,969</u>	<u>\$ 49,160</u>

See accompanying notes.

## **Notes to Financial Statements**

### **1. Summary of Significant Accounting Policies**

#### ***Nature of Activities***

East Carolina University Educational Foundation, Inc. ("Foundation") is a non-profit corporation organized under the laws of the State of North Carolina. The primary purpose of the Foundation is to be the friend-raising and fund-raising arm of East Carolina University's Division I athletics program, representing the highest principles of honesty and integrity. By conducting annual fund, endowment, and capital campaigns in support of student-athlete scholarships, athletic facility enhancements and other programmatic needs, the Foundation seeks to bring positive recognition to East Carolina University and the region it serves through a competitive athletics program.

#### ***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 5 and 6 and is in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Disclosures About Fair Value of Instruments*, which defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with an original maturity of three months or less at the time of purchase. Amounts excluded from cash and cash equivalents include short-term investments that are held in the investment pool.

### ***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 at the time of donation. 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 to give 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, the 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 real estate held for investment, are carried at fair value.

As explained in Note 5, the financial statements include alternative investments consisting of hedge funds that are valued at \$2,406,693 (4% of net assets) and \$2,300,461 (5% of net assets) at June 30, 2024 and 2023, respectively. Management, using the methodology discussed in Note 6, has valued these investments using net asset value as the practical expedient to estimate fair value.

### ***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.

### ***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 life insurance under the revenues, gains, and other support section in the Statements of Activities.

### ***Split-Interest Agreements***

The Foundation has a beneficial interest in four charitable remainder trusts. A receivable has been recognized for the Foundation's beneficial interest in the remainder trusts at the present value of the estimated future distributions expected to be received. The Foundation is not the named trustee for any of the trusts. 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 the split-interest agreements.

### ***Charitable Gift Annuities***

Under charitable gift annuity contracts, the Foundation receives irrevocable title to contributed assets and agrees to make fixed period payments over various periods, generally the life of the donor. Contributed assets are recorded at fair value at the date of receipt and a liability is established for the present value of future annuity payments. The assets to fund these liabilities are maintained in a separate and distinct fund and are invested in accordance with applicable state laws and reserve requirements. The excess of contributed assets over the annuity liability is recorded as contribution revenue with donor restrictions. Any actuarial gain or loss resulting from the computation of the liability for the present value of future annuity payments is recorded as a change in the value of split-interest agreements under the revenue, gains, and other support category in net assets with donor restrictions. Upon termination of the annuity contract, the remaining liability is recognized as change in value of split-interest revenue.

### ***Leases***

At the inception of a lease, the Foundation assesses whether the lease represents an operating or financing lease. Operating leases are included in the balance sheet as a right-of-use ("ROU") asset and a corresponding lease liability. Financing leases are recorded in property and equipment and corresponding lease liability. The Foundation has elected not to recognize a right-of-use asset or lease liability for leases with an initial term of 12 months or less that do not include a purchase option that is reasonably expected to be exercised. The expense associated with short-term leases is included in facility and equipment rental in the accompanying Statements of Functional Expenses.

Right-of-use assets and lease liabilities are recognized at the commencement date. The lease liabilities are measured at the present value of the lease payments over the lease term. The Foundation uses the rate implicit in the lease, if it is determinable. If not determinable, the Foundation is using the three-year US Treasury rate for all classes of underlying assets at the date of inception. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised.

### ***Revenue Recognition***

The Foundation receives the majority of its support in the form of contributions from alumni, faculty, and friends of the ECU Athletics Program. 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's revenue streams for fundraiser sales and special events fall within the context of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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 hosted by the Foundation are primarily centered around donor cultivation and recognition. Registration revenue for special events hosted by the Foundation is intended to cover the costs associated with hosting the event and does not typically contain a contribution element. Special events revenue is recognized when the special event takes place. Amounts received in advance are deferred to the applicable period.

### ***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.

### ***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, that is 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 support 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 Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), requiring an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. Under this standard, the lessee is required to record an asset for the right to use the underlying asset for the lease term and a corresponding liability for the contractual lease payments. The Foundation adopted this standard effective July 1, 2022, the first day of the Foundation's fiscal year using the modified retrospective approach and have not restated comparative periods. In addition, the Foundation elected the package of practical expedients permitted under the transition guidance, which among other things, allowed the Foundation to carry forward the historical lease classification. Adoption of the new standard did not materially impact the Foundation's net income and had no impact on cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326). This ASU, along with related ASUs issued subsequently, revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. The Foundation adopted the new standard effective July 1, 2023, the first day of the Foundation's fiscal year. The Foundation does not expect Topic 326 to have a significant impact on its financial conditions or results of operations on an ongoing basis.

### ***Reclassifications***

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

## **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 fund programs, facility enhancements, and scholarships 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
- Maintaining sufficient reserves to provide reasonable assurance that long term funding commitments and obligations under endowments with donor restrictions 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. The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted 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, with the exception of the amounts that are designated for general use. Donor-restricted endowment funds are not available for general expenditure.

Financial assets without donor or other restrictions limiting their use that are available for general expenditure within one year of the balance sheet date at June 30, 2024 and 2023 are comprised of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,362,920	\$ 1,179,325
Current portion of unconditional promises to give, net	793,662	900,884
Other receivables	40,318	48,169
Investments	<u>29,471</u>	<u>27,456</u>
	<u>\$ 2,226,371</u>	<u>\$ 2,155,834</u>

### ***Liquidity of Investments***

As of June 30, 2024, approximately 89.6% of the Foundation's investment portfolio consists of highly liquid investments (mutual funds and exchange traded funds); 10.4% of the portfolio's investments may be redeemed in whole or in part at future specified redemption dates upon timely written notice of the redemption request as described in Note 6.

### **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	\$ 7,366,948	\$ 7,891,119
Receivables due in one to five years	8,143,659	7,784,786
Receivables due in more than five years	<u>3,475,000</u>	<u>2,500,000</u>
	18,985,607	18,175,905
Less: Allowance for unamortized discount	(3,910,967)	(3,460,472)
Less: Allowance for uncollectible receivables	<u>(1,455,192)</u>	<u>(1,406,642)</u>
Net unconditional promises to give	<u>\$ 13,619,448</u>	<u>\$ 13,308,791</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 to estimate the present value of future payments.

### **4. Conditional Promises to Give**

The Foundation has conditional agreements with several donors in which funding contributed to the Capital Campaign was contingent upon completion of the TowneBank Tower construction project for Fall 2018 opening. As the completion of the construction project was delayed from Fall 2018 to Fall 2019, conditional agreements were reevaluated by the Foundation to determine those still deemed conditional at June 30, 2024. Conditional promises to give have not been recognized as revenue in the financial statements. Conditional promises to give are as follows:

	<u>2024</u>	<u>2023</u>
Conditional upon meeting program initiative	<u>\$ -</u>	<u>\$ 500</u>

### **5. 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>
Common stock	\$ 15,501,602	\$ 13,215,005
Corporate bonds	2,646,902	2,652,184
Government bonds	1,025,658	628,897
Foreign bonds	44,806	-
Mutual funds	673,940	1,138,449
Money market funds	<u>800,551</u>	<u>948,183</u>
Total marketable securities	20,693,459	18,582,718
Alternative investments	<u>2,406,693</u>	<u>2,300,461</u>
Total investments	<u>\$ 23,100,152</u>	<u>\$ 20,883,179</u>

## **6. 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.

Marketable securities, including common stock, corporate bonds, government bonds, mutual funds, and money market funds listed on a national market or exchange, 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.

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.

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.



**East Carolina University Educational Foundation, Inc.**  
**Notes to Financial Statements**

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

<b>Financial Assets (Liabilities) at Fair Market Value as of June 30, 2024</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in marketable securities	\$ 20,693,459	\$ -	\$ -	\$ 20,693,459
Investments in real estate	-	201,252	-	201,252
Investment in hedge funds measured at net asset value <sup>(a)</sup>				2,406,693
<b>Total</b>	<b>\$ 20,693,459</b>	<b>\$ 201,252</b>	<b>\$ -</b>	<b>\$ 23,301,404</b>
Beneficial interest in charitable remainder trusts	\$ -	\$ -	\$ 2,708,131	\$ 2,708,131
Liabilities under charitable gift annuities	\$ -	\$ (3,586)	\$ -	\$ (3,586)
<b>Financial Assets (Liabilities) at Fair Market Value as of June 30, 2023</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in marketable securities	\$ 18,582,718	\$ -	\$ -	\$ 18,582,718
Investments in real estate	-	201,252	-	201,252
Investment in hedge funds measured at net asset value <sup>(a)</sup>				2,300,461
<b>Total</b>	<b>\$ 18,582,718</b>	<b>\$ 201,252</b>	<b>\$ -</b>	<b>\$ 21,084,431</b>
Beneficial interest in charitable remainder trusts	\$ -	\$ -	\$ 2,048,372	\$ 2,048,372
Liabilities under charitable gift annuities	\$ -	\$ (4,895)	\$ -	\$ (4,895)

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

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

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

**East Carolina University Educational Foundation, Inc.**  
**Notes to Financial Statements**

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

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 2,048,372	\$ 1,102,257
Change in value of split interest agreements	<u>659,759</u>	<u>946,115</u>
Balance, end of year	<u>\$ 2,708,131</u>	<u>\$ 2,048,372</u>

Realized and unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) shown above are included in the change in net assets for 2024 and 2023 reported 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.

<u>Significant Unobservable Inputs at June 30, 2024</u>			
<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Beneficial interest in charitable remainder trusts	Discounted Cash Flows	Payout Rate Discount Rate	0.10-10.0% -2.2-47.1%
\$ 2,708,131			
<u>Significant Unobservable Inputs at June 30, 2023</u>			
<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Beneficial interest in charitable remainder trusts	Discounted Cash Flows	Payout Rate Discount Rate	0.10-10.0% -0.4-48.5%
\$ 2,048,372			

**East Carolina University Educational Foundation, Inc.**  
**Notes to Financial Statements**

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

<b>Alternative Investments at June 30, 2024</b>			
	<b>Fair Value</b>	<b>Redemption Frequency (if currently available)</b>	<b>Redemption Notice Period</b>
Hedge Funds:			
Ironwood Institutional Multi-Strategy Fund LLC	\$ 585,284	Monthly/Quarterly	30 days to 120 days
Blackstone REIT	615,029	Monthly	N/A
Partners Group PE – P	597,401	Quarterly	30 days
Blackstone BCRED	608,979	Quarterly	45 days
Total Alternative Investments	<u><b>\$ 2,406,693</b></u>		

<b>Alternative Investments at June 30, 2023</b>			
	<b>Fair Value</b>	<b>Redemption Frequency (if currently available)</b>	<b>Redemption Notice Period</b>
Hedge Fund:			
Ironwood Institutional Multi-Strategy Fund LLC	\$ 565,764	Monthly/Quarterly	30 days to 120 days
Blackstone REIT	634,772	Monthly	N/A
Partners Group PE – P	568,068	Quarterly	30 days
Blackstone BCRED	531,857	Quarterly	45 days
Total Alternative Investments	<u><b>\$ 2,300,461</b></u>		

The Foundation invests in alternative investment vehicles as hedges against broader market risks by further diversifying the portfolio holdings. The hedge fund investments pursue a variety of 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.

## **7. Real Estate Held for Investment**

The real estate, recorded at appraised value on the dates received and adjusted for changes in fair value, consists of 164 acres in Carteret County; two residential lots in the Brook Valley subdivision, and one lot in the River Hills subdivision in Pitt County; two lots in the Rolling Pines subdivision in Washington County; and a time share located in Horry County, South Carolina.

	<b>2024</b>	<b>2023</b>
Carteret County, North Carolina	\$ 159,402	\$ 159,402
Pitt County, North Carolina	30,750	30,750
Washington County, North Carolina	10,600	10,600
Horry County, South Carolina	<u>500</u>	<u>500</u>
Total	<u><b>\$ 201,252</b></u>	<u><b>\$ 201,252</b></u>

## **8. Annuities Payable**

The Foundation accepted contributions from one donor in exchange for the Foundation funded life annuity (charitable gift annuity). Total annuity payments were \$975 and \$975 for the years ended June 30, 2024 and 2023, respectively.

The annuity payable balance at June 30, 2024 and 2023, of \$3,586 and \$4,895, respectively, is the present value of the quarterly payments to the annuitant based on the actuarially determined life expectancy of the annuitant and a payout rate of 3.25%. The Foundation's obligation for the remainder of the annuitant's life is \$975 per year. The estimated remaining life expectancy of the annuitant is 7 years.

## **9. Notes Payable**

On December 13, 2019, the Foundation entered into a \$4,500,000 loan bearing interest at 3.31%. The Foundation made a draw of \$2,632,383 on the loan on June 26, 2020. Interest payments are due monthly and principal payments of \$450,000 are due annually on December 10<sup>th</sup> beginning in 2020 with the final payment due December 10, 2029, or when paid in full.

Total interest expense for this loan for the years ended June 30, 2024, and 2023 was \$33,969 and \$49,160 respectively.

## **10. Other Non-Current Liability**

As a result of the Learfield-IMG merger and Antitrust laws, the Department of Justice and Federal Trade Commission allowed University partners of Learfield and/or IMG to perform a "market check" upon completion of 70% (8 years) of the existing contract. ECU Athletics opted to take advantage of the "market check" allowed and requested proposals for its Multimedia Rights. In March 2021, ECU Athletics entered a contract with Leona Marketing Group. Leona Marketing Group served as the negotiator for ECU Athletics new Multimedia Rights contract. In accordance with the agreement, Leona's fee was considered earned when a new Multimedia Rights contract was entered. Leona's fee was calculated based on a percentage of contract revenue above a specified floor and payable over the term of the new Multimedia Rights agreement. Due to the amount of the contract payment and State purchasing guidelines, the Foundation has assumed responsibility for the success fee. The Foundation recorded a liability and associated expense for the fiscal year ended June 30, 2022.

ECU entered a Letter of Intent for its Multimedia Rights with Playfly Sports in March 2022, at which point Leona's fee was deemed earned. The success fee of \$1.65M is payable over 12 years in equal annual installments. Annual payments of \$137,500 are due on July 1. The first of the twelve annual payments of \$137,500 was due on July 1, 2022. The balance of the liability at June 30, 2024 and 2023 was \$1,375,000 and \$1,512,500, respectively.

## **11. 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 Development	\$ 1,370,176	\$ 1,177,452
Facility Enhancement	16,347,380	9,257,475
Scholarships and awards	<u>7,424,648</u>	<u>5,645,513</u>
	<u>25,142,204</u>	<u>16,080,440</u>
Endowment:		
Facility Enhancement	2,000,000	2,000,000
Scholarships and awards	<u>12,301,699</u>	<u>12,089,728</u>
	<u>14,301,699</u>	<u>14,089,728</u>
Pledged:		
Spendable:		
Program Development	170,973	173,991
Facility Enhancement	12,293,167	11,811,617
Endowment:		
Scholarships and awards	<u>361,645</u>	<u>422,300</u>
	<u>12,825,785</u>	<u>12,407,908</u>
Total net assets with donor restrictions	<u>\$ 52,269,688</u>	<u>\$ 42,578,076</u>

## **12. Net Assets Released from Donor Restrictions**

Net assets totaling \$5,471,514 and \$4,991,466 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>
Facility enhancement	\$ 4,256,824	\$ 3,444,210
Scholarships	618,091	581,954
Program development	<u>596,599</u>	<u>965,302</u>
Total	<u>\$ 5,471,514</u>	<u>\$ 4,991,466</u>

## **13. 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	<u>\$ 2,169,294</u>	<u>\$ 1,930,557</u>

## **14. Endowments**

The Foundation's endowment consists of sixty-nine individual funds established for a variety of purposes. Endowments include donor-restricted endowment funds. 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 endowment 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 Uniform Prudent Management of Institutional Funds Act (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 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 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. 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.

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. 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 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 for distribution each year an allocation based on an endowment fund's thirty-six month (or total life of the fund if less than thirty-six months) weighted average balance as of June 30 at two previous fiscal years ended. In establishing this policy, the Foundation considered the long-term expected return on its endowment. For the years ended June 30, 2024 and 2023, the appropriation amount was 4.00%.

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

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>June 30, 2024</b>	<b><u>\$ 1,315,689</u></b>	<b><u>\$ 22,316,958</u></b>	<b><u>\$ 23,632,647</u></b>
June 30, 2023	<u>\$ 1,315,689</u>	<u>\$ 20,118,395</u>	<u>\$ 21,434,084</u>

Changes in endowment net assets for the fiscal years ended June 30:

	<b>2024</b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	<u>\$ 1,315,689</u>	<u>\$ 20,118,395</u>	<u>\$ 21,434,084</u>
Reclassification due to repurpose	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Endowment net assets after Reclassification	<u>1,315,689</u>	<u>20,153,395</u>	<u>21,469,084</u>
Investments income (including realized and unrealized gains and losses)	<u>-</u>	<u>2,762,388</u>	<u>2,762,388</u>
Contributions	<u>-</u>	<u>117,509</u>	<u>117,509</u>
Change in value of life insurance	<u>-</u>	<u>3,347</u>	<u>3,347</u>
Scholarship expense	<u>(603,792)</u>	<u>(13,299)</u>	<u>(617,091)</u>
Other changes	<u>603,792</u>	<u>(706,382)</u>	<u>(102,590)</u>
Endowment net assets, end of year	<b><u>\$ 1,315,689</u></b>	<b><u>\$ 22,316,958</u></b>	<b><u>\$ 23,632,647</u></b>

**East Carolina University Educational Foundation, Inc.**  
**Notes to Financial Statements**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,314,508	\$ 18,531,622	\$ 19,846,130
Investments income (including realized and unrealized gains and losses)	1,181	2,091,668	2,092,849
Contributions	-	161,654	161,654
Change in value of life insurance	-	23,280	23,280
Scholarship expense	(560,954)	(20,000)	(580,954)
Other changes	560,954	(669,829)	(108,875)
Endowment net assets, end of year	<u>\$ 1,315,689</u>	<u>\$ 20,118,395</u>	<u>\$ 21,434,084</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 \$0 and \$16,388 respectively, were reported in net assets with donor restrictions.

	2024	2023
Fair value of underwater endowment funds	\$ -	\$ 339,904
Original endowment gift amount	-	(356,292)
Deficiencies of underwater endowment funds	<u>\$ -</u>	<u>\$ (16,388)</u>

**15. Related Party Transactions**

***East Carolina University***

East Carolina 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 ended June 30, 2024 and 2023 was \$299,829 of \$831,277 total contributed services, and \$285,243 of \$745,300 total contributed services, respectively.

The Foundation accrued expenses of \$129,400 and \$124,295 at June 30, 2024 and 2023, respectively, owed to the University.

**16. Leases**

On June 21, 2021, the Foundation began leasing real premises located on the Grady White Boats Athletic Campus from the State of North Carolina and on behalf of East Carolina University as an operating lease with a maturity of March 2022. Due to construction delays, the lease was extended through October 2022. Annual lease payments were \$1.



**East Carolina University Educational Foundation, Inc.**  
**Notes to Financial Statements**

The Foundation leases vehicles from non-related entities under operating leases that have an initial or remaining noncancelable lease term in excess of one year as of June 30, 2024. Leases greater than 12 months result in the recognition of a right of use ("ROU") asset and a liability at the lease commencement date based on the present value of the lease payments over the lease term. Because the Foundation does not have access to the rate implicit in the lease, the Foundation utilized the US Treasury rate in associated present value calculation.

The weighted average discount rate used in the Foundation's lease calculations was 3.83% and 3.44% for the fiscal years ended June 30, 2024 and 2023, respectively. The average remaining lease term was 1.41 and 1.89 years for the fiscal years ended June 30, 2024 and 2023, respectively.

The following is a schedule of future lease maturities at June 30, 2024:

<u>Year</u>	<u>Operating</u>
2025	\$ 20,577
2026	7,821
2027	<u>340</u>
Total undiscounted cash flows	28,738
Less: present value discount	<u>(824)</u>
Total lease liabilities	<u><u>\$ 27,914</u></u>

## **17. Contributed Nonfinancial Assets**

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

	<u>2024</u>	<u>2023</u>
Gifts in kind:		
Food	\$ 46,314	\$ 109,965
Supplies & materials	9,819	44,889
Athletic supplies	28,438	11,900
Facility enhancements	<u>74,965</u>	<u>513,313</u>
Total gifts in kind	<u>159,536</u>	<u>680,067</u>
Contributed services and facilities:		
Courtesy cars	334,508	300,604
Contributed services	461,489	409,416
Contributed facilities	<u>35,280</u>	<u>35,280</u>
Total contributed services and facilities	<u>831,277</u>	<u>745,300</u>
Total contributed nonfinancial assets	<u><u>\$ 990,813</u></u>	<u><u>\$ 1,425,367</u></u>

## **18. Concentration of Credit Risk**

### ***Financial Institutions***

The Foundation has deposits with one financial institution that, at times, may exceed federal depository insurance limits. Deposits at the financial institution were \$21,072 and \$29,222 at June 30, 2024 and 2023, respectively. The Foundation's chapters have deposits with four different financial institutions that total \$27,100 and \$25,088 at June 30, 2024 and 2023, respectively.

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

The Foundation deposits substantially all of its funds not otherwise invested, 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 and 2023, the Foundation's STIF account deposits would not be exposed to custodial credit risk.

### ***Investment Brokerage Accounts***

The Securities Investor Protection Corporation (SIPC) insures investments with registered brokers up to \$500,000, of which \$250,000 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 has investments in excess of the SIPC insurance amount.

## **19. Subsequent Events**

Management evaluated subsequent events through November 6, 2024, the date the financial statements were available to be issued. Except as noted above, there were no events or transactions occurring after June 30, 2024, but prior to the date these financial statements were available to be issued that provided additional evidence about conditions that existed at June 30, 2024.