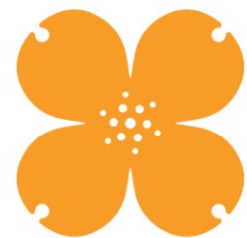


**NORTH CAROLINA BOTANICAL GARDEN
FOUNDATION, INC.**

Chapel Hill, North Carolina

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**



**NORTH CAROLINA
BOTANICAL
GARDEN**
FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

Page 1 of 2

Board of Directors
North Carolina Botanical Garden
Foundation, Inc.
Chapel Hill, North Carolina

We have audited the accompanying financial statements of the North Carolina Botanical Garden Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

BLACKMAN & SLOOP, CPAs, P.A.

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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 the North Carolina Botanical Garden Foundation, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blackman & Sloop

Chapel Hill, North Carolina
November 23, 2021

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,036,022	\$ 1,085,471
Promises to give, net	376,287	80,659
Other receivables	<u>67</u>	<u>189</u>
TOTAL CURRENT ASSETS	<u>2,412,376</u>	<u>1,166,319</u>
PROPERTY AND EQUIPMENT, NET	<u>329,125</u>	<u>332,750</u>
OTHER ASSETS:		
Investments	7,071,995	4,962,552
Real estate	1,252,329	1,252,329
Promises to give, net	5,650	76,004
Split-interest agreements	83,331	48,202
Donated books	<u>-</u>	<u>26,825</u>
TOTAL OTHER ASSETS	<u>8,413,305</u>	<u>6,365,912</u>
TOTAL ASSETS	<u><u>\$ 11,154,806</u></u>	<u><u>\$ 7,864,981</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Other payables	\$ 60	\$ 10,680
Deferred revenue	<u>35,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>35,060</u>	<u>10,680</u>
NET ASSETS:		
Without donor restrictions	581,281	381,508
With donor restrictions	<u>10,538,465</u>	<u>7,472,793</u>
TOTAL NET ASSETS	<u>11,119,746</u>	<u>7,854,301</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,154,806</u></u>	<u><u>\$ 7,864,981</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2021 and 2020

Page 1 of 2

	2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
Gifts and contributions	\$ 750,896	\$ 1,991,209	\$ 2,742,105
Net investment return	653,754	1,423,897	2,077,651
Change in value of gifts of future interest	35,129	-	35,129
Other income	2,392	-	2,392
Rental income	30,700	-	30,700
Donated services	143,565	-	143,565
	<u>1,616,436</u>	<u>3,415,106</u>	<u>5,031,542</u>
Net assets released from restrictions	<u>349,434</u>	<u>(349,434)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,965,870</u>	<u>3,065,672</u>	<u>5,031,542</u>
EXPENSES:			
Program services	1,134,078	-	1,134,078
Supporting services:			
Management and general	232,392	-	232,392
Fundraising	399,432	-	399,432
	<u>1,765,902</u>	<u>-</u>	<u>1,765,902</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,765,902</u>	<u>-</u>	<u>1,765,902</u>
Bad debt expense	<u>195</u>	<u>-</u>	<u>195</u>
TOTAL EXPENSES	<u>1,766,097</u>	<u>-</u>	<u>1,766,097</u>
CHANGES IN NET ASSETS	<u>199,773</u>	<u>3,065,672</u>	<u>3,265,445</u>
NET ASSETS - BEGINNING OF YEAR	<u>381,508</u>	<u>7,472,793</u>	<u>7,854,301</u>
NET ASSETS - END OF YEAR	<u>\$ 581,281</u>	<u>\$ 10,538,465</u>	<u>\$ 11,119,746</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2021 and 2020

Page 2 of 2

	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
Gifts and contributions	\$ 643,177	\$ 404,975	\$ 1,048,152
Net investment return	22,243	55,853	78,096
Change in value of gifts of future interest	(5,488)	-	(5,488)
Other income	47,793	-	47,793
Rental income	27,600	-	27,600
Donated services	307,288	-	307,288
	<u>1,042,613</u>	<u>460,828</u>	<u>1,503,441</u>
Net assets released from restrictions	<u>484,872</u>	<u>(484,872)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,527,485</u>	<u>(24,044)</u>	<u>1,503,441</u>
EXPENSES:			
Program services	1,157,275	-	1,157,275
Supporting services:			
Management and general	176,552	-	176,552
Fundraising	381,190	-	381,190
	<u>1,715,017</u>	<u>-</u>	<u>1,715,017</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,715,017</u>	<u>-</u>	<u>1,715,017</u>
Bad debt expense	<u>1,085</u>	<u>-</u>	<u>1,085</u>
TOTAL EXPENSES	<u>1,716,102</u>	<u>-</u>	<u>1,716,102</u>
CHANGES IN NET ASSETS	<u>(188,617)</u>	<u>(24,044)</u>	<u>(212,661)</u>
NET ASSETS - BEGINNING OF YEAR	<u>570,125</u>	<u>7,496,837</u>	<u>8,066,962</u>
NET ASSETS - END OF YEAR	<u>\$ 381,508</u>	<u>\$ 7,472,793</u>	<u>\$ 7,854,301</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT C

For the Years Ended June 30, 2021 and 2020

Page 1 of 2

	2021			
	Program Services	Management and General	Fundraising	Totals
Advertising	\$ -	\$ 100	\$ -	\$ 100
Contract services	1,920	269	-	2,189
Depreciation	-	3,625	-	3,625
Dues, subscriptions, and books	1,000	-	-	1,000
Foundation salaries and benefits	-	171,555	377,008	548,563
Garden support	1,116,755	-	-	1,116,755
Insurance	-	7,050	-	7,050
Meetings	155	-	-	155
Miscellaneous expense	1,347	25,407	4,155	30,909
Postage	215	6	1,472	1,693
Printing and publications	-	30	6,762	6,792
Professional services	1,500	20,600	-	22,100
Property tax	5,090	-	-	5,090
Supplies	6,096	3,750	10,035	19,881
Total functional expenses	1,134,078	232,392	399,432	1,765,902
Bad debt expense	-	195	-	195
Total Expenses	<u>\$ 1,134,078</u>	<u>\$ 232,587</u>	<u>\$ 399,432</u>	<u>\$ 1,766,097</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT C

For the Years Ended June 30, 2021 and 2020

Page 2 of 2

	2020			
	Program Services	Management and General	Fundraising	Totals
Advertising	\$ 50	\$ 287	\$ -	\$ 337
Contract services	20,365	1,120	243	21,728
Depreciation	-	3,625	-	3,625
Dues, subscriptions, and books	1,000	1,550	-	2,550
Foundation salaries and benefits	-	108,478	350,138	458,616
Garden support	1,116,934	-	-	1,116,934
Honorariums	471	-	-	471
Insurance	-	4,285	-	4,285
Meetings	2,328	4,932	2,539	9,799
Miscellaneous expense	5,594	21,197	5,410	32,201
Postage	12	233	1,341	1,586
Printing and publications	-	427	11,764	12,191
Professional services	-	20,209	-	20,209
Property tax	6,915	159	-	7,074
Repairs and maintenance	-	1,190	-	1,190
Supplies	3,586	8,860	8,432	20,878
Travel expenses	20	-	1,323	1,343
Total functional expenses	1,157,275	176,552	381,190	1,715,017
Bad debt expense	-	1,085	-	1,085
Total Expenses	<u>\$ 1,157,275</u>	<u>\$ 177,637</u>	<u>\$ 381,190</u>	<u>\$ 1,716,102</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

EXHIBIT D

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,265,445	\$ (212,661)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	3,625	3,625
Disposal of donated books	26,825	-
Contributions restricted in perpetuity	(495,611)	(185,151)
Change in fair value of investments	(2,054,467)	(58,507)
Realized gains on investments	(22,058)	(3,789)
Change in allowance for bad debt	195	1,085
Change in value of gifts of future interest	(35,129)	(708)
Changes in assets and liabilities:		
Promises to give, net	(288,163)	37,507
Other receivables	122	2,391
Other payables	(10,620)	10,680
Deferred revenue	35,000	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>425,164</u>	<u>(405,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to investments	(343,845)	(123,252)
Proceeds from sale of investments	60,255	35,724
Annual distribution from investments	250,672	241,518
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(32,918)</u>	<u>153,990</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted in perpetuity	495,611	185,151
Change in endowment promises to give, net	62,694	(52,704)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>558,305</u>	<u>132,447</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	950,551	(119,091)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,085,471</u>	<u>1,204,562</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,036,022</u></u>	<u><u>\$ 1,085,471</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash transactions:		
Donated services	<u><u>\$ 143,565</u></u>	<u><u>\$ 307,288</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

Page 1 of 15

NATURE OF ACTIVITIES

The North Carolina Botanical Garden Foundation, Inc. (the “Foundation”) was incorporated in 1966 as a nonprofit corporation to receive funds and hold land for the support of the North Carolina Botanical Garden, a department of the University of North Carolina at Chapel Hill (the “University”), in carrying out its objectives of conservation, scientific investigation, teaching, public recreation, and the accumulation and dissemination of knowledge of the natural heritage of North Carolina and the southeastern United States.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting.

The Foundation’s financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require the use of certain estimates made by the Foundation’s management. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Foundation reports gifts of cash and other assets as support 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 to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

B. Cash and Cash Equivalents.

Cash and cash equivalents include monies on deposit with a financial institution, and with the University of North Carolina at Chapel Hill Temporary Investment Pool, which is a governmental external investment pool. The pool is uninsured under FDIC, but is invested in highly liquid securities including, but not limited to, U.S. Government securities. Cash and cash equivalents include \$251,358 and \$40,634, restricted for various endowment funds at June 30, 2021 and 2020, respectively.

C. Investments.

Investments are stated at fair value. Donated securities are recorded at their fair value at the date of gift. Net investment return/(loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

Page 2 of 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Other Receivables.

The Foundation records other receivables at net realizable value and provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred during collection. The allowance is based on historical collection experience and a review of the current status of the existing receivables. As of June 30, 2021 and 2020, all receivables were deemed collectible by management.

E. Promises to Give.

Unconditional promises to give are recognized as support and assets in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance for uncollectible promises is calculated based on management's estimate of collectability.

F. Property and Equipment.

The Foundation capitalizes acquisitions of property and equipment if the life expectancy is greater than one year and if the cost exceeds \$1,000. Purchased equipment is recorded at cost; donated equipment is recorded at fair value on the date of the gift. Depreciation is computed over the assets' estimated useful lives using the straight-line method.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

G. Real Estate.

Real estate gifts received without sale restrictions are reported at fair value at the date of gift. Real estate gifts restricted to conservation use that cannot be sold are not recorded.

H. Revenue and Revenue Recognition.

The Foundation is primarily funded by grants and contributions. These grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, a grant award letter, or notification of a beneficial interest is received. Conditional contributions, 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. There are no conditional contributions at June 30, 2021 and 2020.

Revenue from contracts which are deemed to be exchange transactions are recognized as revenue without donor restrictions as performance obligations are completed either over time or at a point in time. Deferred revenue from exchange transactions results when cash receipts exceed revenue recognized.

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

Page 3 of 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Advertising Costs.

Advertising costs totaling \$100 and \$337, during the years ended June 30, 2021 and 2020, respectively, are expensed as incurred.

J. Net Assets.

Net assets, support, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation may sometimes use or expend part, or all of the income derived from the donated assets.

K. Income Tax Status.

The Foundation is exempt from income tax as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue code and is classified as other than a private foundation under Section 509(a)(3) of the Internal Revenue Code. If applicable, the Foundation reports interest and penalties related to unrecognized tax positions as interest expense under management and general expenses.

L. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. New Accounting Pronouncements.

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASU”) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

Page 4 of 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. New Accounting Pronouncements (continued).

in time, and expand disclosures about revenue. The Foundation has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied on the modified retrospective basis, with no effect on net assets.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). ASU 2018-13 impacts the fair value disclosures of both public and private companies by removing, modifying, and adding disclosure requirements concerning fair value measurement. Specifically, the guidance for private companies (i) removes the disclosure requirement related to transfers between Level 1 and Level 2 for recurring investments, (ii) removes the disclosure requirement related to the valuation processes for Level 3 fair value measurements, (iii) modifies the disclosure requirement related to timing of liquidation of investee assets, (iv) modifies the disclosure requirement related to measurement uncertainty by specifying that measurement uncertainty at the reporting date, not the sensitivity to future changes should be addressed, (v) removes the disclosure requirement related to changes in unrealized gains and losses included in income for recurring Level 3 investments, and (vi) modifies the disclosure requirement related to the Level 3 rollforward for recurring investments. ASU 2018-13 was adopted by the Foundation during the year ended June 30, 2021.

LIQUIDITY AND AVAILABILITY

The following represents the Foundation’s financial assets at June 30, 2021 and 2020:

Financial assets at June 30,	2021	2020
Cash and cash equivalents	\$ 2,036,022	\$ 1,085,471
Current promises to give, net	376,287	80,659
Other receivables	67	189
	<u>2,412,376</u>	<u>1,166,319</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor or board	<u>(2,279,405)</u>	<u>(1,094,073)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 132,971</u>	<u>\$ 72,246</u>

The Foundation’s programs are supported both by contributions with and without donor restrictions. Donors include individuals, corporations, and foundations. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation’s liquidity management, it has a policy to

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 5 of 15

LIQUIDITY AND AVAILABILITY (CONTINUED)

structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, there are \$423,196 and \$318,572, of board designated funds at June 30, 2021 and 2020, respectively, which could be undesignated by the board and used for general expenditures.

INVESTMENTS

All investments are invested in The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. ("CHIF"). All investments of CHIF are comprised solely of shares in an external investment pool, UNC Investment Fund, LLC (the "Fund"). Within the Fund, the fair value of all debt and equity securities with readily determinable fair values are based on quoted market prices. Investments for which a readily determinable fair value does not exist may include investments in private equity, hedge funds, and limited partnerships. These investments are carried at estimated fair values as provided by the respective fund managers of these investments. UNC Management Company, Inc., the manager of the Fund, reviews and evaluates the fair values provided by the respective fund managers as well as the valuation methods and assumptions used in determining the fair value of such investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. Such differences could be material.

A derivative is a financial instrument created from, or whose value is derived from, the value of one or more underlying assets, reference rates, indexes, or asset values. These instruments may include forwards, futures, options, and currency and interest rate swaps. The Fund utilizes various external investment managers to identify specific investment funds and limited partnerships that meet asset allocation and investment management objectives. These managers and related funds are used to increase the yield and return on the investment portfolio given the available alternative investment opportunities and to diversify its asset holdings. Certain of these investments expose the Fund to market risk by trading or holding direct and indirect derivative securities and by leveraging the securities in the Fund. This risk is mitigated by the Fund's requirement that leveraged securities must be fully collateralized.

Indirect derivatives held by the Fund, (i.e., derivatives held by external investment managers) are primarily used to manage portfolio risk. The Fund's managers use indirect derivatives primarily to hedge underlying positions or to gain exposure to specific markets in an efficient, inexpensive, liquid, and diversified manner. By holding indirect derivatives, the Fund could be exposed to interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. The Fund considers the risk associated with these holdings to be prudent and within acceptable bounds.

Investments in CHIF at June 30 consisted of the following:

	2021	2020
Fair value	\$ 7,071,995	\$ 4,962,552
Cost	4,432,568	4,126,920
Accumulated net change in fair value	\$ 2,639,427	\$ 835,632

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Page 6 of 15

INVESTMENTS (CONTINUED)

Accumulated net change in fair value of investments includes the annual distribution (payout). It also includes development assessment fees in the amount of \$55,670 and \$52,872, for the years ended June 30, 2021 and 2020, respectively.

The following table sets forth a summary of changes in the fair value of the Foundation's investments for the years ended June 30, 2021 and 2020:

	2021	2020
Investments, FMV at beginning of year	\$ 4,962,552	\$ 5,054,246
Principal additions	343,845	123,252
Principal withdrawals	(38,197)	(31,935)
Annual payout distribution	(250,672)	(241,518)
Change in fair value	2,054,467	58,507
Investments, FMV at end of year	<u>\$ 7,071,995</u>	<u>\$ 4,962,552</u>

At June 30, 2021 and 2020, the investment allocation of the Fund consisted of the following:

	2021	2020
Long Biased Equity	29.5%	29.5%
Long / Short Equity	15.0%	17.3%
Diversifying Strategies	6.4%	9.2%
Fixed Income	7.0%	8.7%
Private Equity	27.8%	23.6%
Real Estate	5.4%	6.2%
Energy and Natural Resources	3.8%	4.5%
Cash	4.9%	0.9%
Other	0.2%	0.1%
	<u>100.0%</u>	<u>100.0%</u>

FAIR VALUE OF ASSETS

Investments are presented in the financial statements at fair value determined in accordance with FASB Accounting Standards Codification Topic 820 (ASC 820), Fair Value Measurement.

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FAIR VALUE OF ASSETS (CONTINUED)

ASC 820 permits reporting entities, as a practical expedient, to estimate the fair value of their investments in certain entities that calculate net asset value (“NAV”) per share, by using NAV if the net asset value per share of the investment is calculated in a manner consistent with the measurement principles of FASB ASC Topic 946 (“ASC 946”), Financial Services-Investment Companies, as of the reporting entity’s measurement date.

The Foundation elects to use NAV as a practical expedient to estimate the fair value of its investments in CHIF. CHIF’s manager calculates NAV using fair value estimates of the underlying securities and other financial instruments. The estimated fair values of these underlying investments, which may include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation’s investments in CHIF generally represents the amount the Foundation would expect to receive if it were to liquidate its investment excluding any redemption charges that may apply.

Determining whether CHIF’s manager has calculated NAV in a manner consistent with ASC 946 requires the Foundation to independently evaluate the fair value measurement process utilized to calculate the NAV. Such an evaluation is a matter of professional judgment and includes determining that CHIF’s manager has an effective process and related internal controls in place to estimate the fair value of its investments that are included in the calculation of NAV. The Foundation’s evaluation of the process used by the CHIF’s manager includes initial due diligence, ongoing due diligence, and financial reporting controls.

There were no changes during the years ended June 30, 2021 and 2020, to the Foundation’s valuation techniques used to measure asset values on a recurring basis.

GIFTS OF FUTURE INTEREST

The Foundation has been named the recipient of charitable gift annuities with market values at the date of gift totaling approximately \$98,953. The Foundation is not serving as trustee for these annuities. These annuities have been reflected in the financial statements at the net present value of \$83,331 and \$48,202, as of June 30, 2021 and 2020, respectively. Net present value was computed using a rate of 1.2% and 0.6% for the years ended June 30, 2021 and 2020, respectively. The computation was based on the life expectancy of the beneficiaries and the required distributions under the terms of the agreements.

The Foundation has also been named the recipient of a revocable charitable trust agreement with a market value at the date of gift totaling \$126,318. This gift will not be reflected in the financial statements until such time as it becomes irrevocable.

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PROMISES TO GIVE

Promises to give are stated at present value and are as follows as of June 30, 2021 and 2020:

	2021	2020
Receivable within one year	\$ 377,287	\$ 81,659
Receivable in one to five years	5,650	76,804
	382,937	158,463
Less allowance for uncollectible amounts	(1,000)	(1,000)
Discount at 0% and 0.6%, respectively	-	(800)
Net present value of unconditional promises to give	\$ 381,937	\$ 156,663

Gross promises to give includes \$53,610 and \$117,004 at June 30, 2021 and 2020, respectively, which is donor restricted for investment in various endowment funds.

PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 195,000	\$ 195,000
Building and improvements	145,000	145,000
	340,000	340,000
Accumulated depreciation	(10,875)	(7,250)
Net property and equipment	\$ 329,125	\$ 332,750

REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the new revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Foundation's contracts at times have obligations that are fulfilled over a period of time, and other times at a point in time. During the years ended June 30, 2021 and 2020, the Foundation's contracts were fulfilled at a point in time.

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NOTES TO FINANCIAL STATEMENTS

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REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Performance Obligations Satisfied at a Point in Time

The Foundation receives revenue for classes, lectures, and educational programs, as well as occasionally enters into a memorandum of understanding with another organization to perform specific tasks. The revenue is recognized at the point in time the Foundation fulfills the obligation of the contract. If any funds are received for a future period, they are deferred until the future period in which it is earned.

Total revenue recognized for performance obligations satisfied at a point in time during the years ended June 30, 2021 and 2020, totaled \$2,392 and \$47,793, respectively, and are shown as other income in the statements of activities and changes in net assets. The amounts were earned by the Foundation as the classes, lectures, educational programs, and tasks were performed for the other party. There were no contracts receivable related to these performance obligations at June 30, 2021 or 2020. There was deferred revenue of \$35,000 at June 30, 2021, which will be recognized in the future at the point in time the Foundation fulfills the obligation. There was no deferred revenue at June 30, 2020.

General

Revenue earned will vary depending on the economy and the programs the Foundation has offered and the projects the Foundation has contracted to work on. There are some limitations and restrictions caused by the COVID-19 pandemic, as the classes, lectures, and educational programs are primarily provided in-person.

NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions at June 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Designated by Board:		
Capital fund	\$ 135,112	\$ 135,112
Conservation fund	<u>288,084</u>	<u>183,460</u>
	423,196	318,572
Undesignated	<u>158,085</u>	<u>62,936</u>
Total net assets without donor restrictions	<u><u>\$ 581,281</u></u>	<u><u>\$ 381,508</u></u>

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NOTES TO FINANCIAL STATEMENTS

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NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021, consist of:

	Purpose and Time Restricted	Restricted in Perpetuity	Total
2 J's Acres Conservation Management Endowment	\$ 1,137	\$ 260,934	\$ 262,071
Battle Park Endowment	133,270	304,375	437,645
Bell & Radford Endowment	35,106	110,000	145,106
Butler Endowment	27,438	10,200	37,638
Charles Mohr Internship Endowment	75,632	75,153	150,785
Coker Arboretum Endowment	584,206	975,827	1,560,033
Conservation Endowment	28,857	61,080	89,937
Forest Theatre Park Endowment	18,857	15,951	34,808
Garden operations and other programs	2,390,355	-	2,390,355
General Operating Endowment	24,776	31,022	55,798
Houk Internship Endowment	45,098	41,659	86,757
Hunt Arboretum	762	-	762
J & Jerry Colvard Mountain Plant Endowment	66,243	99,594	165,837
Janet M. Krakauer Endowment	36,623	118,392	155,015
Jenny Fitch Endowment	87,748	50,050	137,798
Jim Todd Living Plant Endowment	50,669	81,290	131,959
Johnson Student Intern Endowment	35,085	120,000	155,085
Martha DeBerry Internship Endowment	35,350	44,884	80,234
Mary McKee Felton Internship Endowment	-	735	735
Mason Farm Endowment	109,647	205,191	314,838
Master Plan Herbarium	2,246,119	-	2,246,119
Master Plan Visitor Education Center	263,496	-	263,496
Mercer Reeves Endowment	649,069	154,089	803,158
Natural Areas Endowment	133,391	151,216	284,607
NCBG Bench Endowment	10,743	30,300	41,043
NCBG Student Intern Endowment Fund	22,533	70,240	92,773
Piedmont Nature Trail Endowment	9,501	150,000	159,501
Promises to give - time restricted	9,245	-	9,245
Sims Lecture Endowment	28,851	50,033	78,884
Split-interest agreements - time restricted	83,331	-	83,331
UNC Herbarium General Endowment	30,175	52,937	83,112
	<u>\$ 7,273,313</u>	<u>\$ 3,265,152</u>	<u>\$ 10,538,465</u>

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NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020, consist of:

	Purpose and Time Restricted	Restricted in Perpetuity	Total
Battle Park Endowment	\$ 16,692	\$ 296,158	\$ 312,850
Bell & Radford Endowment	9,395	110,000	119,395
Butler Endowment	18,867	10,200	29,067
Charles Mohr Internship Endowment	34,197	75,153	109,350
Coker Arboretum Endowment	185,949	960,617	1,146,566
Conservation Endowment	4,610	61,080	65,690
Forest Theatre Park Endowment	13,080	13,801	26,881
Garden operations and other programs	1,790,491	-	1,790,491
General Operating Endowment	12,630	23,649	36,279
Houk Internship Endowment	21,707	41,559	63,266
Hunt Arboretum	752	-	752
J & Jerry Colvard Mountain Plant Endowment	23,150	99,594	122,744
Janet M. Krakauer Endowment	566	118,192	118,758
Jenny Fitch Endowment	58,138	50,050	108,188
Jim Todd Living Plant Endowment	21,460	81,290	102,750
Martha DeBerry Internship Endowment	14,024	44,784	58,808
Mary McKee Felton Internship Endowment	-	735	735
Johnson Student Intern Endowment	(224)	119,300	119,076
Mason Farm Endowment	24,165	202,086	226,251
Master Plan Herbarium	1,818,987	-	1,818,987
Mercer Reeves Endowment	457,135	153,969	611,104
Natural Areas Endowment	66,873	147,283	214,156
NCBG Bench Endowment	1,292	20,300	21,592
NCBG Student Intern Endowment Fund	1,892	37,580	39,472
Promises to give - time restricted	36,539	-	36,539
Sims Lecture Endowment	11,861	50,033	61,894
Split-interest agreements - time restricted	48,202	-	48,202
UNC Herbarium General Endowment	10,823	52,127	62,950
	<u>\$ 4,703,253</u>	<u>\$ 2,769,540</u>	<u>\$ 7,472,793</u>

NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.**NOTES TO FINANCIAL STATEMENTS**

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DONATED SERVICES

The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The University provides support for accounting, fundraising, and general administrative support for the benefit of the Foundation. This support has been recognized in the accompanying financial statements as donated services and salary expense at their estimated value. The amount of support was \$143,565 and \$307,288, for the years ended June 30, 2021 and 2020, respectively. A significant amount of services not meeting the requirements for recognition in the financial statements, has been contributed by others toward administrative and program development and implementation.

ENDOWMENTS

The Foundation's endowments were established for a variety of purposes and include donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 Foundation classifies as net assets with donor restrictions in perpetuity (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 endowment fund that is not classified in perpetuity 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 SPMIFA. In accordance with SPMIFA, 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 Foundation 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 appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

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ENDOWMENTS (CONTINUED)

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 endowment 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 or for a donor-specified period. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5.5% in perpetuity. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving 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 makes investments in CHIF.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that SPMIFA requires to retain as a fund of perpetual duration. As of June 30, 2020, there were endowment funds below the required amounts by \$224. There were no endowment funds below the required amounts as of June 30, 2021.

The changes in donor-restricted endowment net assets for the year ended June 30, 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, July 1, 2020	\$ -	\$ 3,661,521	\$ 3,661,521
Investment return:			
Income	-	9	9
Change in fair value	-	1,423,888	1,423,888
Total investment return	-	1,423,897	1,423,897
Contributions	-	558,305	558,305
Appropriation of endowment assets for expenditure	-	(152,123)	(152,123)
Transfers	-	710	710
Endowment net assets, June 30, 2021	\$ -	\$ 5,492,310	\$ 5,492,310

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ENDOWMENTS (CONTINUED)

The changes in donor-restricted endowment net assets for the year ended June 30, 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, July 1, 2019	\$ -	\$ 3,630,082	\$ 3,630,082
Investment return:			
Income	-	391	391
Change in fair value	-	42,102	42,102
Total investment return	-	42,493	42,493
Contributions	-	132,447	132,447
Appropriation of endowment assets for expenditure	-	(145,736)	(145,736)
Transfers	-	2,235	2,235
Endowment net assets, June 30, 2020	\$ -	\$ 3,661,521	\$ 3,661,521

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expense by function. Salaries and benefits have been allocated based on time and effort. All other expenses have been directly coded to the appropriate function benefited based on actual costs incurred, and no allocation is necessary.

CONTINGENCY

The ongoing COVID-19 pandemic and restrictions on non-essential businesses have caused disruption in the U.S. and global economies. Despite significant market rebounds across many asset classes, the continued rapid development of this situation and uncertainty regarding potential economic recovery precludes any prediction as to the ultimate adverse impact of COVID-19 on the financial market and economic conditions. The estimates and assumptions underlying these financial statements are based on the information available as of June 30, 2021, including judgements about the financial market and economic conditions which may change over time.

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RECLASSIFICATIONS

Certain reclassifications have been made to the 2020 financial statements in order to conform to 2021 presentation. Such reclassifications had no effect on net assets.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through November 23, 2021, which was the date that the financial statements were available to be issued and determined there are no subsequent events that require disclosure.