

East Carolina University Medical & Health Sciences Foundation, Inc.

Financial Statements

Years Ended June 30, 2021 and 2020

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ECU

**MEDICAL & HEALTH SCIENCES
FOUNDATION INC.**

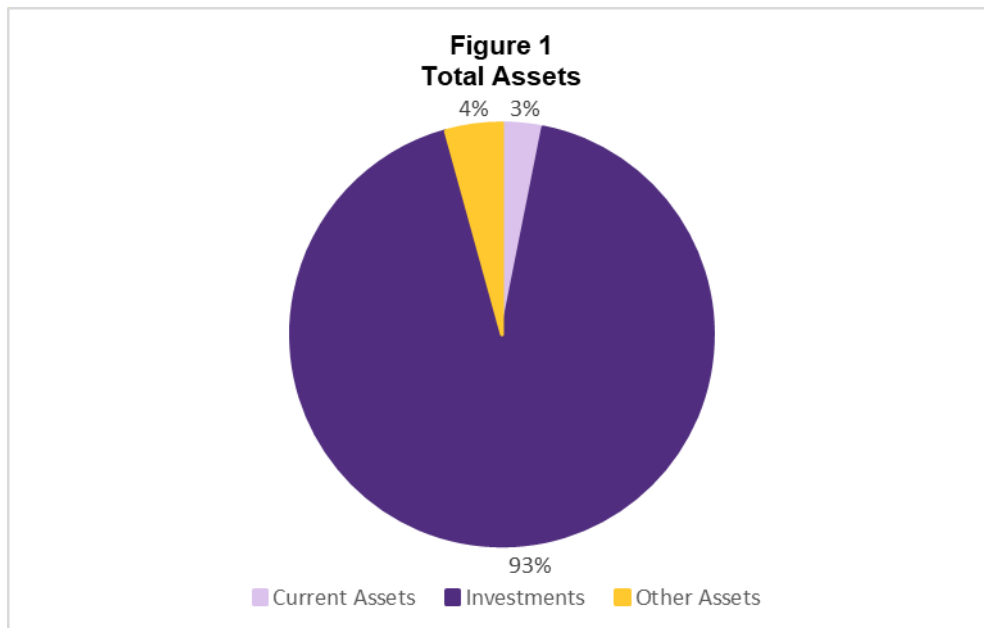
Management's Discussion and Analysis

October 19, 2021

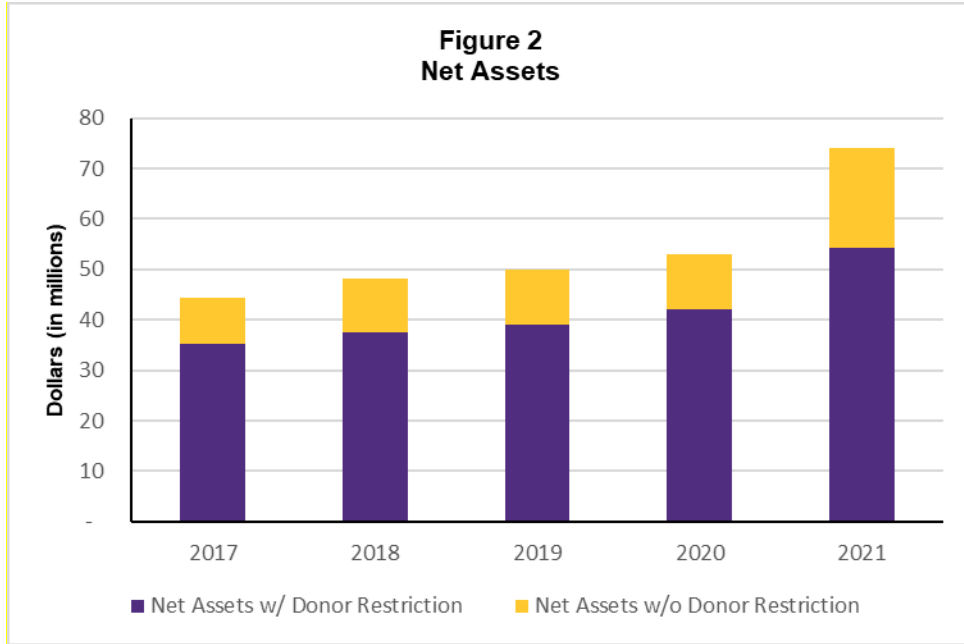
The East Carolina University Medical & Health Sciences Foundation, Inc. (the "Foundation") is a volunteer led, 501(c)(3) organization whose mission is to raise, manage, and distribute gift resources for academic programs that directly benefit the Division of Health Sciences at East Carolina University ("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, 2021, the Foundation saw an increase in net assets. The following graphs summarize the financial results for the year ended June 30, 2021.

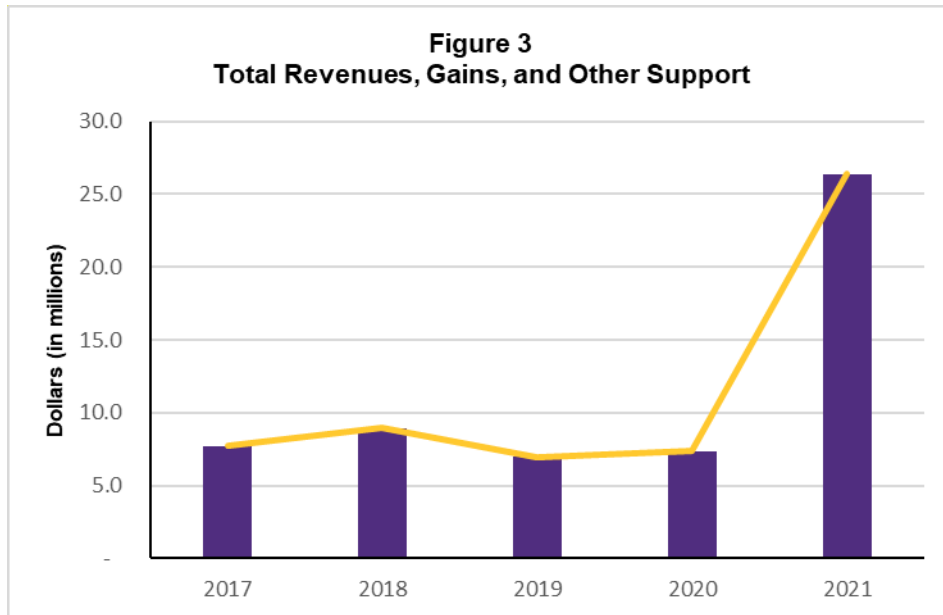
Total assets of the Foundation at June 30, 2021 were \$74.6 million. The Foundation's investment pool represented the largest percentage of the Foundation's assets at the end of the fiscal year (see Figure 1).



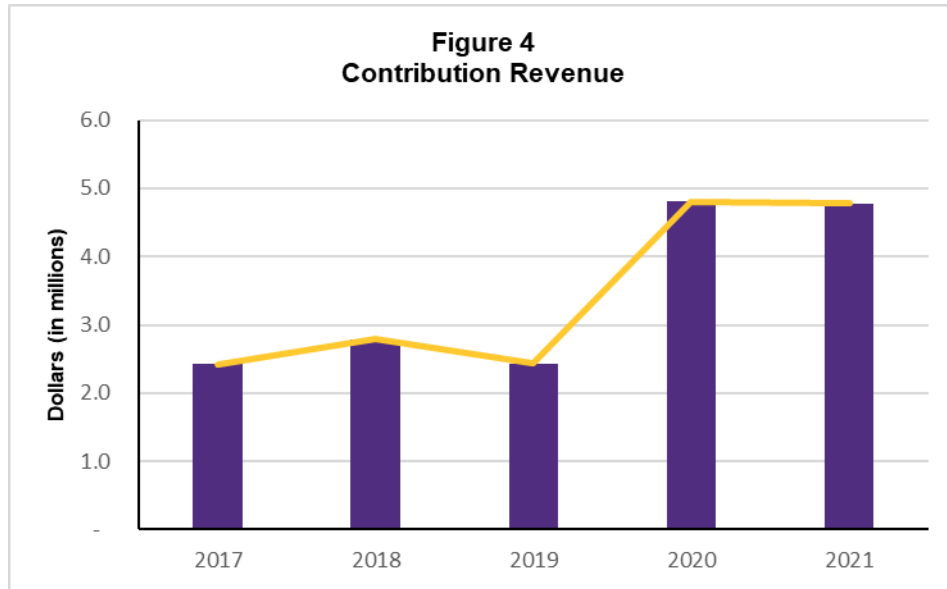
The Foundation’s ending total net assets of \$74.0 million were an increase of 39.6% from the prior year’s ending net assets (see Figure 2). This was primarily due to the continued growth of the Foundation’s investment portfolio, as well as the continued generosity and financial commitments of the Foundation’s donors.



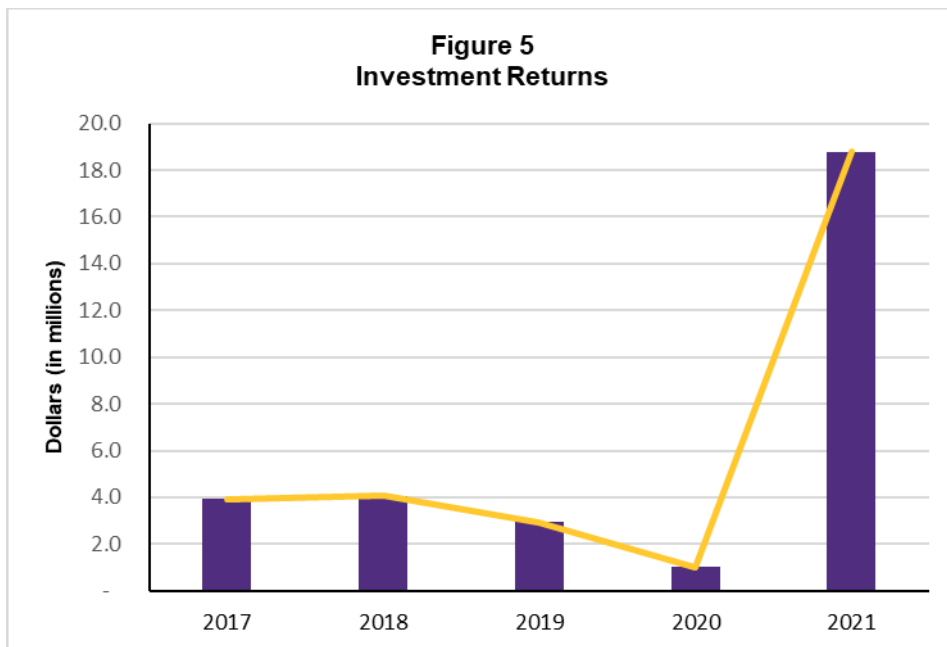
The total revenues, gains, and other support received by the Foundation during the year were \$26.4 million. As illustrated by Figure 3, the change in total revenues represented a 257.9% increase over the previous year’s total revenue of \$7.4 million. The increase was driven by significant positive investment returns (see Figure 5) and contributions from donors (see Figure 4) received during fiscal year 2021 compared to the prior year.



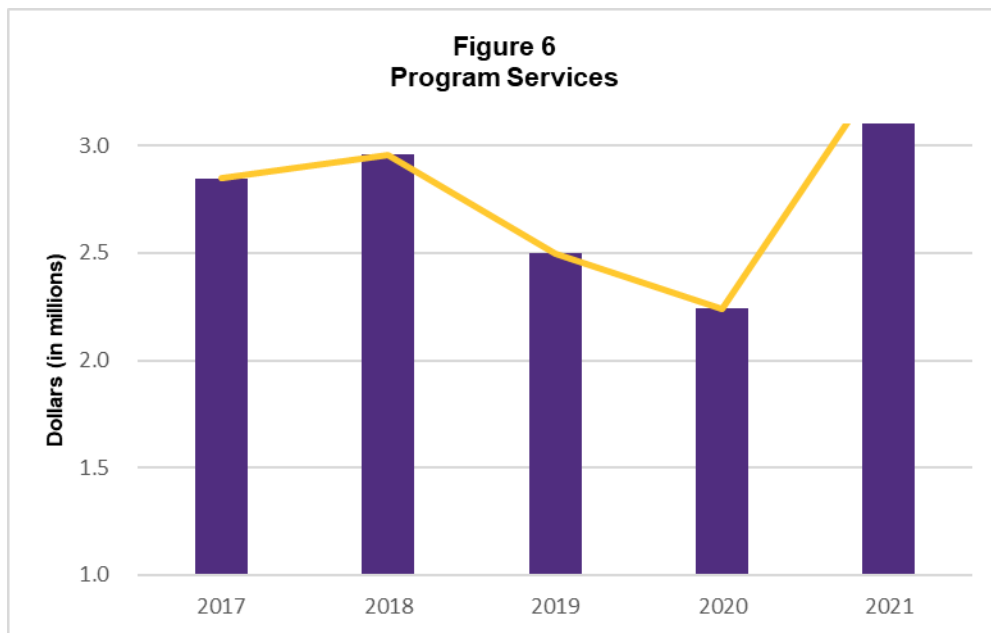
Contributions and gifts-in-kind to the Foundation for the 2021 and 2020 fiscal years totaled \$4.8 million each year. During fiscal year 2021, the Foundation received a \$1.25 million gift to support joint projects in maternal fetal medicine and telepsychiatry, as well as multiple five- and six-figure contributions for programs and initiatives within ECU's Division of Health Sciences. The Foundation also collected over \$350 thousand in contributions and commitments towards the creation of two distinguished professorship supporting the ECU School of Dental Medicine and Brody School of Medicine.



The Foundation received investment income and gains for fiscal year 2021 totaling \$18.8 million, as shown in Figure 5. For the year ended June 30, 2021, the Foundation's investments produced a gain of 32.33% compared to a 2.2% gain for the year ended June 30, 2020, capitalizing on the economic recovery from the height of the global COVID-19 pandemic.



The Foundation fulfills its mission through program services, which provide private resources for the benefit of the East Carolina University Division of Health Sciences, 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 2021, the Foundation provided \$3.4 million in financial support for the ECU Division of Health Sciences (see Figure 6). The increase in total program services from the prior year is largely due to the funding of two distinguished professorships totaling \$1 million. While the COVID-19 pandemic still limited the opportunity for certain events, activities, and programs traditionally supported by the Foundation, the Foundation was able to provide over \$1 million in scholarship support to students during the 2021 fiscal year, marking the fourth consecutive year that the Foundation has provided over \$1.0 million in scholarships.



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.

Herbert G. Garrison, MD, MPH
Interim President

Gary R. Vanderpool
Treasurer

Joel B. Stocks, CPA
Controller



Independent Auditors' Report

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

We have audited the accompanying financial statements of East Carolina University Medical & Health Sciences Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Carolina University Medical & Health Sciences Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was 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 audit 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
October 19, 2021**

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,814,546	\$ 2,915,742
Current portion of unconditional promises to give, net (Note 3)	277,706	288,287
Prepaid expenses	12,874	19,997
Other receivables (Note 15)	<u>226,576</u>	<u>233,118</u>
Total current assets	<u>2,331,702</u>	<u>3,457,144</u>
Investments:		
Investments (Notes 4 and 5)	66,366,503	45,947,057
Real estate held for investment (Note 5)	<u>2,658,526</u>	<u>1,186,405</u>
Total investments	<u>69,025,029</u>	<u>47,133,462</u>
Capital assets, net (Note 12)	<u>57,896</u>	<u>60,246</u>
Other assets:		
Life insurance policy - cash surrender value	28,696	23,482
Beneficial interest in charitable remainder trusts (Note 5)	578,233	738,644
Beneficial interest in perpetual trusts (Note 5)	876,456	754,953
Assets held in charitable remainder trusts and annuities (Notes 5 and 6)	900,179	681,072
Collectibles	389,357	389,357
Unconditional promises to give, less current portion (Note 3)	<u>365,280</u>	<u>446,877</u>
Total other assets	<u>3,138,201</u>	<u>3,304,385</u>
Total assets	<u>\$ 74,552,828</u>	<u>\$ 53,685,237</u>

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Financial Position
June 30, 2021 and 2020

(Continued)

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable (Note 15)	\$ 73,626	\$ 99,614
Accrued expenses	8,824	8,884
Current portion of charitable gift annuities payable (Notes 5 and 7)	36,047	36,047
Deferred revenue	<u>-</u>	<u>6,340</u>
Total current liabilities	<u>118,497</u>	<u>150,885</u>
Long-term liabilities:		
Charitable gift annuities payable, less current portion (Notes 5 and 7)	154,327	267,151
Liabilities under charitable remainder trusts (Notes 5 and 6)	<u>230,876</u>	<u>221,540</u>
Total long-term liabilities	<u>385,203</u>	<u>488,691</u>
Total liabilities	<u>503,700</u>	<u>639,576</u>
Net assets:		
Without donor restrictions (Note 10)	19,710,688	10,992,559
With donor restrictions (Notes 8, 9, and 11)	<u>54,338,440</u>	<u>42,053,102</u>
Total net assets	<u>74,049,128</u>	<u>53,045,661</u>
Total liabilities and net assets	<u>\$ 74,552,828</u>	<u>\$ 53,685,237</u>

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 49,601	\$ 4,611,417	\$ 4,661,018
Gifts in kind	-	114,505	114,505
Contributed services and facilities (Note 15)	1,255,554	-	1,255,554
Return on investments:			
Interest and dividends	12,611	238,083	250,694
Net realized and unrealized gains on investments	7,618,086	10,908,568	18,526,654
Other income	34,101	50,740	84,841
Revaluation of real estate	1,472,121	-	1,472,121
Change in value of split interest agreements	5,886	14,935	20,821
Net assets released from restrictions (Note 9)	<u>3,641,857</u>	<u>(3,641,857)</u>	<u>-</u>
Total revenues, gains, and other support	<u>14,089,817</u>	<u>12,296,391</u>	<u>26,386,208</u>
Expenses:			
Program services:			
Program and faculty support	1,653,497	-	1,653,497
Research, clinical, and education	679,678	-	679,678
Scholarships and awards	1,059,172	-	1,059,172
Total program services	<u>3,392,347</u>	<u>-</u>	<u>3,392,347</u>
Management and general	794,270	-	794,270
Fundraising	1,178,374	-	1,178,374
Total operating expenses	<u>5,364,991</u>	<u>-</u>	<u>5,364,991</u>
Bad debt losses	<u>-</u>	<u>17,750</u>	<u>17,750</u>
Total expenses	<u>5,364,991</u>	<u>17,750</u>	<u>5,382,741</u>
Changes in net assets	8,724,826	12,278,641	21,003,467
Net assets, beginning of year	10,992,559	42,053,102	53,045,661
Reclassification of net assets, donor stipulations and Board match (Note 16)	<u>(6,697)</u>	<u>6,697</u>	<u>-</u>
Net assets, end of year	<u>\$ 19,710,688</u>	<u>\$ 54,338,440</u>	<u>\$ 74,049,128</u>

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, gains, and other support:			
Contributions	\$ 64,901	\$ 4,714,752	\$ 4,779,653
Gifts in kind	-	22,959	22,959
Contributed services and facilities (Note 15)	1,381,788	-	1,381,788
Return on investments:			
Interest and dividends	28,682	257,088	285,770
Net realized and unrealized gains on investments	355,719	372,099	727,818
Other income	12,785	136,208	148,993
Gain on disposition of property			
Change in value of split interest agreements	(10,402)	36,019	25,617
Net assets released from restrictions (Note 9)	<u>2,436,713</u>	<u>(2,436,713)</u>	<u>-</u>
Total revenues, gains, and other support	<u>4,270,186</u>	<u>3,102,412</u>	<u>7,372,598</u>
Expenses:			
Program services:			
Program and faculty support	635,519	-	635,519
Research, clinical, and education	469,065	-	469,065
Scholarships and awards	1,136,477	-	1,136,477
Total program services	<u>2,241,061</u>	<u>-</u>	<u>2,241,061</u>
Management and general	860,182	-	860,182
Fundraising	1,224,932	-	1,224,932
Total operating expenses	<u>4,326,175</u>	<u>-</u>	<u>4,326,175</u>
Bad debt losses	<u>-</u>	<u>7,600</u>	<u>7,600</u>
Total expenses	<u>4,326,175</u>	<u>7,600</u>	<u>4,333,775</u>
Changes in net assets	(55,989)	3,094,812	3,038,823
Net assets, beginning of year	11,059,220	38,947,618	50,006,838
Reclassification of net assets, donor stipulations and Board match (Note 16)	<u>(10,672)</u>	<u>10,672</u>	<u>-</u>
Net assets, end of year	<u>\$ 10,992,559</u>	<u>\$ 42,053,102</u>	<u>\$ 53,045,661</u>

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program Services</u>					<u>Total</u>
	<u>Program and Faculty Support</u>	<u>Research, Clinical, and Education</u>	<u>Scholarships and Awards</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and benefits reimbursements	\$ 78,337	\$ 314,278	\$ 22,613	\$ 38,123	\$ 455,451	\$ 908,802
Contributed services and facilities	26,977	-	-	663,065	565,512	1,255,554
Scholarships and awards	7,833	6,750	1,025,491	-	-	1,040,074
Distributions to University	1,076,504	190,462	-	-	-	1,266,966
Contracted services	15,142	47,056	-	75	5,500	67,773
Depreciation	-	2,350	-	-	-	2,350
Clinical and research expenses	7,497	51,022	-	-	-	58,519
Educational expenses	42,786	3,450	4,579	-	264	51,079
Travel	2,635	170	-	223	809	3,837
Registration Expense	22,654	2,104	-	3,060	1,897	29,715
Acknowledgment and recognition	20,906	1,284	-	507	2,224	24,921
Advertising and promotion	8,563	3,013	-	4,551	124,067	140,194
Accounting and legal	413	-	-	17,900	-	18,313
Professional fees	52,572	-	-	-	-	52,572
Insurance	643	-	-	18,401	-	19,044
Office supplies	74,239	13,903	-	5,929	2,053	96,124
Information technology	11,673	17,038	-	8,700	-	37,411
Postage and shipping	4,498	2,765	-	3,846	4,219	15,328
Printing and binding	9,825	7,965	-	1,918	12,010	31,718
Dues and subscriptions	3,937	858	-	4,899	130	9,824
Food and food services	44,465	3,578	-	265	4,238	52,546
Facility and equipment rental	3,275	1,688	-	-	-	4,963
Bank and payment processing fees	72	-	-	1,877	-	1,949
Repairs and maintenance	372	-	-	-	-	372
Utilities and occupancy	21,100	-	-	17,708	-	38,808
Gift in kind expense	109,610	4,895	-	-	-	114,505
Gift fees	5,880	627	6,489	-	-	12,996
Miscellaneous expense	1,089	4,422	-	3,223	-	8,734
Total	\$ 1,653,497	\$ 679,678	\$ 1,059,172	\$ 794,270	\$ 1,178,374	\$ 5,364,991

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					Fundraising	Total
	Program and Faculty Support	Research, Clinical, and Education	Scholarships and Awards	Management and General			
Salaries and benefits reimbursements	\$ 89,410	\$ 54,514	\$ 25,000	\$ 65,070	\$ 403,047	\$ 637,041	
Contributed services and facilities	26,548	-	-	709,482	645,758	1,381,788	
Scholarships and awards	16,850	600	1,095,560	-	-	1,113,010	
Distributions to University	9,588	268,570	-	-	-	278,158	
Contracted services	83,918	35,695	-	580	-	120,193	
Depreciation	-	2,350	-	-	-	2,350	
Clinical and research expenses	4,492	9,718	-	-	-	14,210	
Educational expenses	8,174	10,746	2,799	-	128	21,847	
Travel	23,567	10,303	6,929	239	5,921	46,959	
Registration Expense	22,495	1,084	80	119	1,354	25,132	
Acknowledgment and recognition	13,068	724	-	501	915	15,208	
Advertising and promotion	18,974	2,951	947	3,112	120,007	145,991	
Recruiting	44,233	-	-	-	3,334	47,567	
Accounting and legal	-	-	-	15,200	-	15,200	
Professional fees	40	1,087	-	-	-	1,127	
Insurance	-	-	-	19,235	-	19,235	
Office supplies	25,551	14,175	-	4,199	885	44,810	
Information technology	10,324	3,881	-	8,394	174	22,773	
Postage and shipping	1,514	671	-	1,067	2,779	6,031	
Printing and binding	10,324	11,992	-	2,159	17,400	41,875	
Dues and subscriptions	2,995	2,056	-	2,955	1,535	9,541	
Food and food services	183,393	29,893	930	8,294	21,585	244,095	
Entertainment	3,836	-	-	-	110	3,946	
Facility and equipment rental	4,533	1,745	-	950	-	7,228	
Bank and payment processing fees	148	122	-	852	-	1,122	
Repairs and maintenance	-	-	-	1,533	-	1,533	
Utilities and occupancy	-	-	-	13,380	-	13,380	
Gift in kind expense	22,959	-	-	-	-	22,959	
Gift fees	4,056	1,082	4,232	-	-	9,370	
Miscellaneous expense	4,529	5,106	-	2,861	-	12,496	
Total	\$ 635,519	\$ 469,065	\$ 1,136,477	\$ 860,182	\$ 1,224,932	\$ 4,326,175	

See accompanying notes.

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 21,003,467	\$ 3,038,823
Permanently restricted contributions	(1,156,363)	(1,784,700)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,350	2,350
Bad debt expense	17,750	7,600
Net realized and unrealized gains on investments	(18,526,654)	(727,818)
Revaluation of real estate	(1,472,121)	-
Changes in value of split-interest agreements, net	(20,821)	(25,617)
Proceeds from liquidation of split-interest agreements	78,001	
Net changes in operating assets and liabilities:		
Unconditional promises to give	74,428	(241,455)
Other receivables	6,543	(226,398)
Prepaid expenses	7,123	(6,400)
Assets under charitable remainder trusts and annuities	(188,532)	22,405
Accounts payable, accrued expenses and deferred revenue	(32,388)	(50,258)
Net cash (used) provided by operating activities	<u>(207,217)</u>	<u>8,532</u>
Cash flows from investing activities:		
Proceeds from sale of investments, net	3,978,060	3,670,561
Purchases of investments	(5,992,355)	(3,656,506)
Net cash (used) provided by investing activities	<u>(2,014,295)</u>	<u>14,055</u>
Cash flows from financing activities:		
Contributions for endowment	1,156,363	1,784,700
Payments on annuity obligations	(36,047)	(36,403)
Net cash provided by financing activities	<u>1,120,316</u>	<u>1,748,297</u>
Net (decrease) increase in cash and cash equivalents	(1,101,196)	1,770,884
Cash, Beginning of Year	<u>2,915,742</u>	<u>1,144,858</u>
Cash, End of Year	<u>\$ 1,814,546</u>	<u>\$ 2,915,742</u>

See accompanying notes.

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”) Division of Health Sciences.

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 \$57,430,334 (78% of net assets) and \$38,877,537 (73% of net assets) at June 30, 2021 and 2020, 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.

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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, 2021 and 2020.

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.

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 years ended June 30, 2021 and 2020, 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 Division of Health Sciences. 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.

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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 comprised 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, 2021 and 2020, 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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective July 1, 2020, 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.

East Carolina University Medical & Health Sciences Foundation, Inc.
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In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires Not-for-Profit (NFP) entities to present contributed nonfinancial assets as a separate line item in the statement of activities. The standard also expands disclosure requirements related to contributed nonfinancial assets. The Foundation adopted the new standard effective July 1, 2020, 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.

Recently Issued Accounting Pronouncements

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. As amended by ASU 2020-05, this standard will be effective for the fiscal year ending June 30, 2023. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

Management evaluated subsequent events through October 19, 2021, 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
- 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.

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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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,814,546	\$ 2,915,742
Current portion of unconditional promises to give, net	277,706	288,287
Other receivables	226,575	233,118
Investments	<u>66,366,503</u>	<u>45,947,057</u>
Total financial assets	<u>68,685,330</u>	<u>49,384,204</u>
Less amounts not available for general expenditures within one year, due to:		
Investments in non-liquid securities	(260,370)	(237,143)
Restricted by donors with time or purpose restrictions	(54,338,440)	(42,053,102)
Board-designations:		
Amounts designated for support of Deans, Directors, etc.	<u>(612,549)</u>	<u>(507,327)</u>
Financial assets not available to be used within one year	<u>(55,211,359)</u>	<u>(42,797,572)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 13,473,971</u>	<u>\$ 6,586,632</u>

Liquidity of Investments

As of June 30, 2021 and 2020, approximately 13.5% and 15.4% of the Foundation's investment portfolio consists of highly liquid investments (mutual funds and exchange traded funds); the remaining 86.5% and 84.6% 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 5.

3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Receivables due in less than one year	\$ 416,673	\$ 436,485
Receivables due in one to five years	448,969	546,707
Receivables due in more than five years	<u>45,000</u>	<u>45,000</u>
	910,642	1,028,192
Less: Allowance for unamortized discount	(38,348)	(47,995)
Less: Allowance for uncollectible receivables	<u>(229,308)</u>	<u>(245,033)</u>
Net unconditional promises to give	<u>\$ 642,986</u>	<u>\$ 735,164</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, 2021 and 2020 are discounted at a rate of 4.25%.

4. Investments

The aggregate fair values of investments at June 30, 2021 and 2020, by type of investment are as follows:

	<u>2021</u>	<u>2020</u>
Mutual funds and exchange traded funds	\$ 8,936,169	\$ 7,069,520
Alternative investments	<u>57,430,334</u>	<u>38,877,537</u>
Total investments	<u>\$ 66,366,503</u>	<u>\$ 45,947,057</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.

East Carolina University Medical & Health Sciences Foundation, Inc.
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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.

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The following tables present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2021 and 2020, respectively:

	Financial Assets (Liabilities)			Total
	at Fair Value as of June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments in mutual funds and exchange traded funds	\$ 8,936,169	\$ -	\$ -	\$ 8,936,169
Investments in real estate	<u>-</u>	<u>2,658,526</u>	<u>-</u>	<u>2,658,526</u>
Investments in hedge funds measured at net asset value ^(a)				<u>57,430,334</u>
Total	<u>\$ 8,936,169</u>	<u>\$ 2,658,526</u>	<u>\$ -</u>	<u>\$ 69,025,029</u>
Investments in charitable remainder trusts and annuities	<u>\$ -</u>	<u>\$ 900,179</u>	<u>\$ -</u>	<u>\$ 900,179</u>
Beneficial interest in charitable remainder trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 578,233</u>	<u>\$ 578,233</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ 876,456</u>	<u>\$ -</u>	<u>\$ 876,456</u>
Liabilities under charitable gift annuities	<u>\$ -</u>	<u>\$ (190,374)</u>	<u>\$ -</u>	<u>\$ (190,374)</u>
Liabilities under charitable remainder trusts	<u>\$ -</u>	<u>\$ (230,876)</u>	<u>\$ -</u>	<u>\$ (230,876)</u>

East Carolina University Medical & Health Sciences Foundation, Inc.
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	Financial Assets (Liabilities) at Fair Value as of June 30, 2020			Total
	Level 1	Level 2	Level 3	
Investments in mutual funds and exchange traded funds	\$ 7,069,520	\$ -	\$ -	\$ 7,069,520
Investments in real estate	-	1,186,405	-	1,186,405
Investments in hedge funds measured at net asset value ^(a)				<u>38,877,537</u>
Total	<u>\$ 7,069,520</u>	<u>\$ 1,186,405</u>	<u>\$ -</u>	<u>\$ 47,133,462</u>
Investments in charitable remainder trusts and annuities	\$ -	\$ 681,072	\$ -	\$ 681,072
Beneficial interest in charitable remainder trusts	\$ -	\$ -	\$ 738,644	\$ 738,644
Beneficial interest in perpetual trusts	\$ -	\$ 754,953	\$ -	\$ 754,953
Liabilities under charitable gift annuities	\$ -	\$ (303,198)	\$ -	\$ (303,198)
Liabilities under charitable remainder trusts	\$ -	\$ (221,540)	\$ -	\$ (221,540)

^(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.

There were no transfers among Level 1, Level 2, or Level 3 assets during the years ended June 30, 2021 and 2020. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 738,644	\$ 614,647
Net unrealized (losses) gains	<u>(160,411)</u>	<u>123,997</u>
Balance, end of year	<u>\$ 578,233</u>	<u>\$ 738,644</u>

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 2021 and 2020 in the Statements of Activities.

East Carolina University Medical & Health Sciences Foundation, Inc.
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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, 2021				
	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial interests in charitable remainder trusts	\$ 578,233	Discounted Cash Flows	Payout Rate Discount Rate	5.0-6.0% 7.7%

Significant Unobservable Inputs at June 30, 2020				
	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial interests in charitable remainder trusts	\$ 738,644	Discounted Cash Flows	Payout Rate Discount Rate	5.0-6.6% 4.4%

The following table summarizes the Foundation's alternative investments, which consist solely of hedge funds, at June 30, 2021 and 2020:

Alternative Investments at June 30, 2021			
	Fair Value	Redemption Frequency (if currently available)	Redemption Notice Period
Private Equity Funds:			
WST Income Fund I, LLC	\$ 260,370	Ineligible	N/A
Total private equity funds	260,370		
Hedge Funds:			
UNC Investment Fund, LLC	56,421,546	Monthly	30 days
Aquila Capital, LP	449,482	Quarterly	60 days
CKC Credit Opportunity Fund, LP	298,936	Quarterly	60 days
Total hedge funds	57,169,964		
Total alternative investments	\$ 57,430,334		

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	<u>Alternative Investments at June 30, 2020</u>		
	<u>Fair Value</u>	<u>Redemption Frequency (if currently available)</u>	<u>Redemption Notice Period</u>
Private Equity Funds:			
WST Income Fund I, LLC	\$ 237,143	Ineligible	N/A
Total private equity funds	<u>237,143</u>		
Hedge Funds:			
UNC Investment Fund, LLC	37,894,230	Monthly	30 days
Aquila Capital, LP	453,436	Quarterly	60 days
CKC Credit Opportunity Fund, LP	<u>292,728</u>	Quarterly	60 days
Total hedge funds	<u>38,340,394</u>		
Total alternative investments	<u>\$ 38,877,537</u>		

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 three 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 three charitable gift annuities. The following is a summary of the related assets and liabilities:

	<u>2021</u>	<u>2020</u>
Assets held in annuities	\$ 738,015	\$ 549,483
Assets held in charitable remainder trusts	<u>162,164</u>	<u>131,589</u>
Assets held in charitable remainder trusts and annuities	<u>\$ 900,179</u>	<u>\$ 681,072</u>
Present value of estimated future payments	\$ (65,354)	\$ (58,788)
Use obligation under life estate	<u>(165,522)</u>	<u>(162,752)</u>
Liabilities under charitable remainder trusts	<u>\$ (230,876)</u>	<u>\$ (221,540)</u>

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7. Annuities Payable

The Foundation has accepted contributions from three donors in exchange for Foundation funded life annuities (charitable gift annuities). During the year ended June 30, 2020, one of the annuitant donors passed away and the life annuity interest was closed subsequent to the donor's death. Total annuity payments for each of the years ended June 30, 2021 and 2020 were \$36,047 and \$36,403, respectively.

The annuities payable balance at June 30, 2021 and 2020, of \$190,374 and \$303,198, 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 7 to 15 years.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Spendable:		
Program and faculty support	\$ 5,498,048	\$ 5,131,997
Research, clinical, and education	4,389,479	3,141,386
Scholarships and awards	<u>840,579</u>	<u>713,836</u>
	<u>10,728,106</u>	<u>8,987,219</u>
Endowment:		
Donor restricted:		
Program and faculty support	9,559,675	7,258,064
Research, clinical, and education	17,138,218	13,597,238
Scholarships and awards	<u>16,269,799</u>	<u>11,475,830</u>
	<u>42,967,692</u>	<u>32,331,132</u>
Pledged:		
Spendable:		
Program and faculty support	240,349	174,171
Research, clinical, and education	73,692	79,689
Scholarships and awards	160,785	222,358
Endowment:		
Program and faculty support	15,815	59,773
Research, clinical, and education	5,162	28,993
Scholarships and awards	<u>146,839</u>	<u>169,767</u>
	<u>642,642</u>	<u>734,751</u>
Total net assets with donor restrictions	<u>\$ 54,338,440</u>	<u>\$ 42,053,102</u>

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9. Net Assets Released from Donor Restrictions

Net assets totaling \$3,641,857 and \$2,436,713 were released from donor restrictions in 2021 and 2020, respectively, by incurring expenses satisfying the restricted purposes, or by the passage of time.

	<u>2021</u>	<u>2020</u>
Program and faculty support	\$ 1,666,547	\$ 635,058
Research, clinical, and education	754,172	520,012
Scholarships and awards	<u>1,221,138</u>	<u>1,281,643</u>
Total	<u>\$ 3,641,857</u>	<u>\$ 2,436,713</u>

10. Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 19,098,139	\$ 10,485,232
Board-designated:		
Program and faculty support	585,426	480,204
Research, clinical, and education	12,373	12,373
Scholarships and awards	<u>14,750</u>	<u>14,750</u>
Total net assets without donor restrictions	<u>\$ 19,710,688</u>	<u>\$ 10,992,559</u>

11. Endowments

The Foundation's endowment consists of 264 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the board of directors 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.

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 twelve-month weighted average balance, prior to the addition of the current year investment return. For each of the years ended June 30, 2021 and 2020, the appropriation amounts were 4.00%. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

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Endowment net asset composition by fund type as of June 30, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2021	<u>\$ -</u>	<u>\$ 43,135,508</u>	<u>\$ 43,135,508</u>
June 30, 2020	<u>\$ -</u>	<u>\$ 32,589,665</u>	<u>\$ 32,589,665</u>

For the fiscal years ended June 30, 2021 and 2020, changes in endowment net assets with donor restrictions were comprised of the following:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 32,589,665	\$ 31,182,925
Net investments gains (losses)	10,888,387	577,922
Contributions *	1,156,363	1,784,700
Appropriation of endowment expenditures	(665,344)	(680,823)
Administrative fees	(287,024)	(277,343)
Reclassification of net assets, donor stipulation and Board match	(528,417)	37,667
Other changes	<u>(18,122)</u>	<u>(35,383)</u>
Endowment net assets, end of year	<u>\$ 43,135,508</u>	<u>\$ 32,589,665</u>

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

	<u>2021</u>	<u>2020</u>
Contributions of cash and securities	\$ 1,080,578	\$ 773,956
Realized bequests and planned gifts	75,785	999,457
Unconditional promises to give	-	11,287
Total contributions to endowments	<u>\$ 1,156,363</u>	<u>\$ 1,784,700</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, 2021 and 2020, funds with deficiencies of \$10 and \$47,003, respectively, were reported in net assets with donor restrictions.

	<u>2021</u>	<u>2020</u>
Fair value of underwater endowment funds	\$ 665	\$ 1,634,854
Original endowment gift amount	<u>675</u>	<u>1,681,857</u>
Deficiencies of underwater endowment funds	<u>\$ (10)</u>	<u>\$ (47,003)</u>

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12. Capital Assets

The Foundation's capital assets at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Buildings and land	\$ 100,000	\$ 100,000
Less accumulated depreciation	<u>(42,104)</u>	<u>(39,754)</u>
Total	<u>\$ 57,896</u>	<u>\$ 60,246</u>

13. Leases

The Foundation has one operating lease agreement on property the Foundation owns. During the year, the lease was amended and extended. The lease expires May 19, 2024. The following is a schedule of future minimum rental lease payments to be received as of June 30, 2021:

<u>Year</u>	<u>Future Minimum Lease Payment</u>
2022	\$ 197,689
2023	197,688
2024	<u>174,837</u>
Total	<u>\$ 570,214</u>

14. Contributed Nonfinancial Assets

For the fiscal years ended June 30, 2021 and 2020, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2021</u>	<u>2020</u>
Books	\$ 350	\$ 802
Food	-	469
Medical supplies	3,860	19,188
Historical artifacts	-	250
Clinical equipment	110,295	2,250
Contributed services	1,198,077	1,329,785
Contributed facilities	<u>57,477</u>	<u>52,003</u>
Total	<u>\$ 1,370,059</u>	<u>\$ 1,404,747</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 Division of Health Sciences library. Fair value is estimated based on the amount that would be received for selling similar products in the United States.

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Contributed food was utilized for program and faculty support activities and events restricted to the ECU College of Nursing. The Foundation values donations of food based on wholesale value that would be received 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 historical artifacts were utilized for program and faculty support and were restricted for use by and placed on display in the ECU Division of Health Sciences library and the University's Country Doctor Museum. The fair value of contributed historical artifacts 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 2021 and 2020 was \$1,255,554 and \$1,381,788, respectively.

At June 30, 2021 and 2020, the Foundation had payables to East Carolina University of \$63,242 and \$46,263, 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, 2021 and 2020, the Foundation had remitted payments to third parties, for which the Brody Foundation had not yet

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reimbursed the Foundation in the amount of \$2,061 and \$5,572, 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, 2021 and 2020, the Foundation recorded a receivable due from the ECU Foundation in the amount of \$221,988 and \$226,944, respectively, which represents the estimated value of proceeds due to the Foundation upon the sale of the property. 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, 2021 and 2020 consisted of the following:

	2021	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Board-designated matching program	\$ (5,172)	\$ 5,172
Donor stipulations	<u>(1,525)</u>	<u>1,525</u>
Total reclassifications of net assets	<u>\$ (6,697)</u>	<u>\$ 6,697</u>

	2020	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Board-designated matching program	\$ (10,672)	\$ 10,672
Total reclassifications of net assets	<u>\$ (10,672)</u>	<u>\$ 10,672</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, 2021, 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, 2021 and 2020, the Foundation had investments in excess of the SIPC insurance amount.