



2023 Annual Report

SECU Foundation

PEOPLE HELPING PEOPLE®



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Independent Auditors' Report



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
State Employees' Credit Union Foundation
Raleigh, North Carolina

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of State Employees' Credit Union Foundation (the Foundation), 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, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Employees' Credit Union Foundation 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of State Employees' Credit Union Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 State Employees' Credit Union Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Independent Auditors' Report

Board of Directors
State Employees' Credit Union Foundation

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 State Employees' Credit Union 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about State Employees' Credit Union Foundation's ability to continue as a going concern for a reasonable period of time.

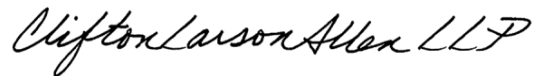
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Independent Auditors' Report

Board of Directors
State Employees' Credit Union Foundation

Supplementary Information

We have audited the financial statements of State Employees' Credit Union Foundation as of and for the year ended June 30, 2023, and our report thereon dated August 24, 2023, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Board of Directors, Executive Director, and Contact Information, a which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Baltimore, Maryland
August 24, 2023

Statements of Financial Position

June 30, 2023 and 2022

| Assets | 2023 | 2022 |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 49,624,836 | \$ 43,000,005 |
| Loans receivable (See Notes 2 & 3) | | |
| NC Teacher Housing | 3,112,960 | 3,597,207 |
| NCHFA construction loans | 173,878 | 700,000 |
| Other Foundation loans | 5,098,364 | 5,248,885 |
| Habitat for Humanity | 8,015,560 | 8,647,275 |
| Less: allowance for loan losses | <u>(340,520)</u> | <u>(424,172)</u> |
| Total loans receivable | 16,060,242 | 17,769,195 |
| Total assets | \$ 65,685,078 | \$ 60,769,200 |
| | | |
| Liabilities | | |
| Accounts payable | \$ 9,213 | \$ 15,629 |
| Habitat for Humanity escrow | -0- | 231,380 |
| Scholarships payable | 12,187,203 | 12,287,301 |
| Grants payable | | |
| SECU Internship Program | 1,143,988 | 749,060 |
| Mission Development Grant Program | 540,000 | 90,000 |
| Grant programs | <u>18,960,632</u> | <u>12,825,397</u> |
| Total grants payable | <u>20,644,620</u> | <u>13,664,457</u> |
| Total liabilities | 32,841,036 | 26,198,767 |
| | | |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 11,567,158 | 12,655,065 |
| Designated | <u>21,276,884</u> | <u>21,915,368</u> |
| Total net assets | 32,844,042 | 34,570,433 |
| Total liabilities & net assets | \$ 65,685,078 | \$ 60,769,200 |

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

Statements of Activities and Changes in Net Assets

June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Revenues, gains, and other support | | |
| SECU member contributions | \$ 19,786,257 | \$ 19,136,817 |
| SECU contributed services | 1,188,959 | 876,944 |
| Interest and dividends | 480,336 | 219,215 |
| Total revenues, gains, and other support | <u>21,455,552</u> | <u>20,232,976</u> |
| Program expenses | | |
| Total scholarships | 4,827,653 | 4,701,655 |
| SECU Internship Program | 1,705,000 | 1,650,000 |
| Mission Development Grant Program | 1,600,000 | 240,000 |
| Grant programs | <u>13,569,382</u> | <u>11,558,961</u> |
| Total program expenses | <u>21,702,035</u> | <u>18,150,616</u> |
| Provision for Loan Losses | 208,944 | -0- |
| Management and general expense | <u>1,270,964</u> | <u>909,394</u> |
| Total expenses | <u>23,181,943</u> | <u>19,060,010</u> |
| Changes in net assets | (1,726,391) | 1,172,966 |
| Net assets at beginning of year | 34,570,433 | 33,397,467 |
| Net assets at end of year | \$ 32,844,042 | \$ 34,570,433 |

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

Statements of Cash Flows

June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ (1,517,447) | \$ 1,172,966 |
| Provision for Loan Losses | (208,944) | -0- |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| (Decrease) Allowance for loan losses | (83,652) | (94,873) |
| Increase in grants payable | 6,980,163 | 4,930,082 |
| (Decrease) in scholarships payable | (100,098) | (213,113) |
| (Decrease)/Increase in accounts payable & escrow | <u>(237,796)</u> | <u>84,498</u> |
| Net cash provided by operating activities | 4,832,226 | 5,879,560 |
| Cash flows from investing activities: | | |
| Loan issuance | (173,878) | (1,479) |
| Principal collected on loans | <u>1,966,483</u> | <u>2,753,412</u> |
| Net cash provided in investing activities | 1,792,605 | 2,751,933 |
| Net increase in cash and cash equivalents | 6,624,831 | 8,631,493 |
| Cash and cash equivalents at beginning of year | 43,000,005 | 34,368,512 |
| Cash and cash equivalents at end of year | \$ 49,624,836 | \$ 43,000,005 |

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

Notes to Financial Statements

June 30, 2023 and 2022

Note 1: Organization and Summary of Significant Accounting Policies

Organization: The State Employees' Credit Union Foundation (the Foundation) is a private, non-profit, charitable foundation in North Carolina. The Foundation was approved by the Internal Revenue Service as a 501(c) (3) corporation in 2001 and began operating in July 2004. The focus of the Foundation is to promote local community development primarily through high impact projects in the areas of housing, education, healthcare, and human services. As an extension of the cooperative ideals on which State Employees' Credit Union (SECU) was founded, the funding for the Foundation is provided through contributions of SECU members. Members of SECU provide funding for the Foundation primarily through voluntary contributions of \$1.00 monthly maintenance fees on checking accounts. These fees would otherwise go toward the operation of SECU. In February 2022, SECU introduced Employee Contributions which allows employees to donate \$5, via payroll deduction, each month to the Foundation. Additional voluntary unrestricted contributions are accepted. While a \$1.00 per month maintenance fee contribution is generally not a significant burden on any individual member, the collective impact of the donations creates opportunities to positively impact and improve the quality of life in neighborhoods and communities throughout North Carolina. The Foundation is an outreach of the "People Helping People[®]" cooperative philosophy on which SECU was organized and by which SECU operates.

Basis of Accounting: The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for non-profit organizations. The financial statements include the accounts maintained by and directly under the control of the Foundation.

The financial statements of the Foundation are presented following the guidance of the "Not-for-Profit Organizations--Audit and Accounting Guide," including ASC 958-605 "Accounting for Contributions Received and Contributions Made" and ASC 958-205, "Financial Statements of Not-for-Profit Organizations" which require the Foundation to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use in general operations. Board designated funds represent net assets without donor restrictions which are designated by the Board of Directors of the Foundation (the Board) action for scholarships or grants. All net assets of the Foundation were classified as without donor restrictions as of June 30, 2023 and 2022.

Net assets with donor restrictions consist of amounts that are subject to donor restrictions and income earned on donor restricted investments in perpetuity. The Foundation is permitted to use up or expend the donated assets in accordance with the donor restriction. The Foundation does not have any net assets with donor restrictions as of June 30, 2023 and 2022.

Cash and Cash Equivalents: For purposes relating to the statements of cash flows, the Foundation considers all highly liquid debt instruments with a maturity of three months or less, at the time of purchase, to be cash equivalents. The Foundation also includes money market accounts as cash equivalents. The Foundation maintains cash balances at SECU. Accounts are insured by the National Credit Union Share Insurance Fund (NCUSIF) up to specified limits. Balances in these accounts generally exceed NCUSIF limits. The Foundation held balances in excess of NCUSIF limits of \$49,405,110 and \$42,714,898 as of June 30, 2023 and 2022, respectively.

Loans Receivable: In furtherance of its charitable purpose, the Foundation provides loans to certain tax-exempt organizations primarily to build housing initiatives that support teachers, older adults, and persons with disabilities in North Carolina. Loans receivable are recorded during the year in which the funds are disbursed. Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. The Allowance for Loan Loss was \$340,520 and \$424,172 as of June 30, 2023 and 2022, respectively. Past due status is based on contractual terms of the loan.

Grants and Scholarships: Unconditional grants and scholarships are recorded as an expense during the year of approval. Grants and scholarships subject to certain conditions are recorded as expenses during the year in which conditions are substantially met or when the possibility that the conditions will not be met is remote, as determined by management. Grants and scholarships payable within one year are recorded at their fair value at the date of authorization. Grants and scholarships payable in more than one year are recorded at the present value of their future cash flows, using a risk-free rate of return based on U.S. Treasury securities.

Revenue Recognition: The Foundation has adopted the accounting treatment prescribed by Financial Accounting Standards Board ASC 958, Accounting for Contributions Received and Contributions Made, and Financial Statements for Not-for-Profit Organizations (FASB ASC 958). In accordance with FASB ASC 958, contributions received by the Foundation are treated as net assets without donor restrictions unless restricted by donor. As of June 30, 2023, there are no donor restrictions present.

Net Assets: As of June 30, 2023, and 2022, all net assets of the Foundation were classified as without donor restriction. These assets have no donor restrictions and may be used for any purpose consistent with the mission of the Foundation. Undesignated net assets of \$11,567,158 and \$12,655,065 are available to be awarded as of June 30, 2023 and 2022, respectively. The Board designated \$21,276,884 and \$21,915,368 of net assets without donor restrictions for current projects related to amounts included in loans receivable and any unfunded construction loan commitments as of June 30, 2023 and 2022, respectively.

Contributed Services: Donations of services that create or enhance physical assets and essential services that require, and are donated by, persons with specialized skills are to be measured at fair value and reported as increases in net assets without donor restrictions during the reporting period. Fair Value is calculated using the actual costs incurred by SECU. Services donated by persons without specialized skills are not recorded. The Foundation does not own physical assets. The Foundation receives donations of management, legal, and accounting services as contributed services. Expenses related to contributed services are included in management and general expense on the Statements of Activities and Changes in Net Assets. Contributed services provided by persons with specialized skills and support services in the amounts of \$1,188,959 and \$876,944 were recognized in the years ended June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses: The Foundation reports expenses on a functional basis in the statement of activities and changes in net assets. These functions consist of programs as well as management and general. Expenses directly related to individual programs are classified as program expenses. Taxes, insurance, and administrative costs related to the Foundation are reported as management and general.

Federal Excise Taxes: The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxation except to the extent that it has unrelated business taxable income. The Foundation is classified as a private foundation and is subject to a federal excise tax of two percent on net investment income unless certain conditions are met in which case the Federal excise tax is 1 percent. In both 2023 and 2022 the Foundation was subject to a two percent rate with estimated excise tax expenses of \$9,607 and \$2,192, respectively.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that would require adjustments or disclosure in the Financial Statements to comply with the provisions of ASC Topic 740, Accounting for Uncertainty in Income Taxes.

The Foundation is also required to make certain minimum qualifying distributions of its assets in accordance with formulas provided by Federal law. As a private foundation, the Foundation is required to make a minimum distribution of five percent of the net value of noncharitable-use assets. The minimum distribution may be further increased for recoveries of amounts treated as distributions from a previous year. In 2023, the Foundation was required to make minimum distributions of \$4,218,889 (\$4,556,855 in 2022). The Foundation made qualifying distributions in 2023 totaling \$15,092,574 and \$13,462,130 in 2022, satisfying the minimum requirements.

Use of Estimates: When preparing these financial statements in conformity with generally accepted accounting principles in the United States of America, management is required to make certain estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and the revenues and expenses in the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle: In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Company for the fiscal year beginning after December 15, 2022, and interim periods within the fiscal year beginning after December 15, 2022. The Foundation will adopt the Current Expected Credit Losses (CECL) accounting standard for the fiscal year 2024 reporting period on July 1, 2023. The Foundation is currently evaluating the impact of ASU 2016-13 on its financial statements.

Note 2: Programs, Scholarships and Grants

A key mission of the Foundation is to fund planning and development of projects which have the potential to attract broad-based local and state partnerships and to be self-sustaining. The Foundation promotes local and community development primarily by funding high impact projects in the areas of housing, education, healthcare, and human services. Letters of Interest are accepted on a rolling basis throughout the year and awards are generally made in January and July. All grants and awards for projects are approved by the Foundation Board.

Since 2004, the Foundation has funded a \$10,000 four-year college scholarship for eligible graduating seniors planning to attend UNC system universities. In 2018, the Foundation set a limit of 435 scholarships to be distributed statewide. The allocation of scholarships are based on the 115 NC Local Education Agencies (LEA or school districts). The statewide distribution per school district ensures the equitable dissemination of scholarships across North Carolina. The Foundation runs the allocation formula each year based on the information provided by the Department of Public Instruction. In addition, the Foundation has provided two \$5,000 scholarships over two years to students attending each of the 58 community colleges in the North Carolina Community College Systems.





In 2018, the Foundation collaborated with the North Carolina Community College System to establish the SECU Bridge to Career Program replacing the Continuing Education Scholarship Program. The Bridge to Career Program was established to help remove financial barriers for students seeking to obtain state-regulated or industry-recognized credentials that lead to sustainable wage careers within their local communities. During fiscal year 2023 an additional \$1,044,000 was granted to the program. The outstanding balances as of June 30, 2023 and 2022 was \$1,044,000.

In 2015, the Foundation worked with the University of North Carolina at Pembroke, Appalachian State University, and East Carolina University to roll-out a pilot program named the SECU Public Fellows Internship Program with an initial investment of \$300,000 and provided to each university to be awarded up to \$100,000 in support of paid internships for 20 qualifying in-state undergraduates for the summer of 2015. The program is designed to provide sophomore or junior college students with meaningful job experiences through internship assignments focused on local leadership in rural North Carolina communities. The Foundation Board expanded the program to include sixteen of our state universities in 2022. This initiative was continued with additional commitments of \$1,705,000 in 2023 and \$1,650,000 in 2022. The outstanding balances as of June 30, 2023 and 2022 were \$1,143,988 and \$749,060, respectively.



The University scholarship, Community College scholarship, SECU Partnership East, SECU Appalachian Partnership, SECU Bridge to Career, and SECU Public Fellows Internship program commitments total \$7.8 million in 2023 (\$7.6 million in 2022) and total over \$107 million since inception of the educational programs in 2004.

The Foundation has provided funding to NC GreenPower Solar+ Schools for the advancement of renewable energy sources since 2007. NC GreenPower Solar+ Schools is a non-profit organization that works with electric utilities across the state of North Carolina to encourage development of renewable energy. In 2015, the Foundation granted \$140,000 to the Organization to assist in installing a five-kilowatt solar photovoltaic system in up to 14 North Carolina K-12 schools. This project will serve as an educational tool as well as offer greater energy efficiency. In September 2021, an additional \$600,000 was granted to continue the installation of five kilowatt solar photovoltaic systems. The outstanding balances as of June 30, 2023 and 2022 were \$614,709 and \$613,919, respectively.

Since 2007, the Foundation has provided a grant to support the administration of the North Carolina State Employees Combined Campaign, which raises funds from state government employees, for a variety of charities and educational efforts. In 2022, a two-year renewal was granted in the amount of \$45,000 to continue supporting the campaign. The outstanding balances of the grant as of June 30, 2023 and 2022 were \$41,478 and \$86,478, respectively.

Since 2008, the Foundation sponsored the Governor's Awards for Excellence program. The Awards for Excellence program honors the achievements of State employees by recognizing deserving State employees who have demonstrated outstanding achievements in the categories of Customer Service, Efficiency and Innovation, Human Relations, Outstanding Government Service, Public Service, Safety and Heroism, and Spirit of North Carolina. In September 2022, \$72,000 was granted to be disbursed equally in the amount of \$18,000 over a four-year period. The outstanding balance as of June 30, 2023 was \$34,445.

In November 2019, the Foundation provided a grant of \$1,000,000 to Addiction Recovery Care Association (ARCA), a non-profit organization that provides transitional housing and rehabilitative services for individuals recovering from drug and alcohol addiction in Forsyth and surrounding counties. The grant is part of a capital project to renovate a 200-bed nursing home to accommodate 24 detox beds, 75 residential treatment beds, physicians' offices, nursing stations, counseling rooms, and administrative space. The outstanding balance as of June 30, 2022 was \$400,000 and fully disbursed in May 2023.

In March 2020, the Foundation provided a grant of \$5,000,000 to North Carolina Baptists on Mission, a non-profit organization that mobilizes volunteers to respond to identified state, national, and international needs. The grant funds will be used to repair up to 1,000 of the 2,100 homes identified by the North Carolina Department of Public Safety as still in need of repair from damages sustained by Hurricane Florence in 2018. The outstanding balances as of June 30, 2023 and 2022 was \$2,000,000.

In March 2021, the Foundation provided a grant of \$500,000 to Healing Transitions, a non-profit organization that provides services for homeless, underserved, and uninsured individuals suffering from alcoholism and other drug addictions. The program operates at separate campuses in Wake County for men and women and helps participants return to a meaningful and productive life. The grant will support a \$6,000,000 renovation and expansion of the Women's Campus. The outstanding balances as of June 30, 2023 and 2022 was \$300,000.

In March 2021, the Foundation provided a grant of \$1,000,000 to the UNC School of Government for the Lead for North Carolina program. The grant will support up to 50 fellows participating in the Lead for North Carolina post-graduate fellowship program at the UNC School of Government over a 3-year period. The outstanding balance as of June 30, 2022 was \$250,000 and fully disbursed in March 2023.

In March 2021, the Foundation provided a grant of \$1,000,000 to Partners in Ministry, a non-profit organization that provides services in housing, education, and community resources in the Sandhills region of North Carolina. The grant will support the construction of a \$2,700,000 community education center for Partners in Ministry serving as the hub for educational and human services programming for residents of Scotland, Richmond, and Robeson Counties. The outstanding balances as of June 30, 2023 and 2022 was \$1,000,000.



In March 2021, the Foundation provided a grant of \$500,000 to My Kid's Club, a non-profit organization that encourages youth to grow through opportunities for academic success, civic engagement, and healthy living habits to achieve their potential as responsible and caring citizens. The grant will support construction of a new \$1,700,000 facility in Selma, North Carolina which will serve as the hub of programs for low-resource youth from Johnston County. The outstanding balances as of June 30, 2023 and 2022 was \$250,000.

In June 2021, the Foundation provided a grant of \$2,000,000 to the Friends of the North Carolina Museum of Natural Sciences to support the SECU DinoLab project. The grant funds will support the construction of the Paleontology Conservation Lab in the Museum’s Nature Research Center. Visitors to the lab will witness the gradual uncovering of the skeletal remains of two dinosaurs in real time with discovery details and interactive educational resources shared live online. The outstanding balances as of June 30, 2023 and 2022 was \$1,000,000.

In October 2017, the Foundation started providing capacity building grants, now referred to as Mission Development Grants, to support nonprofit organizations across North Carolina, especially in rural and underserved communities. Capacity building refers to opportunities for organizations to assess strengths and gaps, set priorities for growth and improvement, strategically expand impact and services, and achieve goals.

In January 2020, the Foundation provided a grant of \$400,000 to renew the Mission Development Grant Program. The pilot program awarded up to 10 grantees at \$40,000 each over a two-year period.

Based on the successful completion of the pilot, in January 2022, the Foundation Board made the Mission Development Grant Program part of the Foundation’s regular grantmaking without any limit on the number of grants awarded in any given year. Funding will assist grantees with developing strategies to support key elements of their organization’s mission and goals. The outstanding balance of the pilot program at June 30, 2022 was \$30,000 with the project being fully disbursed in October 2022.

| Project Name | 2023 | 2022 |
|---------------------|---------------|------------------|
| Higher Ed Works | \$ -0- | \$ 15,000 |
| Partnership of Ashe | -0- | 15,000 |
| | <u>\$ -0-</u> | <u>\$ 30,000</u> |

In March 2022, the Foundation provided \$40,000 grants to six organizations based on the guidelines of the Mission Development Grant program. The following statements detail the individual grants awarded.

Housing Consultants Group provides financial counseling services to those who are unemployed or underemployed in the Guilford County, Piedmont/Triad area. The outstanding balance as of June 30, 2022 was \$15,000 and fully funded in January 2023.

Note in the Pocket supports school-aged children with limited financial resources, in Wake County and the Triangle, by providing quality clothing to empower them to succeed in an academic environment. The outstanding balance as of June 30, 2022 was \$15,000 and fully funded in February 2023.

Out of the Ashes provides shelter for neighbors of Rutherford and Polk Counties experiencing homelessness and will expand services to assist with food, transportation, drug testing, job skill training, and financial counseling. The outstanding balance as of June 30, 2022 was \$15,000 and fully funded in January 2023.

Triangle Residential Options for Substance Abusers (TROSAs) is a multi-year residential treatment program that empowers people throughout North Carolina with substance abuse by providing comprehensive care, experiential vocational training, and education. The outstanding balance as of June 30, 2022 was \$15,000 and fully funded in February 2023.

Stanton Hospitality House offers temporary, affordable housing for families in the Cumberland County area with support to lessen the financial and emotional burdens associated with illnesses and hospitalizations. The outstanding balance as of June 30, 2022 was \$15,000 and fully funded in January 2023.

Voices Together assist individuals in Onslow and Wayne County that are on the autism spectrum and related disorders by using music therapy to develop communication skills. The outstanding balance as of June 30, 2022 was \$15,000 and fully funded in February 2023.

| Project Name | 2023 | 2022 |
|---------------------------|---------------|------------------|
| Housing Consultants Group | \$ -0- | \$ 15,000 |
| Note in the Pocket | -0- | 15,000 |
| Out of the Ashes | -0- | 15,000 |
| TROSA | -0- | 15,000 |
| Stanton Hospitality House | -0- | 15,000 |
| Voices Together | -0- | 15,000 |
| | <u>\$ -0-</u> | <u>\$ 90,000</u> |

The Foundation continues to provide non-profit organizations with \$40,000 grants under the Mission Development Grant program. In fiscal year 2023 forty grants were disbursed; 14 were granted in August 2022, 6 in September 2022, 11 in March 2023, and 9 in April 2023. The following statements detail the individual grants awarded.



100 Black Men of the Triangle East was organized to improve the lives of Black youth in Wake and Durham Counties through educational and economic opportunities. The outstanding balance as of June 30, 2023 is \$15,000.

C.H. Barber Memorial Shelter has served the homeless population of Wilkes County for over 35 years. They provide temporary shelter, food, and additional resources for homeless individuals and families. The outstanding balance as of June 30, 2023 is \$15,000.

Children’s Council of Watauga County helps to build a sturdy foundation for children’s learning and development by strengthening families, the early childhood system, and the wider community. The outstanding balance as of June 30, 2023 is \$15,000.

Choanoke Area Development Association facilitates collaborative leadership to address affordable housing needs for a 5-county region of Northeast North Carolina, The outstanding balance as of June 30, 2023 is \$15,000.

Grahamtown Team was established to support revitalization of an African American community in Forest City which provides community programs addressing housing, community services, and youth outreach programs. The grant was fully funded in June 2023.

Hope Restorations provides reentry resources to adults recovering from addiction and/or incarceration through intervention programs and job skill training. The outstanding balance as of June 30, 2023 is \$15,000.

Marian Cheek Jackson Center works to honor and rebuild communities in the historic neighborhoods of Chapel Hill, such as Northside, Pine Knolls, and Tin Top. The organization collaborates with others to address affordable housing, home repairs, and student engagements. The outstanding balance as of June 30, 2023 is \$15,000.

OBX Room at the Inn provides seasonal and year-round support services, such as hospitality, food, and shelter, to homeless men and women of Dare County. The outstanding balance as of June 30, 2023 is \$15,000.

Scotland Family Counseling Center supports families and individuals with wellness and mental health concerns through counseling, educational events, and a variety of specialized services. The outstanding balance as of June 30, 2023 is \$15,000.

TABLE provides hunger relief and nutrition education services to children from low-resourced families living in Orange County. The grant was fully funded in June 2023.

The Health Foundation focuses on improving access of healthcare for residents of North Carolina High Country region. The organization work with Wilkes Regional Medical Center recruiting specialists in various medical departments and building regional medical offices. The outstanding balance as of June 30, 2023 is \$15,000.

Tried by Fire is a non-profit organization committed to assisting previously incarcerated women to successfully re-enter society by providing community-based housing in eight coastal North Carolina Counties. The outstanding balance as of June 30, 2023 is \$15,000.

Southern Pines Housing & Land Trust was created to improve the quality of life of African American in the community by providing educational and financial services to low- and moderate-income land and homeowners, redeveloping abandoned or foreclosed properties. The outstanding balance as of June 30, 2023 is \$15,000.

YMI Cultural Center promotes cultural preservation and elevates Black Excellence through community engagement, advocacy, leadership development and economic justice. The outstanding balance as of June 30, 2023 is \$15,000.

Carolina Cross Connection supports the needs of elderly, disabled, and low-resourced residents of western North Carolina through home repair projects that address safety and accessibility. The outstanding balance as of June 30, 2023 is \$15,000.

Dunn Police Athletic League (PAL) provides children in Harnett County with multifaceted programs aimed toward academic support, leadership development and athletics. The outstanding balance as of June 30, 2023 is \$15,000.

Hospitality House Northwest NC enables the transition from crisis to stability, from poverty to sustainability, and from homelessness to housing. The organization assist individuals and families by rebuilding lives and strengthening the community with a safe, nurturing, and healthy environment. The outstanding balance as of June 30, 2023 is \$15,000.

Open Table supports the youth that are at the transitional age as they are aging out of the foster care system. The program pairs the youth with volunteers who connect them with resources such as housing, transportation, education, finance, and healthcare. The outstanding balance as of June 30, 2023 is \$15,000.

Plain View Community Coalition supports the Plain View Park and Community Center by promoting outreach and improving access to health, wellness, and recreation activities to low-resourced youth, adults, and the elderly. The grant was fully funded in June 2023.

Timberknoll Spirit Cove provides animal-assisted activities to veterans, military families, first responders, essential workers, and people battling illness or trauma in western North Carolina. The grant was fully funded in June 2023.

Blue Ridge Opportunity Commission provides services to low-income residents in Alleghany, Ashe, and Wilkes Counties to eliminate poverty by connecting community members with resources in the area of education, food scarcity, and rental assistance. The outstanding balance as of June 30, 2023 is \$15,000.



Communities Supporting Schools of Wayne County public schools provides opportunities for students to stay in school, graduate, and be successful in life. The outstanding balance as of June 30, 2023 is \$15,000.

Family Promise of Davie County assists families facing homelessness through prevention programs, shelter services, transitional housing, and case management. The outstanding balance as of June 30, 2023 is \$15,000.

Lost Province Center for Cultural Arts works to bridge the urban-rural divide to promote community revitalization and cultural arts of the Southern Appalachian Region of North Carolina. Funds will be used to create a mixed-used cultural arts showcase and venue to host classes, community events, and offer sustainable affordable housing. The outstanding balance as of June 30, 2023 is \$15,000.

Lucy Daniels Center serves the mental health needs of families and children. They provide therapeutic services focusing on early intervention mental health treatment for children. The outstanding balance as of June 30, 2023 is \$15,000.



Nazareth Child and Family Connection offers essential family programs and services while providing safe, supportive, and nurturing environments for every child, individual and family. The outstanding balance as of June 30, 2023 is \$15,000.



Peacehaven Community Farm provides opportunities for adults with disabilities to have meaningful employment, nourishing relationships, and lasting independence through shared living and workspace. The outstanding balance as of June 30, 2023 is \$15,000.

Roanoke Island Historical Association commemorates and shares the history of the first English colonies in North America on Roanoke Island, North Carolina. The mission is primarily accomplished by the annual production of the symphonic outdoor drama *The Lost Colony* and through educational events and programs. The outstanding balance as of June 30, 2023 is \$15,000.

Sustainable Alamance assists formerly incarcerated residents of Alamance County, providing opportunities that serve as alternatives to incarceration, minimizing the negative impacts on families, communities, and society. The outstanding balance as of June 30, 2023 is \$15,000.

Falcon Children's Home and Family Services provides long-term residential care for children recovering from trauma with programs to enhance mental, physical, and emotional well-being. The outstanding balance as of June 30, 2023 is \$15,000.

Sympara assists communities to repurpose closed or underutilized religious properties for social impact addressing affordable housing, healthcare, childcare, and creating economic opportunities for people of color. The outstanding balance as of June 30, 2023 is \$15,000.

Avery Association for Exceptional Citizens supports adults who have an intellectual or developmental disability diagnosis, through programs teaching common life skills in addition to offering residential services at the Avery County Group Home. The outstanding balance as of June 30, 2023 is \$15,000.

Durham Center for Senior Life operates three Adult Day Health Centers which provides an array of life-enriching services to senior adults of Durham County by promoting healthy, active, and independent lifestyles. The outstanding balance as of June 30, 2023 is \$15,000.

Four Square Community Action is a human services agency providing comprehensive programs to improve the social, economic, educational, health, and environmental aspects of low-income, low-resourced residents of western NC. The outstanding balance as of June 30, 2023 is \$15,000.

NC School for the Deaf at Morganton Foundation seeks to address the need for more effective and enhanced methods to educate hearing-impaired students across the state to reach their full potential. The outstanding balance as of June 30, 2023 is \$15,000.

Health Education Foundation for Eastern NC (Area L AHEC) provides educational activities and services in rural communities with less access to resources needed to create a healthy region in Edgecombe, Halifax, Nash, Northampton, and Wilson Counties. The outstanding balance as of June 30, 2023 is \$15,000.

The Giving Spoon works collaboratively with Manna Food Bank, Food Lion, and local farms to provide hunger relief and nutrition education to under-resourced residents of Swain County struggling with food-insecurity by providing 900-1000 meals per week. The outstanding balance as of June 30, 2023 is \$15,000.

The Resiliency Collaborative provides low-income youth of Southeast Raleigh with skills to build resilience and promote healing around mental health, develop leadership skills that incorporate social/emotional learning and racial equity, and engage with the community. The outstanding balance as of June 30, 2023 is \$15,000.

Cakeable Charlotte Inc promotes culinary arts and provides job skills training for individuals with intellectual and developmental, or neuro-diverse, disabilities creating an inclusive work environment where everyone can contribute with purpose. The outstanding balance as of June 30, 2023 is \$15,000.

Madison County Arts Council was formed to strengthen the local community through the arts, providing resources to artists and organizations in addition to offering culturally diverse programming for the public. The outstanding balance as of June 30, 2023 is \$15,000.

A summary of organizations that received a Mission Development Grant in fiscal year 2023 is below:

| Project Name | 2023 | | 2022 | |
|--------------------------------------|-------------|----------------|-------------|------------|
| 100 Black Men of the Triangle | \$ | 15,000 | \$ | -0- |
| C.H. Barber Memorial Shelter | | 15,000 | | -0- |
| Children Council of Watauga | | 15,000 | | -0- |
| Choanoke Area Dev Assoc | | 15,000 | | -0- |
| Grahamtown Team | | -0- | | -0- |
| Hope Restorations | | 15,000 | | -0- |
| Marian Cheek Jackson Center | | 15,000 | | -0- |
| OBX Room at the Inn | | 15,000 | | -0- |
| Scotland Family Counseling | | 15,000 | | -0- |
| TABLE | | -0- | | -0- |
| The Health Foundation | | 15,000 | | -0- |
| Tried by Fire | | 15,000 | | -0- |
| Southern Pines Housing | | 15,000 | | -0- |
| YMI Cultural Center | | 15,000 | | -0- |
| Carolina Cross Connection | | 15,000 | | -0- |
| Dunn Police Athletic League | | 15,000 | | -0- |
| Hospitality House NW NC | | 15,000 | | -0- |
| Open Table | | 15,000 | | -0- |
| Plainview Community Coalition | | -0- | | -0- |
| Timberknoll Spirit Cove | | -0- | | -0- |
| Blue Ridge Opportunity Comm | | 15,000 | | -0- |
| Communities Supporting Schools | | 15,000 | | -0- |
| Family Promise of Davie Cty | | 15,000 | | -0- |
| Lost Province Center | | 15,000 | | -0- |
| Lucy Daniels Center | | 15,000 | | -0- |
| Nazareth Child & Family Conn | | 15,000 | | -0- |
| Peacehaven Community Farm | | 15,000 | | -0- |
| Roanoke Island Historical Assoc | | 15,000 | | -0- |
| Sustainable Alamance | | 15,000 | | -0- |
| Falcon Children's Home & Family | | 15,000 | | -0- |
| Sympara | | 15,000 | | -0- |
| Avery Assoc for Exceptional Citizens | | 15,000 | | -0- |
| Durham Center for Senior Life | | 15,000 | | -0- |
| Four Square Community Action | | 15,000 | | -0- |
| NC School for the Deaf | | 15,000 | | -0- |
| Health Education Foundation | | 15,000 | | -0- |
| The Giving Spoon | | 15,000 | | -0- |
| The Resiliency Collaborative | | 15,000 | | -0- |
| Cakeable Charlotte Inc | | 15,000 | | -0- |
| Madison County Arts Council | | 15,000 | | -0- |
| | \$ | <u>540,000</u> | \$ | <u>-0-</u> |

In July 2021, the Foundation provided a \$2,000,000 grant to Roof Above, formerly the Men's Shelter of Charlotte and the Urban Ministry Center. The grant supports a building renovation and expansion project that will create a new 88-unit permanent housing facility and supportive services for individuals experiencing homelessness in the Charlotte, North Carolina area. The outstanding balance as of June 30, 2022 was \$500,000 and the project was fully funded in August 2022.

In August 2021, the Foundation provided a \$1,500,000 grant to Aces for Autism to support the construction of a new facility in Pitt County to serve children with Autism. The outstanding balances as of June 30, 2023 and 2022 were \$500,000 and \$1,000,000, respectively.

In August 2021, the Foundation funded a \$1,500,000 grant to Partners in Learning to support the construction of an education and clinical facility to assist children with intellectual and developmental disabilities in the Western Piedmont region of North Carolina. The outstanding balances as of June 30, 2023 and 2022 were \$500,000 and \$1,000,000, respectively.

In August 2021, the Foundation provided a \$1,000,000 grant to Samaritan Colony, Inc. to support the construction of a women's recovery center in Richmond County, North Carolina. The building will have a 14-bed capacity and will provide residential treatment to women with substance abuse issues. The outstanding balances as of June 30, 2023 and 2022 was \$750,000.

In August 2021, the Foundation provided a \$1,970,000 grant to UNC Health Foundation to support a three-year telemedicine pilot program that will address behavioral health issues of North Carolina public school students affected by the COVID-19 Pandemic. The outstanding balances as of June 30, 2023 and 2022 were \$470,000 and \$1,220,000, respectively.

In September 2021, the Foundation provided a \$350,000 grant to Club Nova Community Inc. The grant supports the construction of a new 9,153 square foot mental health facility to serve adults with diagnosis of serious and persistent mental illness in the Orange County area. The outstanding balance as of June 30, 2023 and 2022 was \$175,000.

In September 2021, the Foundation provided a \$750,000 grant to Lincoln County Coalition Against Domestic Violence, a safe haven for individuals and families displaced by violence. The funds support the constructions of a new facility to provide quality emergency shelter and supportive services for victims of domestic abuse from Lincoln and surrounding counties. The outstanding balances as of June 30, 2023 and 2022 were \$375,000 and \$750,000, respectively.

In February 2022, the Foundation approved a \$1,500,000 grant to AMOREM to support construction of a new Hospice care facility in Boone, North Carolina. The facility will provide hospice patients and families from the High Country region with a residential setting to receive respite care, acute symptom care, anxiety relief and pain management. The outstanding balances as of June 30, 2023 and 2022 were \$1,500,000.

In August 2022, the Foundation granted \$500,000 to Homeward Bound, a hospitality house serving the western North Carolina homeless population through a long-term emergency shelter. The funds support construction of an 85-unit permanent supportive housing campus in Buncombe County to provide services including case management, counseling, medical care and more. The outstanding balance as of June 30, 2023 is \$250,000.

In September 2022, One Place was awarded a \$2,000,000 challenge grant to support construction of a new child advocacy and resource center in Onslow County. The facility will strive to improve the lives of children and families by connecting them with resources for childcare, early education, and a safe space to speak with medical providers and law enforcement. The outstanding balance as of June 30, 2023 is \$2,000,000.

In October 2022, the Foundation approved a \$1,500,000 grant to the Tammy Lynn Memorial Foundation (founded as the Tammy Lynn Center), an organization serving children and adults with intellectual and developmental disabilities. The funds will help TLC expand the Wake County campus to provide a diverse range of on-site and community-based programs, including educational services, autism therapies, and community living support. The outstanding balance as of June 30, 2023 is \$1,500,000.

In November 2022, the Foundation provided a \$500,000 grant to Senior Services, Inc. to support construction of the new Intergenerational Center for Arts and Wellness. The center will allow seniors access to physical health and dementia care, physical/occupational therapy, and experiential arts education. The outstanding balance as of June 30, 2023 is \$250,000.



In December 2022, the Foundation approved a capital grant of \$2,000,000 to Dorothea Dix Park Conservancy for the purpose of supporting the development of Dix Park into a public urban park located near downtown Raleigh, North Carolina. The outstanding balance as of June 30, 2023 is \$1,000,000.

In December 2022, the Foundation awarded Surry Medical Ministries a \$750,000 grant to support the purchase and renovation of a medical clinic which will provide integrated primary healthcare to uninsured individuals living at or below the federal poverty level and will reduce the number of costly emergency department visits at Northern Regional Hospital for uninsured patients. The outstanding balance as of June 30, 2023 is \$250,000.



In January 2023, NC Zoo was granted \$2,000,000 by the Foundation to assist in the construction of the SECU Visitor View Pavilion and Classroom in the new Asia habitat complex, which offers a formal venue for interactive learning opportunities both virtual and in-person visits and includes a glass observation wall overlooking an indoor primate habitat. The outstanding balance as of June 30, 2023 is \$2,000,000.

In January 2023, the Foundation provided a \$225,000 grant to The North Carolina Public Television Foundation to support the production of the 2023 NC Year of the Trail digital video series highlighting the benefits of North Carolina trails and to celebrate the 50th anniversary of the NC Trails Act. The grant was fully funded in January 2023.

In April 2023, Domestic Violence Shelter and Service of New Hanover was granted \$450,000 to support the construction of a domestic violence shelter in New Hanover County. The facility will provide emergency shelter, 24-hour crisis intervention, counseling, financial assistance, and programs for children. The grant was fully funded in June 2023.

In April 2023, the Foundation awarded Eden Village of Wilmington \$500,000 to support the construction of 31 individual homes for persons that are homeless and a community center that will offer critical health services, education programs, and community meals. The outstanding balance as of June 30, 2023 is \$250,000.



In May 2023, the Foundation granted \$500,000 to Charlotte Rescue Mission to assist in the construction of a new Rebound for Men recovery facility to serve an additional 100 men each year in a residential recovery program modeled after the 12-step Alcoholics Anonymous curriculum inclusive of clinical counseling. The outstanding balance as of June 30, 2023 is \$500,000.

In May 2023, the Foundation awarded a \$250,000 grant to Teach for America. The funds support the expansion of a pilot program called Reinvest in Student Excellence, which will create opportunities for teacher retention in underserved communities. The grant was fully funded in June 2023.

In May 2023, SECU MemoryCare was awarded a \$250,000 grant to support programmatic expansion and increasing access to quality dementia care for families in western North Carolina. The grant was fully funded in June 2023.

In May 2023, SAFEchild received a \$500,000 grant to support the construction of an advocacy and resource center in Wake County. The center will allow SAFEchild to increase the number of people served and will use the space for medical evaluation and programs with opportunities for parent education and mentoring for women & men. The outstanding balance as of June 30, 2023 is \$250,000

In May 2023, Vecinos was approved a \$1.6 million grant supporting construction of a medical clinic and human services hub in Franklin, North Carolina that will provide medical care and other supportive services to low-income and uninsured adults in a 6-county region of western North Carolina. The outstanding balance as of June 30, 2023 is \$1,200,000.

Note 3: Loans Receivable

In August 2018, the Foundation consolidated two interest free loans to Dare Education Foundation in the total amount of \$998,778 for the construction of the Run Hill Ridge apartment complex and the Hatteras Teacher Housing complex. The outstanding balances at June 30, 2023 and 2022 were \$384,946 and \$509,793, respectively.

In 2010, the Foundation approved a \$2.25 million interest free loan to the Partners for Hoke County Public Schools Education Foundation for a 24-unit Hoke County Teacher Housing project. Additional funding of \$330,000 was approved in 2013. The outstanding balances of the loan at June 30, 2023 and 2022 were \$948,264 and \$1,118,664, respectively.

In 2015, the Foundation agreed to provide an interest free loan for \$2,500,000 to Eblen Charities, Inc., a North Carolina nonprofit corporation for the construction of a teacher housing complex for teachers that work within the Buncombe County and Asheville City Schools. Additional funding of \$335,000 was approved in 2016. The construction phase was completed in July 2017 and converted to a loan in December 2017. The outstanding balances at June 30, 2023 and 2022 were \$1,779,750 and \$1,968,750, respectively.

Beginning in 2009, the Foundation worked with the North Carolina Housing Finance Agency (NCHFA) to finance the construction of supportive housing for persons with disabilities and special needs through local non-profit organizations. The Foundation provides interest free construction financing for a variety of projects. Each construction loan is to be repaid by permanent financing previously committed to the project by NCHFA, allowing the funds to be recycled and available for future housing projects. The projects have been in a multitude of counties throughout North Carolina. Since 2009, \$15.5 million in loan advances have been made. Outstanding balances at June 30, 2023 and 2022 were \$173,878 and \$700,000, respectively. The following paragraphs detail the individual construction loans supported by the Foundation and NCHFA.

In June 2020, the Foundation provided a \$700,000 interest free loan to St. John Community Development Corporation for the construction of the Renaissance Apartments project located in Wilson, North Carolina. The project consists of 16 units to provide permanent housing for low-income households, with four units to be set aside for persons with disabilities. The outstanding loan balance at June 30, 2022 was \$700,000. The loan was paid off in March 2023.



In March 2023, the Foundation provided a \$600,000 interest free loan to South Eastern NC Community Development Corporation for the construction of the Vance Street Homes located in Rocky Mount, North Carolina. The project will consist of three 1-bedroom single homes and five 3-bedroom single family homes for persons with disabilities and low/moderate income families. The outstanding loan balance at June 30, 2023 was \$173,878.

The terms of the construction loans call for balloon payments of all outstanding principal through proceeds from permanent financing previously committed to the project by NCHFA. The outstanding advances on these loans were as follows at June 30, 2023 and 2022:

| Project Name | Location | 2023 | 2022 |
|------------------------|-----------------|-------------------|-------------------|
| Renaissance Apartments | Wilson | \$ -0- | \$ 700,000 |
| Vance Street Homes | Rocky Mount | 173,878 | -0- |
| | | <u>\$ 173,878</u> | <u>\$ 700,000</u> |

In June 2010, the Foundation provided a \$435,000 installment loan to finance the construction of Maple Court Apartments Veteran Housing, located in Durham County. The housing complex provides transitional rental housing for homeless veterans and veterans at risk of being homeless. The outstanding balances at June 30, 2023 and 2022 were \$305,667 and \$318,125, respectively.

In January 2015, the Foundation provided an interest free loan to the Roanoke Chowan Development Corporation for the construction of Longview Terrace. The 12-unit apartment complex will provide housing for low to moderate income individuals with disabilities in Ahoskie. This loan was structured in two parts, with the NCHFA construction portion advanced, completed and paid in full. The outstanding balances at June 30, 2023 and 2022 were \$83,243 and \$104,032, respectively.

In August 2018, the Foundation provided a loan to DHIC for the construction of the Greenfield Place affordable housing community. The five-building community will provide housing for low to moderate income individuals and to individuals with disabilities. The loan has an interest rate of 3.0 percent and a 30-year term. The outstanding balances as of June 30, 2023 and 2022 were \$2,459,899 and \$2,524,105, respectively.

In June 2020, the Foundation provided a loan to Booker Park North for the construction of a three-story building housing 72 units for low-income senior adults located in Raleigh, North Carolina. The loan has an interest rate of 3.0 percent, with a term of 18 years, and amortized over 30 years with one final balloon payment at the end of the term. The outstanding balances as of June 30, 2023 and 2022 were \$2,249,554 and \$2,302,623, respectively.

In 2015, the Foundation entered an agreement with Habitat for Humanity for the purchase of mortgage loans in North Carolina. The Foundation agreed to provide interest free loans for a maximum loan term of 25 years in each of the 100 counties in North Carolina. 102 mortgages have been originated, completing the challenge to Habitat for Humanity of North Carolina to expand their reach to all NC counties. The outstanding loan balances as of June 30, 2023 and 2022 were \$8,015,560 and \$8,647,275, respectively.

Note 4: Allowance for Loan Losses

In 2016, the Foundation entered into an agreement with Habitat for Humanity for the purchase of mortgage loans in North Carolina. In 2016, management established an allowance for loan losses that estimates losses inherent in the loan portfolio. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance when management believes that the principal and interest is uncollectible. Any recoveries of previously charged off loans are recorded to the allowance to offset the charge-off. The Foundation has no net loan charge-offs for the years ended June 30, 2023 and 2022.

A summary of the activity in the allowance for loan losses for the years ended June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|--------------------------------------|-------------------|-------------------|
| Beginning balance | \$ 424,172 | \$ 519,045 |
| Provision for loan losses | 208,944 | -0- |
| Transfer from Habitat Escrow Payable | (292,596) | (94,873) |
| Charge-offs | -0- | -0- |
| Recoveries | -0- | -0- |
| Allowance for loan losses | <u>\$ 340,520</u> | <u>\$ 424,172</u> |

A portion of the allowance for loan loss is specifically for the coverage of any losses from the Habitat for Humanity loans and is funded by the Habitat for Humanity escrow account. Any losses incurred from Habitat for Humanity loans within three years of the closing of the final loan can be covered by the funds in the Habitat for Humanity escrow account. The funds cannot be used to cover losses on non-Habitat for Humanity loans and therefore, are in a separate allowance. The three-year period ended May 2023. A summary of the breakdown of the allowance for loan losses for the years ended June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---------------------------------------|-------------------|-------------------|
| Allowance for loan losses – All Loans | \$ 340,520 | \$ 131,576 |
| Allowance for loan losses – Habitat | -0- | 292,596 |
| Allowance for loan losses | <u>\$ 340,520</u> | <u>\$ 424,172</u> |

The Foundation's loan portfolio consists of a combination of larger balance Teacher Housing loans and other Foundation loans, as well as smaller-balance homogenous Habitat for Humanity loans that are collectively evaluated for impairment. Loans classified as troubled debt restructurings are individually evaluated for impairment. The Foundation has five loans that are in a troubled debt restructuring as of June 30, 2023 with a balance of \$419,073. As of June 30, 2022, the Foundation had four loans that were in a troubled debt restructuring with a balance of \$352,758. The Foundation has twelve loans it considers to be impaired as of June 30, 2023 and had eleven loans it considered to be impaired as of June 30, 2022.

A summary of recorded investment in loans by portfolio segment and method of evaluation for impairment for the years ended June 30 is as follows:

| 2023 | Real Estate Loans | Total |
|---|--------------------------|----------------------|
| Loans: | | |
| Ending balance: Individually evaluated for impairment | \$ 997,188 | \$ 997,188 |
| Ending balance: Collectively evaluated for impairment | <u>15,403,574</u> | <u>15,403,574</u> |
| Ending balance | <u>\$ 16,400,762</u> | <u>\$ 16,400,762</u> |

| 2022 | Real Estate Loans | Total |
|---|--------------------------|----------------------|
| Loans: | | |
| Ending balance: Individually evaluated for impairment | \$ 1,148,101 | \$ 1,148,101 |
| Ending balance: Collectively evaluated for impairment | <u>17,045,266</u> | <u>17,045,266</u> |
| Ending balance | <u>\$ 18,193,367</u> | <u>\$ 18,193,367</u> |

As of June 30, 2023 and June 30, 2022 the Foundation had twelve and eleven modified loans with balances of \$886,356 and \$846,110, respectively.

On March 22, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Interagency Release) was issued and later revised on April 7, 2020. The Interagency Release seeks to provide relief when structuring loan modifications with borrowers impacted by COVID-19. In order to qualify, the modification must be related to COVID-19, the loan was current at the time the modification program was implemented, and the modification period must be six months or less. Under the Interagency Release, these loan modifications are not considered to be TDRs. The Foundation had nine loans with a total balance of \$886,930 modified in accordance with this policy as of June 30, 2022. There were no new modifications granted in fiscal year 2023.

Delinquent Loans and Loan Balances

The tables below provide an age analysis of past due loans by class at June 30, 2023 and 2022. All loans greater than 90 days delinquent are in non-accrual status.

| 2023 | 30-59 Days | 60-89 Days | 90 Days or Greater | Total Past Due | Current | Total Loans |
|----------------|-----------------------|-----------------------|-------------------------------|---------------------------|----------------|------------------------|
| Real Estate | | | | | | |
| First mortgage | \$ 807,872 | \$ 288,043 | \$ 235,550 | \$ 1,331,465 | \$ 15,069,297 | \$ 16,400,762 |
| Total | \$ 807,872 | \$ 288,043 | \$ 235,550 | \$ 1,331,465 | \$ 15,069,297 | \$ 16,400,762 |

| 2022 | 30-59 Days | 60-89 Days | 90 Days or Greater | Total Past Due | Current | Total Loans |
|----------------|-----------------------|-----------------------|-------------------------------|---------------------------|----------------|------------------------|
| Real Estate | | | | | | |
| First mortgage | \$ 1,202,718 | \$ 169,789 | \$ 491,223 | \$ 1,863,730 | \$ 16,329,638 | \$ 18,193,368 |
| Total | \$ 1,202,718 | \$ 169,789 | \$ 491,223 | \$ 1,863,730 | \$ 16,329,638 | \$ 18,193,368 |

Real Estate Credit Quality Indicators

As part of the on-going monitoring of the credit quality of the real estate portfolio, management tracks certain credit quality indicators based on whether the loans are performing or non-performing. To differentiate these categories, management tracks loan performance and when loans become 90 days or more past due, the loans are classified as non-performing. The delinquency reports enable management to monitor the loan portfolio.

The real estate credit risk profile based on payment activity by class at June 30 is as follows:

| 2023 | First Mortgage | Total |
|----------------|-----------------------|----------------------|
| Performing | \$ 16,165,212 | \$ 16,165,212 |
| Non-performing | 235,550 | 235,550 |
| Total | <u>\$ 16,400,762</u> | <u>\$ 16,400,762</u> |

| 2022 | First Mortgage | Total |
|----------------|-----------------------|----------------------|
| Performing | \$ 17,702,145 | \$ 17,702,145 |
| Non-performing | 491,223 | 491,223 |
| Total | <u>\$ 18,193,368</u> | <u>\$ 18,193,368</u> |

Note 5: Grants and Scholarships Payable

The fair value of grants and scholarships payable as of June 30, 2023 and 2022 using a weighted average discount rate of 0.90 percent at June 30, 2023 (0.69 percent at June 30, 2022) are as follows:

| | 2023 | 2022 |
|---------------------------------------|----------------------|----------------------|
| Payable within 1 year | \$ 26,700,323 | \$ 19,486,871 |
| Payable between 1 and 2 years | 3,546,832 | 3,510,915 |
| Payable between 2 and 3 years | 2,073,967 | 2,152,500 |
| Payable between 3 and 4 years | 986,844 | 1,087,500 |
| Fair Value Discount | (476,143) | (286,028) |
| Total grants and scholarships payable | <u>\$ 32,831,823</u> | <u>\$ 25,951,758</u> |

Interest expense recognized on grants and scholarships payable amounted to \$141,346 for 2023 (\$65,654 in 2022).

Note 6: Liquidity

The Foundation receives contributions without donor restrictions from members of SECU to be used in accordance with the missions of the Foundation.

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Foundation had \$49,624,836 and \$43,000,005 in cash and cash equivalents as of June 30, 2023 and 2022, respectively. Cash and cash equivalents include interest bearing checking accounts and money market accounts.

Note 7: Subsequent Events

Management evaluated subsequent events through August 24, 2023, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2023 but prior to August 24, 2023 that provided additional evidence about conditions that existed at June 30, 2023 have been recognized in the financial statements for the year ended June 30, 2023.

Board of Directors and Executive Director

Members of the Board of Directors are as follows:

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Chris Ayers, Vice Chair
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Stefanie Williams
McKinley Wooten Jr.

The Executive Director is Jama Campbell.

Contact Information

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The SECU Foundation email address is: secufoundation@ncsecu.org

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