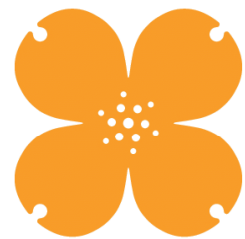


**NORTH CAROLINA BOTANICAL GARDEN  
FOUNDATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**



**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.

### ***Opinion***

We have audited the accompanying financial statements of North Carolina Botanical Garden Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Botanical Garden Foundation, Inc., as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

**BLACKMAN & SLOOP, CPAS, P.A.**

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The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517  
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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Carolina Botanical Garden Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina Botanical Garden Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Blackman & Sloop*

Chapel Hill, North Carolina  
March 11, 2024

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,986,348	\$ 1,990,738
Promises to give, net	104,744	6,250
Other receivables	<u>8,896</u>	<u>3,266</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,099,988</u>	<u>2,000,254</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>340,499</u>	<u>346,359</u>
<b>OTHER ASSETS:</b>		
Cash and cash equivalents restricted for endowments	36,612	14,127
Deposits	-	50,040
Investments	7,593,179	7,867,074
Real estate	1,952,329	1,252,329
Promises to give, net	29,034	4,400
Gifts of future interest	<u>104,371</u>	<u>63,103</u>
<b>TOTAL OTHER ASSETS</b>	<u>9,715,525</u>	<u>9,251,073</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,156,012</u>	<u>\$ 11,597,686</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 18,481	\$ 11,027
Other payables	-	28,050
Deferred revenue	<u>95,000</u>	<u>55,000</u>
<b>TOTAL LIABILITIES</b>	<u>113,481</u>	<u>94,077</u>
<b>NET ASSETS:</b>		
Without donor restrictions	444,524	611,627
With donor restrictions	<u>11,598,007</u>	<u>10,891,982</u>
<b>TOTAL NET ASSETS</b>	<u>12,042,531</u>	<u>11,503,609</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,156,012</u>	<u>\$ 11,597,686</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, 2023 and 2022

Page 1 of 2

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>SUPPORT AND REVENUE:</b>			
Gifts and contributions	\$ 1,325,940	\$ 936,067	\$ 2,262,007
Net investment return	8	(77,058)	(77,050)
Change in value of gifts of future interest	(3,100)	-	(3,100)
Other income	149,201	-	149,201
Rental income	30,400	-	30,400
Contribution of nonfinancial assets	204,412	-	204,412
	<u>1,706,861</u>	<u>859,009</u>	<u>2,565,870</u>
Net assets released from restrictions	152,984	(152,984)	-
	<u>1,859,845</u>	<u>706,025</u>	<u>2,565,870</u>
<b>EXPENSES:</b>			
Program services	1,323,560	-	1,323,560
Supporting services:			
Management and general	225,222	-	225,222
Fundraising	477,766	-	477,766
	<u>2,026,548</u>	<u>-</u>	<u>2,026,548</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>2,026,548</u>	<u>-</u>	<u>2,026,548</u>
Bad debt expense	400	-	400
<b>TOTAL EXPENSES</b>	<u>2,026,948</u>	<u>-</u>	<u>2,026,948</u>
<b>CHANGES IN NET ASSETS</b>	(167,103)	706,025	538,922
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>611,627</u>	<u>10,891,982</u>	<u>11,503,609</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 444,524</u>	<u>\$ 11,598,007</u>	<u>\$ 12,042,531</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, 2023 and 2022

Page 2 of 2

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>SUPPORT AND REVENUE:</b>			
Gifts and contributions	\$ 756,280	\$ 716,151	\$ 1,472,431
Net investment return	78,510	185,880	264,390
Change in value of gifts of future interest	8,833	-	8,833
Other income	59,788	-	59,788
Rental income	24,800	-	24,800
Contribution of nonfinancial assets	232,830	-	232,830
	<u>1,161,041</u>	<u>902,031</u>	<u>2,063,072</u>
Net assets released from restrictions	548,514	(548,514)	-
	<u>1,709,555</u>	<u>353,517</u>	<u>2,063,072</u>
<b>EXPENSES:</b>			
Program services	971,438	-	971,438
Supporting services:			
Management and general	229,422	-	229,422
Fundraising	457,512	-	457,512
	<u>1,658,372</u>	<u>-</u>	<u>1,658,372</u>
Bad debt expense	20,837	-	20,837
	<u>1,679,209</u>	<u>-</u>	<u>1,679,209</u>
<b>CHANGES IN NET ASSETS</b>	30,346	353,517	383,863
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>581,281</u>	<u>10,538,465</u>	<u>11,119,746</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 611,627</u></u>	<u><u>\$ 10,891,982</u></u>	<u><u>\$ 11,503,609</u></u>

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

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

EXHIBIT C

Page 1 of 2

	2023			Totals
	Program Services	Management and General	Fundraising	
Contract services	\$ 2,920	\$ 193	\$ -	\$ 3,113
Depreciation	-	5,860	-	5,860
Dues and subscriptions	1,250	-	-	1,250
Foundation salaries and benefits	-	180,147	435,124	615,271
Garden support	1,290,784	-	-	1,290,784
Insurance	-	5,691	-	5,691
Meetings	1,324	-	16,927	18,251
Miscellaneous expense	19,421	3,631	264	23,316
Postage	33	-	2,148	2,181
Printing and publications	-	5,256	21,194	26,450
Professional services	-	23,450	-	23,450
Property tax	4,846	-	-	4,846
Repairs and maintenance	-	-	10	10
Supplies	2,982	994	1,836	5,812
Travel	-	-	263	263
Total functional expenses	1,323,560	225,222	477,766	2,026,548
Bad debt expense	-	400	-	400
Total Expenses	<u>\$ 1,323,560</u>	<u>\$ 225,622</u>	<u>\$ 477,766</u>	<u>\$ 2,026,948</u>

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



## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

EXHIBIT C

Page 2 of 2

	<b>2022</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Totals</b>
Advertising	\$ -	\$ 1,506	\$ -	\$ 1,506
Contract services	218	-	6,158	6,376
Depreciation	-	5,115	-	5,115
Dues, subscriptions, and books	-	-	-	-
Foundation salaries and benefits	-	163,214	420,038	583,252
Garden support	967,082	-	-	967,082
Insurance	-	4,475	-	4,475
Meetings	24	2,537	8,915	11,476
Miscellaneous expense	-	18,833	2,000	20,833
Postage	336	-	2,388	2,724
Printing and publications	285	-	1,921	2,206
Professional services	2,211	21,285	-	23,496
Property tax	188	4,781	-	4,969
Supplies	1,094	7,201	15,905	24,200
Travel	-	475	187	662
	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	971,438	229,422	457,512	1,658,372
Bad debt expense	-	20,837	-	20,837
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 971,438</u>	<u>\$ 250,259</u>	<u>\$ 457,512</u>	<u>\$ 1,679,209</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 538,922	\$ 383,863
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	5,860	5,115
Contributions restricted in perpetuity	(190,178)	(246,417)
Change in fair value of investments	122,991	(239,187)
Realized gains on investments	(10,263)	(15,893)
Change in allowance for bad debt	400	755
Change in value of gifts of future interest	(41,268)	20,228
Changes in assets and liabilities:		
Promises to give	(115,824)	319,332
Other receivables	(5,630)	(3,199)
Deposits	50,040	(50,040)
Accounts payable	7,454	11,027
Other payables	(28,050)	27,990
Deferred revenue	40,000	20,000
	<u>374,454</u>	<u>233,574</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(198,538)	(868,529)
Proceeds from sale of investments	29,608	41,028
Annual distribution from investments	330,097	287,502
Purchase of real estate	(700,000)	(22,349)
	<u>(538,833)</u>	<u>(562,348)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted in perpetuity	190,178	246,417
Change in endowment promises to give, net	(7,704)	51,200
	<u>182,474</u>	<u>297,617</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	18,095	(31,157)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>2,004,865</u>	<u>2,036,022</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,022,960</u>	<u>\$ 2,004,865</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 1,986,348	\$ 1,990,738
Cash and cash equivalents restricted for endowments	36,612	14,127
	<u>\$ 2,022,960</u>	<u>\$ 2,004,865</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>		
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Non-cash transactions:		
Contribution of nonfinancial assets	<u>\$ 204,412</u>	<u>\$ 232,830</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. Contributed nonfinancial assets are recorded at the fair value of the materials, facilities, or services received.

**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 \$36,612 and \$14,127, restricted for various endowment funds at June 30, 2023 and 2022, 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 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, 2023 and 2022, 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.

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 earned.

## 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 \$1,506, during the year ended June 30, 2022, are expensed as incurred. There were no advertising costs during the year ended June 30, 2023.

## 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a donor restriction expires, that is, when a stipulated time restriction ends, or a 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 restriction.

## 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, and those differences can be material.

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 4 of 15

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## M. New Accounting Pronouncement.

In February 2016, the Financial Standards Accounting Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. The new standard was effective July 1, 2022. The Foundation adopted this ASU using the effective date transition method, and elected the following practical expedients upon transition: 1) no need to reassess whether any expired or existing contracts are or contain leases, 2) no need to reassess the lease classification for any expired or existing leases, and 3) no need to reassess initial direct costs for any existing leases. Implementation of the standard had no impact on the financial statements. As of June 30, 2023 and 2022, the Foundation had no leases.

## N. Consideration of New Accounting Pronouncement.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard will be effective for the year ending June 30, 2024. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**LIQUIDITY AND AVAILABILITY**

The following represents the Foundation’s financial assets at June 30:

Current liquid assets:	2023	2022
Cash and cash equivalents	\$ 2,022,960	\$ 2,004,865
Current promises to give, net	104,744	6,250
Other receivables	8,896	3,266
	<u>2,136,600</u>	<u>2,014,381</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor or board	<u>(2,010,816)</u>	<u>(1,744,823)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 125,784</u>	<u>\$ 269,558</u>

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

Page 5 of 15

**LIQUIDITY AND AVAILABILITY (CONTINUED)**

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 structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, there are \$310,580 and \$380,620, of board designated funds at June 30, 2023 and 2022, 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.

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**INVESTMENTS (CONTINUED)**

Investments in CHIF at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Fair value	\$ 7,593,179	\$ 7,867,074
Cost	<u>5,455,155</u>	<u>5,275,962</u>
Accumulated net change in fair value	<u>\$ 2,138,024</u>	<u>\$ 2,591,112</u>

Accumulated net change in fair value of investments includes the annual distribution (payout). It also includes development assessment fees in the amount of \$84,049 and \$60,210, for the years ended June 30, 2023 and 2022, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investments, FMV at beginning of year	\$ 7,867,074	\$ 7,071,995
Principal additions	198,538	868,529
Principal withdrawals	(19,345)	(25,135)
Annual payout distribution	(330,097)	(287,502)
Change in fair value	<u>(122,991)</u>	<u>239,187</u>
Investments, FMV at end of year	<u>\$ 7,593,179</u>	<u>\$ 7,867,074</u>

At June 30, 2023 and 2022, the investment allocation of the Fund consisted of the following:

	<u>2023</u>	<u>2022</u>
Long Biased Equity	25.5%	23.4%
Long / Short Equity	14.2%	14.2%
Diversifying Strategies	9.2%	8.2%
Fixed Income	6.0%	7.0%
Private Equity	32.0%	34.3%
Real Estate	8.1%	7.0%
Energy and Natural Resources	4.6%	4.8%
Cash	0.2%	0.9%
Other	0.2%	0.2%
	<u>100.0%</u>	<u>100.0%</u>



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

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**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.

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, 2023 and 2022, 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 fair values at the date of gift totaling approximately \$170,831. 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 \$104,371 and \$63,103, as of June 30, 2023 and 2022, respectively. Net present value was computed using a rate of 4.2% and 3.6% for the years ended June 30, 2023 and 2022, 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 fair 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.

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

**NOTES TO FINANCIAL STATEMENTS**

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**PROMISES TO GIVE**

Promises to give are stated at present value and are as follows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Receivable within one year	\$ 105,744	\$ 7,250
Receivable in one to five years	29,034	4,400
	<u>134,778</u>	<u>11,650</u>
Less allowance for uncollectible amounts	<u>(1,000)</u>	<u>(1,000)</u>
Net present value of unconditional promises to give	<u>\$ 133,778</u>	<u>\$ 10,650</u>

Gross promises to give includes \$10,034 and \$2,400 at June 30, 2023 and 2022, respectively, which is donor restricted for investment in various endowment funds.

There were no conditional promises to give at June 30, 2023 and 2022.

**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land - Villa Pinea	\$ 195,000	\$ 195,000
Building and improvements - Villa Pinea	167,349	167,349
	<u>362,349</u>	<u>362,349</u>
Accumulated depreciation	<u>(21,850)</u>	<u>(15,990)</u>
Net property and equipment - Villa Pinea	<u>\$ 340,499</u>	<u>\$ 346,359</u>

**REAL ESTATE**

Real estate consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Laurel Hill Nature Preserve - Cochrane	\$ 715,403	\$ 715,403
Stillhouse Bottom Nature Preserve - Raney	700,000	-
Stillhouse Bottom Nature Preserve - Ivey	401,304	401,304
Manning Heights	76,862	76,862
Hunt Parcels including Creekside Bluff	58,760	58,760
Total Real Estate	<u>\$ 1,952,329</u>	<u>\$ 1,252,329</u>

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**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 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, 2023 and 2022, the Foundation's contracts were fulfilled at a point in time.

*Performance Obligations Satisfied at a Point in Time*

The Foundation receives revenue for classes, lectures, and educational programs, as well as contracts 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, 2023 and 2022, totaled \$149,201 and \$59,788, 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. Contracts receivable related to these performance obligations totaled \$8,896 at June 30, 2023. There were no contracts receivable related to these performance obligations at June 30, 2022. There was deferred revenue of \$95,000 and \$55,000 at June 30, 2023 and 2022, respectively, which will be recognized in the future at the point in time the Foundation fulfills the obligation.

*General*

Revenue earned will vary depending on the economy and the programs the Foundation has offered and the projects the Foundation has contracted.

**NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Foundation's net assets without donor restrictions at June 30, 2023 and 2022, consist of the following:

	2023	2022
Designated by Board:		
Capital fund	\$ 135,112	\$ 135,112
Conservation fund	175,468	245,508
	310,580	380,620
Undesignated	133,944	231,007
Total net assets without donor restrictions	\$ 444,524	\$ 611,627

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2023, consist of:

	Purpose and Time Restricted	Restricted in Perpetuity	Total
2 J's Acres Conservation Management Endowment	\$ 10,335	\$ 300,379	\$ 310,714
Battle Park Endowment	133,267	365,774	499,041
Bell & Radford Endowment	35,313	110,000	145,313
Butler Endowment	26,837	10,200	37,037
Charles Mohr Internship Endowment	65,464	80,215	145,679
Coker Arboretum Endowment	542,485	997,050	1,539,535
Conservation Endowment	23,136	61,205	84,341
Forest Theatre Park Endowment	18,734	16,076	34,810
Garden operations and other programs	3,092,595	-	3,092,595
General Operating Endowment	30,142	41,278	71,420
Gifts of future interest - time restricted	104,371	-	104,371
Houk Internship Endowment	46,696	42,409	89,105
Hunt Arboretum	732	-	732
J & Jerry Colvard Mountain Plant Endowment	55,828	99,594	155,422
Janet M. Krakauer Endowment	36,026	118,392	154,418
Jenny Fitch Endowment	86,027	50,050	136,077
Jim Todd Living Plant Endowment	44,072	81,290	125,362
Johnson Student Intern Endowment	38,593	120,000	158,593
Martha DeBerry Internship Endowment	30,253	44,884	75,137
Mason Farm Endowment	89,297	209,351	298,648
Master Plan Herbarium	2,212,407	-	2,212,407
Master Plan Visitor Education Center	264,619	-	264,619
Mercer Reeves Endowment	635,417	155,289	790,706
Natural Areas Endowment	177,842	165,006	342,848
NCBG Bench Endowment	11,025	150,320	161,345
NCBG Student Intern Endowment Fund	24,835	110,271	135,106
Palmer Natural Areas Endowment	-	111,402	111,402
Piedmont Nature Trail Endowment	8,673	150,010	158,683
Promises to give - time restricted	3,350	-	3,350
Sims Lecture Endowment	24,485	50,033	74,518
UNC Herbarium General Endowment	30,986	53,687	84,673
	<u>\$ 7,903,842</u>	<u>\$ 3,694,165</u>	<u>\$ 11,598,007</u>

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2022, consist of:

	Purpose and Time Restricted	Restricted in Perpetuity	Total
2 J's Acres Conservation Management Endowment	\$ 14,320	\$ 300,379	\$ 314,699
Battle Park Endowment	138,912	312,094	451,006
Bell & Radford Endowment	37,306	110,000	147,306
Butler Endowment	27,333	10,200	37,533
Charles Mohr Internship Endowment	75,053	80,215	155,268
Coker Arboretum Endowment	578,134	990,780	1,568,914
Conservation Endowment	29,958	61,105	91,063
Forest Theatre Park Endowment	19,062	15,951	35,013
Garden operations and other programs	2,440,008	-	2,440,008
General Operating Endowment	33,308	31,022	64,330
Gifts of future interest - time restricted	63,103	-	63,103
Houk Internship Endowment	47,683	42,109	89,792
Hunt Arboretum	762	-	762
J & Jerry Colvard Mountain Plant Endowment	65,791	99,594	165,385
Janet M. Krakauer Endowment	41,276	118,392	159,668
Jenny Fitch Endowment	90,391	50,050	140,441
Jim Todd Living Plant Endowment	54,572	81,290	135,862
Johnson Student Intern Endowment	40,811	120,000	160,811
Martha DeBerry Internship Endowment	37,408	44,884	82,292
Mason Farm Endowment	109,167	207,671	316,838
Master Plan Herbarium	2,544,774	-	2,544,774
Master Plan Visitor Education Center	646,527	154,189	800,716
Mercer Reeves Endowment	133,259	158,756	292,015
Natural Areas Endowment	11,297	80,320	91,617
NCBG Bench Endowment	25,853	76,255	102,108
NCBG Student Intern Endowment Fund	-	105,252	105,252
Piedmont Nature Trail Endowment	16,374	150,010	166,384
Promises to give - time restricted	3,225	-	3,225
Sims Lecture Endowment	30,256	50,033	80,289
UNC Herbarium General Endowment	32,071	53,437	85,508
	<u>\$ 7,387,994</u>	<u>\$ 3,503,988</u>	<u>\$ 10,891,982</u>

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

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**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.

*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.

## NORTH CAROLINA BOTANICAL GARDEN FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**ENDOWMENTS (CONTINUED)**

As of June 30, 2023, there were two endowment funds with a total fair value of \$419,378, below the required amount by \$5,027. As of June 30, 2022, there was one endowment fund with a fair value of \$103,414, below the required amount by \$788.

The changes in donor-restricted endowment net assets for the year ended June 30, 2023, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, July 1, 2022	\$ -	\$ 5,837,092	\$ 5,837,092
Investment return:			
Income	-	2,242	2,242
Change in fair value	-	(79,303)	(79,303)
Total investment return	-	(77,061)	(77,061)
Contributions	-	182,474	182,474
Appropriation of endowment assets for expenditure	-	(90,248)	(90,248)
Transfers	-	(3,764)	(3,764)
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 5,848,493</u>	<u>\$ 5,848,493</u>

The changes in donor-restricted endowment net assets for the year ended June 30, 2022, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, July 1, 2021	\$ -	\$ 5,492,310	\$ 5,492,310
Investment return:			
Income	-	231	231
Change in fair value	-	185,649	185,649
Total investment return	-	185,880	185,880
Contributions	-	290,048	290,048
Appropriation of endowment assets for expenditure	-	(140,347)	(140,347)
Transfers	-	9,201	9,201
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 5,837,092</u>	<u>\$ 5,837,092</u>

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

**NOTES TO FINANCIAL STATEMENTS**

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**CONTRIBUTION OF NONFINANCIAL ASSETS**

The Foundation recognizes contributed 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 certain support meeting those requirements by paying the salaries for individuals performing services for the Foundation. This support has been recognized in the accompanying financial statements as a contribution of nonfinancial assets, and salary expense at their estimated value. The value was determined by the amount actually paid to these individuals for the portion of their time allocated to the Foundation. All contributed nonfinancial assets were utilized during the year they were received, and there were no donor-imposed restrictions associated with the contributed nonfinancial assets. For the years ended June 30, 2023 and 2022, the amount of these contributed services was as follows:

	2023	2022
Accounting and Administration	\$ 30,945	\$ 61,269
Development	137,562	113,453
Leadership	35,905	58,108
	\$ 204,412	\$ 232,830

The University also provides additional nonfinancial assets by allowing the Foundation to occupy a building owned by the University, for which the University pays all maintenance, insurance, and utility costs associated with the facility. However, it is not practical for the Foundation to calculate an estimated fair value for these facilities, since the square footage occupied by the individuals performing services for the Foundation is so small in comparison to the building as a whole. In addition, volunteers have donated a significant amount of time and effort to the Foundation's operations. The financial statements do not reflect the value of these services donated by volunteers, as they do not meet recognition criteria prescribed by U.S. GAAP.

**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.



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

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**RECLASSIFICATIONS**

Certain reclassifications have been made to the 2022 financial statements in order to conform to 2023 presentation. Such reclassifications had no effect on net assets.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition or disclosure through March 11, 2024, which was the date that the financial statements were available to be issued and determined there are no subsequent events that require disclosure.