

FOUNDATION FOR THE CAROLINAS

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

And Report of Independent Auditor

FOUNDATION FOR THE CAROLINAS
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Report of Independent Auditor

To the Board of Directors
Foundation For The Carolinas
Charlotte, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Foundation For the Carolinas (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2023 and 2022, and the changes in their net assets and their 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 Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Cherry Bekaert LLP

Charlotte, North Carolina
August 28, 2024

FOUNDATION FOR THE CAROLINAS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 41,193,526	\$ 66,102,267
Short-term investments	305,886,444	173,265,338
Accounts receivable	4,744,157	5,864,249
Contributions receivable, net	30,161,499	36,519,156
Prepaid expenses and inventory	34,828	90,026
Notes receivable	24,077,336	21,815,621
Contributed securities held for sale	158,908,489	583,190,244
Long-term investments	3,638,212,250	2,865,020,837
Other investments	65,566,264	50,142,094
Cash surrender value of life insurance	9,839,267	9,713,322
Beneficial interest in trust	11,136,225	1,503,589
Property and equipment, net	78,645,282	65,329,175
Total Assets	<u>\$ 4,368,405,567</u>	<u>\$ 3,878,555,918</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Fund obligations	\$ 4,425,390	\$ 3,990,343
Deferred revenue	1,742,254	1,180,892
Grants payable	91,334,552	77,007,601
Loans payable	6,168,704	7,777,162
Amounts held on behalf of others	656,945,733	596,162,703
Annuity obligations	6,204,508	6,562,891
Total Liabilities	<u>766,821,141</u>	<u>692,681,592</u>
Net Assets:		
Without Donor Restrictions:		
Designated for donor-advised grants	2,514,081,985	2,212,277,397
Designated for operating reserves	4,071,573	16,248,522
Designated for discretionary grants	1,090,688	2,503,943
Designated for endowment	39,204,595	36,825,111
Invested in property and equipment	73,964,017	65,329,175
Total Without Donor Restrictions	<u>2,632,412,858</u>	<u>2,333,184,148</u>
With Donor Restrictions:		
Restricted for Specified Purpose:		
Scholarships	19,908,038	15,666,861
Disaster and hardship	72,280,998	56,593,213
Designated organizations	286,143,115	288,020,100
Restricted to the passage of time	13,901,391	18,082,511
Restricted in perpetuity - endowment	519,882,646	474,094,105
Restricted subject to the Foundation's spending policy	59,636,007	43,975,225
Underwater endowments	(2,580,627)	(43,741,837)
Total With Donor Restrictions	<u>969,171,568</u>	<u>852,690,178</u>
Total Net Assets	<u>3,601,584,426</u>	<u>3,185,874,326</u>
Total Liabilities and Net Assets	<u>\$ 4,368,405,567</u>	<u>\$ 3,878,555,918</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FOUNDATION FOR THE CAROLINAS
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	\$ 403,350,687	\$ 101,068,803	\$ 504,419,490
Less contributions received on behalf of others	<u>(25,508,751)</u>	<u>-</u>	<u>(25,508,751)</u>
Net Contributions	377,841,936	101,068,803	478,910,739
Net investment income	12,905,224	1,584,023	14,489,247
Net investment gains	394,994,773	118,820,926	513,815,699
Administrative fees received	4,030,286	5,621	4,035,907
Change in beneficial interest in trust	-	9,632,636	9,632,636
Net assets released from restrictions	<u>114,630,619</u>	<u>(114,630,619)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>904,402,838</u>	<u>116,481,390</u>	<u>1,020,884,228</u>
Expenses:			
Grant disbursements	592,722,070	-	592,722,070
Less grants disbursed on behalf of others	<u>(36,319,958)</u>	<u>-</u>	<u>(36,319,958)</u>
Net Grant Disbursements	556,402,112	-	556,402,112
Other program	22,166,571	-	22,166,571
Management and general	24,725,133	-	24,725,133
Fundraising and development	<u>1,880,312</u>	<u>-</u>	<u>1,880,312</u>
Total Expenses	<u>605,174,128</u>	<u>-</u>	<u>605,174,128</u>
Change in net assets	299,228,710	116,481,390	415,710,100
Net assets, beginning of year	<u>2,333,184,148</u>	<u>852,690,178</u>	<u>3,185,874,326</u>
Net assets, end of year	<u>\$ 2,632,412,858</u>	<u>\$ 969,171,568</u>	<u>\$ 3,601,584,426</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FOUNDATION FOR THE CAROLINAS
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	\$ 825,527,714	\$ 135,524,968	\$ 961,052,682
Less contributions received on behalf of others	<u>(22,886,297)</u>	<u>-</u>	<u>(22,886,297)</u>
Net Contributions	802,641,417	135,524,968	938,166,385
Net investment income	8,366,233	1,690,698	10,056,931
Net investment losses	(230,296,960)	(115,278,023)	(345,574,983)
Administrative fees received	7,694,131	4,754	7,698,885
Change in beneficial interest in trust	-	(389,730)	(389,730)
Net assets released from restrictions	<u>137,525,703</u>	<u>(137,525,703)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>725,930,524</u>	<u>(115,973,036)</u>	<u>609,957,488</u>
Expenses:			
Grant disbursements	464,196,075	-	464,196,075
Less grants disbursed on behalf of others	<u>(37,574,340)</u>	<u>-</u>	<u>(37,574,340)</u>
Net Grant Disbursements	426,621,735	-	426,621,735
Other program	19,898,404	-	19,898,404
Management and general	22,510,344	-	22,510,344
Fundraising and development	<u>1,711,882</u>	<u>-</u>	<u>1,711,882</u>
Total Expenses	<u>470,742,365</u>	<u>-</u>	<u>470,742,365</u>
Change in net assets	255,188,159	(115,973,036)	139,215,123
Net assets, beginning of year	<u>2,077,995,989</u>	<u>968,663,214</u>	<u>3,046,659,203</u>
Net assets, end of year	<u><u>\$ 2,333,184,148</u></u>	<u><u>\$ 852,690,178</u></u>	<u><u>\$ 3,185,874,326</u></u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FOUNDATION FOR THE CAROLINAS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services		Management and General	Fundraising and Development	Total
	Grants	Other			
Grants Disbursed:					
Education and youth development	\$ 176,082,213	\$ -	\$ -	\$ -	\$ 176,082,213
Animal welfare	9,092,223	-	-	-	9,092,223
Environment and wildlife	145,714,574	-	-	-	145,714,574
Evolving needs and opportunities	48,739,753	-	-	-	48,739,753
Arts and culture	29,315,497	-	-	-	29,315,497
Health and human services	81,093,854	-	-	-	81,093,854
Religion	15,904,967	-	-	-	15,904,967
Other	50,459,031	-	-	-	50,459,031
Administrative fees	-	474,616	536,916	40,832	1,052,364
Salaries and wages	-	9,278,142	10,496,027	798,208	20,572,377
Employee benefits	-	1,867,510	2,112,647	160,664	4,140,821
Payroll taxes	-	604,592	683,953	52,014	1,340,559
Fees for services	-	2,416,877	2,734,125	207,926	5,358,928
Advertising and promotion	-	571,742	646,791	49,188	1,267,721
Office	-	396,031	448,015	34,071	878,117
Information technology	-	2,401,763	2,717,027	206,626	5,325,416
Occupancy	-	643,586	728,066	55,368	1,427,020
Travel	-	80,405	90,959	6,917	178,281
Conferences, conventions, and meetings	-	66,085	74,760	5,685	146,530
Depreciation	-	623,107	704,898	53,607	1,381,612
Insurance	-	207,647	234,903	17,864	460,414
Theatre restoration	-	1,178,227	1,332,885	101,364	2,612,476
Education/literacy	-	54,861	62,062	4,720	121,643
Community engagement	-	352,126	398,348	30,294	780,768
Other	-	949,254	722,751	54,964	1,726,969
Total Functional Expenses	<u>\$ 556,402,112</u>	<u>\$ 22,166,571</u>	<u>\$ 24,725,133</u>	<u>\$ 1,880,312</u>	<u>\$ 605,174,128</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FOUNDATION FOR THE CAROLINAS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services		Management and General	Fundraising and Development	Total
	Grants	Other			
Grants Disbursed:					
Education and youth development	\$ 132,842,179	\$ -	\$ -	\$ -	\$ 132,842,179
Animal welfare	4,762,614	-	-	-	4,762,614
Environment and wildlife	115,754,166	-	-	-	115,754,166
Evolving needs and opportunities	15,793,646	-	-	-	15,793,646
Arts and culture	35,877,921	-	-	-	35,877,921
Health and human services	96,156,220	-	-	-	96,156,220
Religion	18,530,227	-	-	-	18,530,227
Other	6,904,762	-	-	-	6,904,762
Administrative fees	-	40,248	45,531	3,463	89,242
Salaries and wages	-	7,954,322	8,998,437	684,319	17,637,078
Employee benefits	-	1,628,703	1,842,493	140,119	3,611,315
Payroll taxes	-	529,105	598,557	45,519	1,173,181
Fees for services	-	3,003,631	3,397,899	258,406	6,659,936
Advertising and promotion	-	646,603	731,478	55,628	1,433,709
Office	-	510,434	577,435	43,913	1,131,782
Information technology	-	1,426,837	1,614,129	122,752	3,163,718
Occupancy	-	637,879	721,609	54,877	1,414,365
Travel	-	39,414	44,588	3,391	87,393
Conferences, conventions, and meetings	-	59,456	67,260	5,115	131,831
Depreciation	-	227,068	256,874	19,535	503,477
Insurance	-	193,856	219,303	16,678	429,837
Theatre restoration	-	843,530	954,255	72,570	1,870,355
Education/literacy	-	33,646	38,062	2,895	74,603
Community engagement	-	1,162,930	1,315,581	100,048	2,578,559
Other	-	960,742	1,086,853	82,654	2,130,249
Total Functional Expenses	<u>\$ 426,621,735</u>	<u>\$ 19,898,404</u>	<u>\$ 22,510,344</u>	<u>\$ 1,711,882</u>	<u>\$ 470,742,365</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FOUNDATION FOR THE CAROLINAS
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 415,710,100	\$ 139,215,123
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,381,612	503,477
Realized and unrealized (gains) losses on investments	(513,815,699)	345,574,983
Contributions and income restricted for investments in endowments	(45,788,541)	(43,731,262)
Noncash contributions - investments	(328,139,631)	(735,281,203)
Noncash contributions - property and equipment	(5,000)	(25,000)
Provision for loan losses	310,366	-
Changes in operating assets and liabilities:		
Accounts receivable	1,120,092	(2,952,964)
Contributions receivable, net	6,357,657	3,509,078
Prepaid expenses and inventory	55,198	(10,526)
Beneficial interest in trust	(9,632,636)	389,730
Contributed securities held for sale	424,281,755	(218,354,741)
Cash surrender value of life insurance	(125,945)	(265,756)
Fund obligations	435,047	(1,639,458)
Deferred revenue	561,362	(149,458)
Grants payable	14,326,951	(3,520,862)
Amounts held on behalf of others	60,783,030	(106,329,238)
Annuity obligations	(358,383)	(3,099,730)
Net cash flows from operating activities	<u>27,457,335</u>	<u>(626,167,807)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(14,692,719)	(12,794,151)
Net (purchases) sales of investments	(79,281,359)	466,503,675
Issuance of notes receivable	(2,572,081)	(2,617,743)
Collections of notes receivable	-	599,931
Net cash flows from investing activities	<u>(96,546,159)</u>	<u>451,691,712</u>
Cash flows from financing activities:		
Contributions restricted for investment in endowment	45,788,541	43,731,262
Repayments of loans payable	(1,608,458)	(1,700,156)
Net cash flows from financing activities	<u>44,180,083</u>	<u>42,031,106</u>
Net change in cash and cash equivalents	(24,908,741)	(132,444,989)
Cash and cash equivalents, beginning of year	66,102,267	198,547,256
Cash and cash equivalents, end of year	<u>\$ 41,193,526</u>	<u>\$ 66,102,267</u>
Supplemental disclosure of cash flow information:		
Purchases of property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 136,388</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

FOUNDATION FOR THE CAROLINAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1—Nature of the Foundation

Foundation For The Carolinas (the “Foundation”) was established in 1958 as a North Carolina nonprofit corporation. The Foundation, headquartered in Charlotte, North Carolina, inspires philanthropy and empowers individuals to create a better community by receiving gifts, grants, and bequests for the purpose of making charitable donations to eligible organizations.

The accompanying consolidated financial statements include supporting organizations, which are separate legal entities established under Section 509(a)(3) of the Internal Revenue Code (“IRC”) to operate solely for supporting the activities of the Foundation. They have their own Board of Directors (the “Board”) or trustees and use the Foundation to administer and invest their assets. These supporting organizations include the Foundation for the Charlotte Jewish Community, Inc. (effective April 22, 1998), the Crosland Foundation Trust (effective May 1, 2000), the Turner Family Foundation (effective June 20, 2000), the Carolina Thread Trail (effective February 17, 2009, terminated December 31, 2022), Community Investments Foundation (effective May 4, 2012), Community Real Property Holdings (effective May 4, 2012), the Seymour Family Foundation (effective December 21, 2015), and FFTC Partners for Empowering Communities (effective March 25, 2022). The Foundation effectively controls, either directly or indirectly, all operating aspects of these organizations and the organizations are financially interrelated to the Foundation. Accordingly, their financial activity has been included in the accompanying consolidated financial statements. All significant intercompany transactions have been eliminated in the consolidation.

E4E Relief LLC (“LLC”) is an affiliate of the Foundation (effective April 4, 2014). The Foundation effectively controls, either directly or indirectly, all operating aspects of the LLC as its sole member. The LLC is also financially interrelated to the Foundation. Accordingly, the LLC’s financial activity has been included in the accompanying consolidated financial statements and all significant intercompany transactions and balances have been eliminated in the consolidation.

The United Way Legacy Foundation (effective July 24, 2001), The Greater Charlotte Cultural Trust (effective December 31, 2002), Foundation for the Mint Museum (effective October 27, 2006, terminated June 30, 2023), Charlotte-Mecklenburg Library Foundation (effective September 17, 2012), Queens University of Charlotte Endowment (effective November 7, 2014), and CMS Foundation (effective August 11, 2016) also operate in connection with the Foundation as supporting organizations under Section 509(a)(3) of the IRC. These organizations are not controlled, directly or indirectly, by the Foundation. Therefore, financial activity of these organizations is not included in the accompanying consolidated financial statements, except as noted below and as discussed in Note 2 under fiduciary agent.

A small number of funds exist which were originally established at the Foundation and were transferred to United Way Legacy Foundation, The Greater Charlotte Cultural Trust, Foundation for the Mint Museum, Charlotte-Mecklenburg Library Foundation, Queens University of Charlotte Endowment, and CMS Foundation for reporting purposes. However, if any of these organizations ceased to operate as a supporting organization of the Foundation, these funds would be transferred back to the Foundation. As such, the financial activity related to these funds is included in the accompanying consolidated financial statements.

FOUNDATION FOR THE CAROLINAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies

Basis of Accounting – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. The Foundation’s policy is to designate donor gifts without restriction at the discretion of the Board. The Board has designated net assets without donor restrictions for the following uses:

Designated for Donor Advised Grants – Funds designated for donor-advised grants are available for distribution upon recommendation by the donor.

Designated for Operating Reserves – Cash reserves designated for future needs such as technology, capital purchases, art acquisitions, and other operating needs.

Designated for Discretionary Grants – Amounts remaining from annual spendable income of board-designated endowments are designated for discretionary grants.

Designated for Endowment – Gifts without donor restrictions designated by the Board to provide perpetual support for community grant-making and the Foundation’s operations.

Net Assets With Donor Restrictions – Net assets resulting from contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2023 and 2022, the Foundation’s net assets with donor restrictions are restricted for funding various community educational and philanthropic programs specified by the donors and funding renovations to the Carolina Theatre property as well as the endowment corpus and unspent accumulated endowment investment earnings.

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

The Foundation reports gifts of land, buildings, and equipment as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. 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 revenue with donor restrictions. The Foundation reports expirations of donor’s restrictions when the donated or acquired long-lived assets are placed in service.

FOUNDATION FOR THE CAROLINAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash, which are primarily donated investment securities, are recorded at their estimated fair value at the date of donation.

Administrative Fees Received – The Foundation administers various funds contributed by individuals and organizations. These funds are managed through pools of assets and are charged an annual administrative fee, assessed on a monthly basis, based on a percentage of the fair value of the assets of the fund. Administrative fees are recognized in the fiscal year in which they occur.

Donated Services – The Foundation records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer assistants, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these consolidated financial statements since it does not meet the above recognition criteria.

Income Taxes – The Foundation and its supporting organizations are exempt from federal income tax under the provisions of Section 501(c)(3) of the IRC. In accordance with IRC regulations, the Foundation is taxed on unrelated business income, which consists of earnings from activities not related to the exempt purpose of the Foundation. The Foundation accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when the Foundation believes they have a greater than 50% likelihood of being sustained upon examination by taxing authorities. The Foundation has evaluated all its tax positions and determined it had no uncertain income tax positions as of December 31, 2023 or 2022.

Cash and Cash Equivalents – The Foundation considers short-term investments with original maturities of three months or less to be cash equivalents, except for those short-term investments managed as part of investment management strategies.

Contributions Receivable, Net – 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. The discounts on those amounts are computed using risk-adjusted rates. Amortization of the discounts is included in contributions revenue. An allowance for doubtful accounts is based on specific identification of possible uncollectible accounts and the Foundation's historical collection experience. The Foundation has elected to apply the fair value option for valuing all contributions receivable to improve the clarity and consistency of the valuation of these contributions receivable.

Notes Receivable – Notes receivable represent funds advanced to other organizations and are stated at unpaid principal balances, less an allowance for loan losses. The amount of the allowance is based on management's evaluation of the collectability of the receivables, including past experience, adverse situations that may affect the borrower's ability to repay, and current economic conditions. Allowance for loan losses was \$310,366 and \$-0- as of December 31, 2023 and 2022, respectively.

Contributed Securities Held for Sale – Contributed securities held for sale include equity and marketable securities that are scheduled to be liquidated by the Foundation in less than one year and are carried at fair value.

FOUNDATION FOR THE CAROLINAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the accompanying consolidated statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Diversified venture capital holdings and certain other limited partnership interests are carried at fair values based upon financial information provided by external investment partners. Because the venture capital holdings and other limited partnership interests are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for the investments existed. The amount of investment gain associated with these investments represents 1.90% and 1.95% of the total return on investment for the years ended December 31, 2023 and 2022, respectively. Changes in the fair market value of investments carried at fair value are reflected as investment gains or losses in the accompanying consolidated statements of activities.

Property and Equipment, Net – Property and equipment in excess of \$1,500 are recorded at cost for purchased items and estimated fair market value for donated items and are depreciated on a straight-line basis over the estimated life of the respective asset, ranging from 5 to 39 years for buildings and building improvements, and 5 to 10 years for furniture and fixtures. The costs of maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed when incurred. The cost and any accumulated depreciation are removed from the accounts for items sold or retired, and any resulting gain or loss is included in the determination of the change in net assets. Long-lived assets held and used by the Foundation are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

Amounts Held on Behalf of Others – The Foundation recognizes a liability for funds received and held for the sole benefit of other organizations.

Fiduciary Agent – The Foundation acts as fiduciary agent for all its supporting organizations (see Note 1). The Foundation's responsibilities as fiduciary agent include, but are not limited to, safeguarding assets, recording transactions, managing investments, and ensuring appropriate distributions. As part of its fiduciary responsibility, the Foundation manages the assets of United Way Legacy Foundation ("UWLF"), The Greater Charlotte Cultural Trust ("GCCT"), Foundation for the Mint Museum ("FFMM"), the Charlotte-Mecklenburg Library Foundation ("CMLF"), the Queens University of Charlotte Endowment ("QUCE"), and the CMS Foundation ("CMSF").

UWLF was organized for the benefit of, to perform the endowment functions of, and to carry out the purposes of the Foundation with respect to United Way of Central Carolinas, Inc. At December 31, 2023 and 2022, The Foundation, as fiduciary agent for UWLF, has recorded \$2,150,355 and \$1,886,498, respectively, as both assets and as amounts held on behalf of others.

GCCT was organized for the benefit of, to perform the endowment functions of, and to carry out the purposes of the Foundation with respect to the Charlotte-Mecklenburg cultural community, the Arts & Science Council-Charlotte/Mecklenburg, Inc. (the "ASC") and cultural partners of the ASC. At December 31, 2023 and 2022, the Foundation, as fiduciary agent for GCCT, has recorded \$218,559,413 and \$185,762,711, respectively, as both assets and as amounts held on behalf of others.

FFMM was organized for the benefit of, to perform the endowment functions of, and to carry out the purposes of the Foundation with respect to the Mint Museum of Art (the "Museum"). At December 31, 2023 and 2022, the Foundation, as fiduciary agent for FFMM has recorded \$-0- and \$16,812,953, respectively, as both assets and as amounts held on behalf of others.

CMLF was organized for the benefit of, to perform the endowment functions of, and to carry out the purposes of the Foundation with respect to the Charlotte-Mecklenburg Library (the "Library"). At December 31, 2023 and 2022, the Foundation, as fiduciary agent for CMLF has recorded \$40,401,327 and \$32,751,535, respectively, as both assets and as amounts held on behalf of others.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

QUCE was organized for the benefit of, to perform the endowment functions of, and to carry out the purposes of the Foundation with respect to Queen University of Charlotte (“Queens”). At December 31, 2023 and 2022, the Foundation, as fiduciary agent for QUCE has recorded \$154,928,909 and \$147,768,247, respectively, as both assets and as amounts held on behalf of others.

CMSF was organized for the benefit of, to perform the endowment functions of, and to carry out the purposes of the Foundation with respect to Charlotte-Mecklenburg Schools (“Schools”). At December 31, 2023 and 2022, the Foundation, as fiduciary agent for CMSF has recorded \$2,594,247 and \$2,385,638, respectively, as both assets and as amounts held on behalf of others.

Annuity Obligations – The Foundation receives gifts of future interest through charitable remainder unitrusts and gift annuities. Charitable remainder unitrusts are arrangements in which a donor establishes and funds a trust with specified distributions to be made to a non-charitable beneficiary, usually the donor, over a specified period of time not to exceed the lives of the beneficiaries. The distributions to the beneficiaries are for a specified percentage of the trust’s fair value as determined annually. The annual distribution is limited to the lesser of the stated percentage or the actual income earned. Upon termination of the trust, a donor specified not-for-profit organization in addition to the Foundation receives the assets remaining in the trust. Charitable gift annuities are similar to the charitable remainder unitrusts except that no trust exists and the annual distribution to the non-charitable beneficiary is a fixed amount.

The present value of the liability resulting from these gifts, determined based on mortality tables using annual Internal Revenue Service discount rates, is recorded as an annuity obligation. The amount equal to the portion of the current fair value of the gift over the amount payable is recorded as permanently restricted net assets if the Foundation is the beneficiary or annuity obligations if the Foundation is acting as the agent. The Foundation has voluntarily elected the fair value option for valuing all liabilities associated with the irrevocable trust agreements and annuity agreements to improve the clarity and consistency of the valuation of these liabilities.

Functional Allocation of Expenses – The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function.

The consolidated financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding grant disbursements are allocated on the basis of estimates of time and effort.

Use of Estimates – The preparation of accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could significantly differ from these estimates.

Accounting Standards Adopted in 2023 – On January 1, 2023, the Foundation adopted Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*. The standard replaces the incurred loss methodology with an expected loss methodology that is referred to as current expect credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturing debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. The Foundation pools its loans based on similar risk characteristics in estimating its expected credit losses.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Assets are written off when the Foundation determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a grant expense when recorded.

The Foundation adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off balance sheet credit exposures. The Foundation recorded a net decrease to retained earnings of \$310,366 as of January 1, 2023 for the cumulative effect of adopting CECL. The impact of the adoption is not considered to have a significant impact on the comparative 2022 balances, as such, comparative 2022 information has not been adjusted to conform to the new standard and continues to be reported under the accounting standards in effect for that year.

Note 3—Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,295,604	\$ 22,874,010
Accounts receivable	284,107	539,906
Contributed securities held for sale	144,702,264	582,853,137
Short-term investments	108,107,324	91,716,016
	<u>\$ 258,389,299</u>	<u>\$ 697,983,069</u>

The assets above include \$241,651,907 and \$688,634,152 in donor-advised funds as of December 31, 2023 and 2022, respectively. The Foundation generally uses these assets for grantmaking based on donor recommendations.

Endowment funds consist of donor-restricted endowments and Board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 12, the Foundation's Board-designated endowments are subject to an annual spending rate. For the year ended December 31, 2024, this rate is 4.25% and \$1,730,129 of appropriation from the Board-designated endowments will be available within the next 12 months. For the year ended December 31, 2023, the rate was 4.25% and \$1,887,087 of appropriation from the Board-designated endowments were available for expenditure during the year ended December 31, 2023. Although the Foundation does not intend to spend from this Board-designated endowment (other than amounts appropriated per the Board's annual spending rate approval), these amounts could be made available if necessary.

As part 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 become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board will designate a portion of any operating surplus to its operating reserve, which was \$4,071,573 and \$16,248,522 as of December 31, 2023 and 2022, respectively.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 4—Contributions receivable, net

Contributions receivable, net as of December 31 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 17,513,270	\$ 19,350,113
Receivable in one to five years	13,740,979	19,728,023
Receivable thereafter	221,000	182,000
	<u>31,475,249</u>	<u>39,260,136</u>
Less allowance for doubtful accounts	(314,752)	(1,177,804)
Less discount for present value	(998,998)	(1,563,176)
Contributions receivable, net	<u>\$ 30,161,499</u>	<u>\$ 36,519,156</u>

Future pledge receipts are discounted using an average risk-adjusted discount rate of 4.15% and 4.11% at December 31, 2023 and 2022, respectively.

Note 5—Investments

The Foundation primarily classifies investments as either short-term or long-term. Short-term investments include marketable securities with maturity dates less than one year, as well as all investments other than marketable securities intended to be liquidated within a year. Long-term investments include marketable securities with maturity dates greater than one year and any cash equivalents managed as part of the long-term investment strategies. Other investments include real estate holdings and interests in partnerships. Investments as of December 31 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Short-term investments:		
Money market funds	\$ 225,136,660	\$ 172,845,379
Bonds and fixed income securities	80,749,784	419,959
Total short-term investments	<u>\$ 305,886,444</u>	<u>\$ 173,265,338</u>
Long-term investments:		
Money market funds	\$ 36,245,197	\$ 21,613,569
Equity and marketable securities	2,017,176,993	1,283,483,880
Closely-held securities	16,094,959	35,491,126
Bonds and fixed income securities	63,170,177	141,769,867
Hedge funds and other private investment funds	1,505,524,924	1,382,662,395
Total long-term investments	<u>\$ 3,638,212,250</u>	<u>\$ 2,865,020,837</u>
Other investments:		
Real estate	\$ 1,477,000	\$ 1,477,000
Partnerships	64,089,264	48,665,094
Total other investments	<u>\$ 65,566,264</u>	<u>\$ 50,142,094</u>

Total investments include assets for annuity obligations and other liabilities of \$6,204,508 and \$6,562,891 for 2023 and 2022, respectively. The Foundation maintains its investments with various broker-dealers. The Foundation invests in a variety of investments, which are subject to fluctuations in market values and expose the Foundation to a certain degree of interest and credit risk.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 5—Investments (continued)

Net investment income for the years ended December 31, 2023 and 2022 consists of interest and dividends and is presented net of related expenses. Net investment gains (losses) for the years ended December 31 consists of net realized and unrealized gains (losses) and are comprised as follows:

	<u>2023</u>	<u>2022</u>
Net investment gains (losses)	\$ 590,943,470	\$ (433,944,052)
Less agency funds reclassified to amounts held on behalf of others	(75,693,548)	87,371,642
Less change in fair value of annuity obligations	(1,434,223)	997,427
	<u>\$ 513,815,699</u>	<u>\$ (345,574,983)</u>

The Foundation has investments with 56 fund managers, which invest in private investment funds as part of the Foundation's asset allocation. The investment in the private investment funds is an alternative investment strategy with the purpose of increasing the diversity of the Foundation's holdings and is consistent with the Foundation's overall investment objectives.

The private investment funds are not traded on an exchange and, accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity, or debt securities, which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Management relies on various factors to estimate the fair value of these investments.

Management believes its processes and procedures for valuing investments are effective and that its estimate of value is reasonable. However, the factors used by management are subject to change in the near term and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the accompanying consolidated financial statements.

Note 6—Property and equipment, net

The following is a summary of property and equipment as of December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,732,800	\$ 3,732,800
Building and improvements	16,159,819	15,473,340
Furniture and fixtures	9,407,410	6,691,405
Artwork	5,312,345	5,156,694
Construction-in-progress	53,190,336	42,050,753
	87,802,710	73,104,992
Less accumulated depreciation	(9,157,428)	(7,775,817)
	<u>\$ 78,645,282</u>	<u>\$ 65,329,175</u>

In June 2013, the Foundation purchased the Carolina Theatre property and entered into a contract to renovate and restore the property. Under the terms of the agreement, renovations must start by December 31, 2018 and be substantially complete by December 31, 2025. The renovation costs will be substantially funded by contributions which totaled approximately \$53.7 million and \$53.5 million as of December 31, 2023 and 2022, respectively.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 7—Notes receivable

The Foundation holds various promissory notes receivable as of December 31:

	<u>2023</u>	<u>2022</u>
No interest, with principal balance due on demand at sole discretion of Foundation	\$ 100,000	\$ 100,000
2.00% interest payable annually, with principal balance due in November 2024	250,000	250,000
1.72% interest payable annually, with principal balance due in December 2023	410,550	410,550
2.74% interest payable annually, with principal balance due in December 2024	269,528	269,528
2.74% interest payable annually, with principal balance due in December 2024	1,021,624	1,021,624
4.75% interest payable annually, with principal balance due in February 2028	2,500,000	2,500,000
1.50% interest payable annually, with principal balance due in November 2028	5,000,000	5,000,000
1.00% interest payable annually, with principal balance due in January 2031	3,000,000	3,000,000
1.00% interest payable annually, with principal balance due in January 2031	2,000,000	2,000,000
1.00% interest payable annually, with principal balance due in July 2031	2,500,000	2,500,000
1.00% interest payable annually, with principal balance due in July 2031	2,500,000	2,500,000
1.50% interest payable annually, with principal balance due in September 2037	2,136,000	-
4.50% interest payable annually, with principal balance due in November 2037	200,000	117,743
1.00% interest payable annually, with principal balance due in September 2039	2,500,000	2,146,176
Less allowance for credit losses	<u>(310,366)</u>	<u>-</u>
Notes receivable, net	<u>\$ 24,077,336</u>	<u>\$ 21,815,621</u>

During the year ended December 31, 2023, changes in the allowance for credit losses were as follows:

Balance as of December 31, 2022	\$ -
Change in expected allowance for credit losses	<u>310,366</u>
Balance as of December 31, 2023	<u>\$ 310,366</u>

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 8—Grants payable

The following summarizes grants approved and paid and those committed for future payments:

	<u>2023</u>	<u>2022</u>
Grants payable, beginning of year	\$ 77,007,601	\$ 80,528,463
Unconditional grants expensed	556,402,112	426,621,735
Payments made	<u>(542,075,161)</u>	<u>(430,142,597)</u>
Grants payable, end of year	<u>\$ 91,334,552</u>	<u>\$ 77,007,601</u>

Grants are approved and made by the Board in accordance with the Foundation's bylaws. Grants and distributions are recorded in the accompanying consolidated financial statements when approved and all conditions have been met. All grants are payable within one year of being approved.

Note 9—Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Purpose or other restriction accomplished	\$ 86,526,410	\$ 92,659,990
Time restriction expired	1,274,619	21,513,090
Release of appropriated endowment amounts	<u>26,829,590</u>	<u>23,352,623</u>
	<u>\$ 114,630,619</u>	<u>\$ 137,525,703</u>

Note 10—Fair value measurements of asset and liabilities

Fair value is defined as the price the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs), and (2) inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of the Foundation's financial instruments. The inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical securities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Money market funds are valued using \$1 for the unit value using the market approach. Fixed income securities are valued on the basis of valuations provided by pricing services, which determines valuations using methods based upon market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. If market quotations are not readily available for valuations, assets may be valued by a method the trustee of the fund believes accurately reflects fair value.

Level 3 – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 10—Fair value measurements of asset and liabilities (continued)

The following table summarizes the valuation of the Foundation's financial assets and liabilities measured at fair value as of December 31, 2023 based on the level of input utilized to measure fair value:

<u>Description</u>	<u>Fair Value Measurements at December 31, 2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Measurement at fair value on a recurring basis:</i>				
Investments:				
Money market funds	\$ 261,381,859	\$ 261,381,859	\$ -	\$ -
Equity and marketable securities:				
U.S. large-cap	247,313,139	247,313,139	-	-
U.S. mid-cap	17,962,191	17,962,191	-	-
U.S. small-cap	11,143,164	11,143,164	-	-
International developed	10,085,027	10,085,027	-	-
Emerging markets	4,778,089	4,778,089	-	-
Exchange traded funds	1,322,060,508	1,322,060,508	-	-
Mutual funds	381,799,403	381,799,403	-	-
Diversifying assets	2,606,599	2,606,599	-	-
Real asset funds	19,428,873	19,428,873	-	-
Closely-held securities	16,094,959	-	16,094,959	-
Bonds and fixed income securities:				
Government and agency	31,461,742	-	31,461,742	-
Mortgage backed securities	16,438,525	-	16,438,525	-
Corporate obligations	57,025,031	-	57,025,031	-
Exchange traded funds	513,023	513,023	-	-
Mutual funds	38,481,638	38,481,638	-	-
	2,438,573,770	2,317,553,513	121,020,257	-
Hedge funds (*)	162,147,468	-	-	-
Other private investment funds (*)	1,343,377,456	-	-	-
Total investments	<u>\$ 3,944,098,694</u>	<u>\$ 2,317,553,513</u>	<u>\$ 121,020,257</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 30,161,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,161,499</u>
Contributed securities held for sale	<u>\$ 158,908,489</u>	<u>\$ 158,908,489</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in trust	<u>\$ 11,136,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,136,225</u>
Annuity obligations	<u>\$ 6,204,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,204,508</u>
Description	Total	Level 1	Level 2	Level 3
<i>Measurement at fair value on a nonrecurring basis:</i>				
Other investments:				
Real estate	\$ 1,477,000	\$ -	\$ -	\$ 1,477,000
Partnerships	64,089,264	-	-	64,089,264
Total other investments	<u>\$ 65,566,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,566,264</u>

(*) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 10—Fair value measurements of asset and liabilities (continued)

The following table summarizes the valuation of the Foundation's financial assets and liabilities measured at fair value as of December 31, 2022 based on the level of input utilized to measure fair value:

<u>Description</u>	<u>Fair Value Measurements at December 31, 2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Measurement at fair value on a recurring basis:</i>				
Investments:				
Money market funds	\$ 194,458,948	\$ 194,458,948	\$ -	\$ -
Equity and marketable securities:				
U.S. large-cap	1,177,487,868	1,177,487,868	-	-
U.S. mid-cap	25,983,936	25,983,936	-	-
U.S. small-cap	28,902,044	28,902,044	-	-
International developed	22,412,104	22,412,104	-	-
Emerging markets	8,323,969	8,323,969	-	-
Diversifying assets	1,943,320	1,943,320	-	-
Real asset funds	18,430,639	18,430,639	-	-
Closely-held securities	35,491,126	-	35,491,126	-
Bonds and fixed income securities:				
Government and agency	42,023,586	419,959	41,603,627	-
Mortgage backed securities	13,183,418	-	13,183,418	-
Corporate obligations	54,870,847	-	54,870,847	-
Mutual funds	32,111,975	32,111,975	-	-
	1,655,623,780	1,510,474,762	145,149,018	-
Hedge funds (*)	178,166,726	-	-	-
Other private investment funds (*)	1,204,495,669	-	-	-
Total investments	<u>\$ 3,038,286,175</u>	<u>\$ 1,510,474,762</u>	<u>\$ 145,149,018</u>	<u>\$ -</u>
Contributions receivable, net	\$ 36,519,156	\$ -	\$ -	\$ 36,519,156
Contributed securities held for sale	\$ 583,190,244	\$ 583,190,244	\$ -	\$ -
Beneficial interest in trust	\$ 1,503,589	\$ -	\$ -	\$ 1,503,589
Annuity obligations	\$ 6,562,891	\$ -	\$ -	\$ 6,562,891
Description	Total	Level 1	Level 2	Level 3
<i>Measurement at fair value on a nonrecurring basis:</i>				
Other investments:				
Real estate	\$ 1,477,000	\$ -	\$ -	\$ 1,477,000
Partnerships	48,665,094	-	-	48,665,094
Total other investments	<u>\$ 50,142,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,142,094</u>

(*) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

FOUNDATION FOR THE CAROLINAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 10—Fair value measurements of asset and liabilities (continued)

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the following tables provide a reconciliation of beginning and ending balances for the years ended December 31, 2023 and 2022, respectively:

Fair Value Measurements at December 31, 2023	Beneficial Interest in Trust	Contributions Receivable	Annuity Obligations
Beginning balance	\$ 1,503,589	\$ 36,519,156	\$ 6,562,891
Investment return, net	9,632,636	-	1,712,374
Expenses	-	-	(167,957)
Contributions	-	14,616,000	-
Payments on promises to give	-	(22,400,887)	-
Payments to beneficiaries	-	-	(1,925,362)
Actuarial adjustments	-	-	22,562
Allowance and net present value adjustments	-	1,427,230	-
Ending balance	<u>\$ 11,136,225</u>	<u>\$ 30,161,499</u>	<u>\$ 6,204,508</u>
Fair Value Measurements at December 31, 2022			
Beginning balance	\$ 1,893,319	\$ 40,028,234	\$ 9,662,621
Investment return, net	(389,730)	-	(2,814,977)
Expenses	-	-	(121,389)
Contributions	-	19,469,767	-
Payments on promises to give	-	(22,306,864)	-
Payments to beneficiaries	-	-	(1,120,293)
Actuarial adjustments	-	-	956,929
Allowance and net present value adjustments	-	(671,981)	-
Ending balance	<u>\$ 1,503,589</u>	<u>\$ 36,519,156</u>	<u>\$ 6,562,891</u>

For assets and liabilities measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3) during the period, the following table provides a reconciliation of beginning and ending balances for the years ended December 31, 2023 and 2022, respectively:

	Real Estate	Partnerships
<u>Year Ended December 31, 2023</u>		
Beginning balance	\$ 1,477,000	\$ 50,811,270
Contributions	-	17,844,087
Valuation adjustments	-	(852,063)
Sales of investments	-	(1,214,030)
Ending balance	<u>\$ 1,477,000</u>	<u>\$ 66,589,264</u>
<u>Year Ended December 31, 2022</u>		
Beginning balance	\$ 1,477,000	\$ 36,509,608
Contributions	-	26,858,173
Valuation adjustments	-	(1,463,161)
Sales of investments	-	(11,093,350)
Ending balance	<u>\$ 1,477,000</u>	<u>\$ 50,811,270</u>

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Note 10—Fair value measurements of asset and liabilities (continued)

For entities that calculate the net asset value per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from the net asset value per share for the year ended December 31, 2023:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Asset allocator ^(a)	\$ 1,209,581,850	\$ -	daily, annually	daily - 180 days
Multi-strategy hedge funds ^(b)	137,139,861	-	quarterly	30-65 days
Equity long/short hedge funds ^(c)	21,540,493	-	qtrly, annually	30-90 days
Credit long/short hedge funds ^(d)	3,467,114	-	annually	100 days
Private equity ^(e)	84,211,439	36,521,500	annually	30-90 days
Real assets ^(f)	27,724,631	17,954,212	annually	30-90 days
Private debt ^(g)	21,859,536	13,563,250	annually	30-90 days
	<u>\$ 1,505,524,924</u>	<u>\$ 68,038,962</u>		

^(a) This category manages funds structured as private investment partnerships. Funds are invested with a long-term time horizon, utilizing allocations to global equity, fixed income, commodities, long/short equity hedge funds, credit/special situations, absolute return hedge funds, and hedged/opportunistic funds. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

^(b) This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Funds incorporate a multi-strategy approach within the credit space, as well as utilizing convertible arbitrage, risk arbitrage, equity long/short (fundamental and quantitative), distressed debt, pairs trading, private placements, global macro, commodities, real estate, reinsurance, and capital structure arbitrage. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

^(c) This category includes investments in hedge funds that invest both long and short, with a substantial bias toward long-equity exposure, utilizing domestic, global, European and Asian-focused strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

^(d) This category includes investment in credit strategies, both long and short across the global markets, and that occur across the quality spectrum with a focus on below investment-grade and distressed credit. This category will invest across primarily liquid investments, but will take advantage of less liquid situations when presented with an appropriate return and risk tradeoff. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

^(e) This category includes funds that invest in venture capital, buyout, and emerging market funds. Funds invested in this category are very long-term in nature with investment lives of 12 to 15 years, and are considered illiquid until distributions are achieved, with limited secondary market for interests. Additionally, this category includes funds managed by tenured distressed managers, representing the full spectrum of distressed investment approaches, including short-term and medium-term trading strategies.

^(f) This category includes several real estate funds that invest across strategies such as debt origination, secondary debt or securities mispriced relative to underlying real estate values, income-oriented equity, and value-added equity, as well as office properties in major metropolitan areas of the U.S. Distributions from the funds will be received as the underlying investments of the funds are liquidated. Funds invested in this category are long-term in nature with investment lives of 6 to 10 years. The category also includes funds that invest primarily in oil and natural gas exploration and production companies; however, the funds may also invest in companies servicing these businesses, such as energy infrastructure companies.

^(g) This category invests in various types of private debt instruments, defined in part as direct lending to non-public businesses and private equity firms, distressed credit trading and restructuring, mezzanine financing, and special situations. The strategy invests globally, with diversification across investment deals and companies of varying sizes and credit quality, as well as varying seniority in the capital structure. This strategy is considered generally illiquid until distributions are achieved, with a limited secondary market for interests. Funds invested in this category are long-term in nature with investment lives of 7 to 12 years.

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Note 11—Retirement plans

The Foundation provides an age-graded 403(b) plan that covers all eligible employees, as defined. The Foundation makes contributions on behalf of each employee based on age. The Foundation also provides a supplemental 403(b) plan that covers all employees and employees may make elective deferrals out of salary. The Foundation also maintains a non-qualified 457(b) plan for employees who are unable to maximize employer contributions to the qualified 403(b) plan due to annual contribution limits under Section 415.

Foundation contributions to these plans were \$1,840,548 and \$1,680,561 during 2023 and 2022, respectively.

Note 12—Endowment assets

The Foundation’s endowment consists of approximately 800 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of the Foundation has interpreted current law, Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the institution and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the institution
- The investment policies of the institution

Endowment net assets consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2023</u>			
Board-designated endowment funds	\$ 39,204,595	\$ -	\$ 39,204,595
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	519,882,646	519,882,646
Accumulated investment gains	-	57,055,380	57,055,380
	<u>\$ 39,204,595</u>	<u>\$ 576,938,026</u>	<u>\$ 616,142,621</u>
<u>December 31, 2022</u>			
Board-designated endowment funds	\$ 36,825,111	\$ -	\$ 36,825,111
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	474,094,105	474,094,105
Accumulated investment gains	-	233,388	233,388
	<u>\$ 36,825,111</u>	<u>\$ 474,327,493</u>	<u>\$ 511,152,604</u>

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Note 12—Endowment assets (continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Year Ended December 31, 2023</u>			
Beginning endowment net assets	\$ 36,825,111	\$ 474,327,493	\$ 511,152,604
Investment return, net	4,478,305	92,661,056	97,139,361
Contributions	-	36,779,066	36,779,066
Appropriation of endowment assets for expenditure	-	(23,663,510)	(23,663,510)
Other changes:			
Administrative fees and expenses	(324,900)	(3,166,079)	(3,490,979)
Distributions per spending policy	(1,773,921)	-	(1,773,921)
Ending endowment net assets	<u>\$ 39,204,595</u>	<u>\$ 576,938,026</u>	<u>\$ 616,142,621</u>
<u>Year Ended December 31, 2022</u>			
Beginning endowment net assets	\$ 44,695,544	\$ 527,562,112	\$ 572,257,656
Investment return, net	(5,844,233)	(78,128,020)	(83,972,253)
Contributions	-	48,246,024	48,246,024
Appropriation of endowment assets for expenditure	-	(20,365,765)	(20,365,765)
Other changes:			
Administrative fees and expenses	(393,674)	(2,986,858)	(3,380,532)
Distributions per spending policy	(1,632,526)	-	(1,632,526)
Ending endowment net assets	<u>\$ 36,825,111</u>	<u>\$ 474,327,493</u>	<u>\$ 511,152,604</u>

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

At December 31, 2023 and 2022, funds with deficiencies of \$2,580,627 and \$43,741,837, respectively, were reported in net assets with donor restrictions.

	<u>2023</u>	<u>2022</u>
Fair value of underwater endowment funds	\$ 35,184,539	\$ 212,562,928
Original endowment gift amount	37,765,166	256,304,765
Deficiencies of underwater endowment funds	<u>\$ (2,580,627)</u>	<u>\$ (43,741,837)</u>

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 the Foundation must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a weighted benchmark composed of 27.0% of the Russell 3000 Index, 15.0% of the MSCE EAFE Index, 10.0% of the MSCE Emerging Markets Index, 5.0% of the MSCI AC World All Cap Index, 5.0% of the Private Equity Composite, 15.0% of the Bloomberg Barclays US Aggregate Index, 15.0% of the HFRI Fund of Funds Composite Index, 5.0% of a Liquid Real Assets Composite (FTSE EPRA/NAREIT Developed Liquid Index, Lazard Custom Infrastructure Index, S&P Global Large/Mid-Cap Resources & Commodities Index), and 3.0% of the Private Real Assets Composite, while assuming a moderate level of investment risk.

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Note 12—Endowment assets (continued)

The Foundation expects its endowment funds, over a full market cycle (5 years), to provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index + 6%). Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places emphasis on investment in global equities, global fixed income, real assets, and diversifying strategies in a 63-14-8-15% ratio to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – For the years ended December 31, 2023 and 2022, the Foundation and its supporting organizations' policy for the endowment funds, including Board-designated endowments, is to spend up to a maximum of 4.25% and 4.50% respectively of the average daily fair value over the prior three years through the calendar year preceding the fiscal year in which the distribution is planned.

In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Note 13—Loans payable

On February 26, 2020, the Foundation entered into two loan agreements with a financial institution. The first agreement is a term loan with maximum borrowings up to \$6,000,000. Principal plus accrued interest is due in full at maturity on February 26, 2024. Outstanding borrowings under this agreement totaled \$1,500,000 and \$3,000,000 as of December 31, 2023 and 2022, respectively.

The second agreement is a term loan with maximum borrowings up to \$5,000,000. Principal plus accrued interest is due in full at maturity on February 26, 2025. Outstanding borrowings under this agreement totaled \$4,668,704 and \$4,777,162 as of December 31, 2023 and 2022, respectively.

Note 14—Concentration of credit risk and other concentrations

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits.

A substantial amount of the Foundation's support is generated through contributions and pledges from other organizations or individuals, primarily in Charlotte, North Carolina and the surrounding area. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to the Foundation. Also, the limited geographic area in which the Foundation's contributors reside, increases the Foundation's exposure to certain business concentrations. Approximately 41% and 36% of outstanding contributions receivable as of December 31, 2023 and 2022, respectively, are from four donors.

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Note 15—Commitments

The Foundation has entered into a construction contract related to the renovation of the Carolina Theatre property. The estimated construction costs of the project are approximately \$57,206,254 of which \$49,374,813 has been paid as of December 31, 2023.

Note 16—Subsequent events

The Foundation has evaluated subsequent events through August 28, 2024, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.