



SHARPE
PATELCPA

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Consolidated Financial Statements
and Supplementary Information

As of and for the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

FAYETTEVILLE STATE UNIVERSITY FOUNDATION INC., AND SUBSIDIARY

Table of Contents

June 30, 2022

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Consolidated Statement of Net Position	10
Consolidated Statement of Revenue, Expenses, and Changes in Net Position.....	11
Consolidated Statement of Cash Flows.....	12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fayetteville State University Foundation Inc., and Subsidiary
Fayetteville, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Fayetteville State University Foundation Inc., and Subsidiary, a nonprofit organization (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fayetteville State University Foundation Inc., and Subsidiary as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 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 that 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 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 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 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.

Report on Summarized Comparative Information

We have previously audited the Fayetteville State University Foundation Inc., and Subsidiary's 2021 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022, on our consideration of Fayetteville State University Foundation Inc., and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayetteville State University Foundation Inc., and Subsidiary's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
September 15, 2022

**FAYETTEVILLE STATE UNIVERSITY
FOUNDATION, INC., AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Introduction

Fayetteville State University Foundation, Inc. (Foundation), and Subsidiary provides this overview and Management Discussion and Analysis to assist in understanding the statements and Notes to the Financial Statements presented herewith for the year ended June 30, 2022 and includes comparative data for the year ended June 30, 2021. The discussion describes important trends and events that have impacted the fiscal health of the Foundation and that may continue to exert influence in future years. This discussion has been prepared by and is the responsibility of the Foundation management along with the financial statements and Notes to the Financial Statements. The report should be read and considered in its entirety.

Using the Annual Report

This annual report consists of a series of financial statements, Notes to the Financial Statements, and other information prepared in accordance with the Governmental Accounting Standards Board (GASB). The GASB establishes standards for external financial reporting and requires that financial statements be presented on a consolidated basis for the Foundation as a whole. These standards were used in the preparation of this document. The statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Comparative information for the prior fiscal year is also presented in the condensed financial statements.

The basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position are discussed in later sections of this discussion and analysis.

The Statement of Cash Flows provides information relative to the Foundation's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balance of noncash accounts on the Statement of Net Position.

The Notes to the Financial Statements should be read in conjunction with the financial statements. The Notes to the Financial Statements provide information regarding the significant accounting principles applied in the financial statements, authority for and

associated risk of deposits and investments, detailed information on deposits and investments, long-term liabilities, revenues, expenses, required information on insurance against losses, commitments and contingencies, and if necessary, a discussion of accounting changes, adjustments to prior periods, and events subsequent to the Foundation's financial statement period. Overall, these Notes to the Financial Statements provide information to better understand details, risk, and uncertainties associated with amounts reported in the financial statements.

Reporting Entity

The financial statements report information about the Foundation as a whole using accounting methods similar to those used in the private-sector. The Foundation includes as a subsidiary the Fayetteville State University Student Housing Foundation, LLC (Housing Foundation). The Housing Foundation owns University Place Apartments (UPA) near to the campus of Fayetteville State University (University). All beds at UPA are leased to the University to be utilized for student housing.

Financial Highlights

The Foundation's financial position, as a whole, remained relatively stable during the fiscal year ended June 30, 2022. The combined net position for the Foundation increased \$1.76 million.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and net position of the Foundation as of the end of the fiscal year. The statement is a point-in-time statement presenting a fiscal snapshot of Foundation. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes to vendors and others and how much is held for future use by the Foundation or others. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the Foundation.

Net position is divided into categories to show the availability to meet the Foundation's obligations. The first category, net investment in capital assets provides the Foundation's equity in property, plant, and equipment. The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net position consists primarily of the Foundation's permanent endowment funds and is only available for investment purposes. Restricted expendable net position is available for use by the Foundation but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position.

Unrestricted net position is available to the Foundation for any lawful purpose of the Foundation.

Condensed Statement of Net Position				
	2022	2021	Increase/ (Decrease)	Percent Change
Assets				
Current Assets	\$ 5,724,380	\$ 4,763,714	\$ 960,666	20.17%
Noncurrent Assets:				
Investments	11,805,508	11,027,579	777,929	7.05%
Other	7,466,032	8,040,615	(574,583)	-7.15%
Total Assets	<u>24,995,920</u>	<u>23,831,908</u>	<u>1,164,012</u>	4.88%
Liabilities				
Current Liabilities	787,534	818,124	(30,590)	-3.74%
Noncurrent Liabilities	7,454,000	8,024,000	(570,000)	-7.10%
Total Liabilities	<u>8,241,534</u>	<u>8,842,124</u>	<u>(600,590)</u>	-6.79%
Net Position				
Net Investment in Capital Assets	-	-	-	-
Restricted:				
Nonexpendable	4,794,837	4,438,638	356,199	8.02%
Expendable	8,955,292	7,208,895	1,746,397	24.23%
Unrestricted	3,004,257	3,342,251	(337,994)	-10.11%
Total Net Position	<u>\$ 16,754,386</u>	<u>\$ 14,989,784</u>	<u>\$ 1,764,602</u>	11.77%

Net Position categories are defined in Note 3 of the Notes to the Financial Statements.

As of June 30, 2022, total Foundation net position was \$16.75 million. The Foundation's largest asset is a capital lease receivable of \$8.02 million, representing 32.10% of total assets. Current assets increased \$961 thousand or 20.17% due primarily to an increase in scholarship donations. Investments increased \$778 thousand or 7.05%, due primarily to an increase in market value of our endowed funds, investment with UNC Management Company. Other noncurrent assets decreased \$575 thousand due to a decrease of the capital lease receivable.

The Foundation's liabilities totaled \$8.24 million at June 30, 2022. Current liabilities of \$788 thousand and noncurrent liabilities of \$7.45 million consist mainly of bonds payable.

The Foundation's current assets of \$5.72 million covered current liabilities of \$788 thousand, at a ratio of 7.27 (\$7.27 in current assets for every \$1 in current liabilities).

At June 30, the Foundation had a liability for bonds payable of \$8.02 million. Bonds payable is the Foundation's largest liability, representing 97.36% of total Foundation's liabilities. The bonds will be repaid by a capital lease with the University.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The change in total net position as presented on the Condensed Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the Foundation, both operating and nonoperating, the expenses paid by the Foundation, operating and non-operating, and any other revenues, expenses, and any gains and/or losses received or spent by the Foundation.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Foundation. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Foundation. Nonoperating revenues are revenues received for which goods and services are not provided.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2022	2021	Increase/ (Decrease)	Percent Change
Operating Revenues				
Operating Revenues	\$ 1,264,220	\$ 1,203,724	\$ 60,496	5.03%
Sales and Services	<u>13,820</u>	<u>6,575</u>	<u>7,245</u>	110.19%
Total Revenues	<u>1,278,040</u>	<u>1,210,299</u>	<u>67,741</u>	5.60%
Operating Expenses				
Supplies and Materials	208,234	179,415	28,819	16.06%
Utilities	242,473	219,772	22,701	10.33%
Services	<u>1,254,975</u>	<u>791,160</u>	<u>463,815</u>	58.62%
Total Operating Expenses	<u>1,705,682</u>	<u>1,190,347</u>	<u>515,335</u>	43.29%
Operating Income	<u>(427,642)</u>	<u>19,952</u>	<u>(447,594)</u>	-2243.35%
Nonoperating Revenues (Expenses)				
Investment Income (Loss)	674,074	3,273,629	(2,599,555)	-79.41%
Noncapital Gifts	1,691,303	220,444	1,470,859	667.23%
University Support	(294,986)	(332,235)	37,249	-11.21%
Interest Expense	<u>(234,743)</u>	<u>(250,642)</u>	<u>15,899</u>	-6.34%
Net Nonoperating Revenues (Expenses)	<u>1,835,648</u>	<u>2,911,196</u>	<u>(1,075,548)</u>	36.95%
Additions to Endowments	<u>356,596</u>	<u>438,288</u>	<u>(81,692)</u>	-18.64%
Increase in Net Position	1,764,602	3,369,436	(1,604,834)	-47.63%
Net Position				
Beginning of Year	14,989,784	11,620,348	3,369,436	29.00%
End of Year	<u>\$ 16,754,386</u>	<u>\$ 14,989,784</u>	<u>\$ 1,764,602</u>	11.77%

The Condensed Statement of Revenues, Expenses, and Changes in Net Position shows an increase in net position of \$1.76 million for the fiscal year. The Housing Foundation has entered into a lease agreement with Fayetteville State University whereby the University will lease the capital assets from the Housing Foundation for a period ending November 1, 2039. The capital lease is subject to a base rental which constitutes the portion of the rental payments equal to the principal and interest requirement on the bond purchase. In addition, there is additional rental revenue to cover operating expenses. The yearly lease is \$2,055,625 and is subject to an annual increase not to exceed the increase in the Consumer Price Index for the preceding year and in no case more than 3%.

Total operating revenues increased \$68 thousand or 5.60% in fiscal year 2022, as a result of an increase of the lease payment.

Operating expenses increased \$515 thousand or 43.29% due primarily to an increase in general maintenance requirements for UPA in FY22. Supplies and Materials increased \$29 thousand or 16.06% due to an increase in non capitalized equipment purchases.

The Foundation's Endowment is invested with UNC Management Company. In FY22 our investment income decreased \$2.6 million or 79.41% due primarily to the difference in market returns of 4.40% in FY22 as compared to market returns of 42.30% in FY21. Noncapital gifts increased by \$1.5 million or 667.23% due to a \$1.4 million donation for annual scholarships. University support decreased by \$37 thousand or 11.21% due to decreased annual scholarship awards.

Additions to endowments decreased \$82 thousand or 18.64% due to a decrease in gifts designated to Endowed Scholarships.

There were no new capital projects for the fiscal year 2022, however there is an ongoing focus to continue to complete necessary repairs and maintenance each fiscal year to keep UPA in great condition.

Long-Term Debt Activities

The Foundation incurred long-term debt to finance the construction, equipping, and furnishing of UPA. As shown in the table below, the Foundation's long-term debt is \$8,024,000 as of June 30, 2022. For detailed information about long-term debt, see Note 9 of the Notes to the Financial Statements.

	2022	2021	Increase/ (Decrease)
Total Long-Term Liabilities- Bonds Payable	<u>\$ 8,024,000.00</u>	<u>\$ 8,578,000.00</u>	<u>\$ (554,000.00)</u>

Factors Impacting Future Periods

The Foundation is committed to ensuring UPA, operated through the Housing Foundation, is a top choice among students. The execution of the capital lease between the University and the Housing Foundation, which is effective until November 1, 2039, provides the resources necessary to maintain UPA as the housing of choice for students attending the University. Considering these factors, management believes that the Foundation is well positioned to fulfill its mission.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statements of Net Position

June 30, 2022

(With Comparative Totals as of June 30, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,696,422	\$ 3,019,208
Restricted cash	2,408,825	1,132,939
Accrued interest receivable	38,551	41,213
Current portion of pledges receivable, net of discount	10,582	16,354
Current portion of capital lease receivable	570,000	554,000
Total current assets	<u>5,724,380</u>	<u>4,763,714</u>
Noncurrent assets:		
Capital lease receivable, net of current portion	7,454,000	8,024,000
Pledges receivable, net of discount and allowance for uncollectible pledges	12,032	16,615
Endowment investments	11,371,468	10,593,539
Investments - land held	434,040	434,040
Total noncurrent assets	<u>19,271,540</u>	<u>19,068,194</u>
Total assets	<u><u>\$ 24,995,920</u></u>	<u><u>\$ 23,831,908</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 178,983	\$ 222,911
Interest payable	38,551	41,213
Long-term liabilities, current portion	570,000	554,000
Total current liabilities	<u>787,534</u>	<u>818,124</u>
Non-current liabilities:		
Long-term liabilities, net of current portion	7,454,000	8,024,000
Total non-current liabilities	<u>7,454,000</u>	<u>8,024,000</u>
Total liabilities	<u>8,241,534</u>	<u>8,842,124</u>
NET POSITION		
Restricted for:		
Nonexpendable:		
Fayetteville State University Foundation	4,794,837	4,438,638
Expendable:		
Fayetteville State University Foundation	8,993,843	7,250,108
Subsidiary - FSU Housing Foundation	(38,551)	(41,213)
Unrestricted:		
Fayetteville State University Foundation	424,649	429,526
Subsidiary - FSU Housing Foundation	2,579,608	2,912,725
Total net position	<u><u>\$ 16,754,386</u></u>	<u><u>\$ 14,989,784</u></u>

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

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
Consolidated Statement of Revenues, Expenditures, and Changes in Net Position
For the Fiscal Year ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
REVENUES		
Operating revenues:		
Rent revenue	\$ 1,264,220	\$ 1,203,724
Sales and services	13,820	6,575
Total operating revenues	<u>1,278,040</u>	<u>1,210,299</u>
EXPENSES		
Operating expenses:		
Supplies	208,234	179,415
Utilities	242,473	219,772
Other current services	1,254,975	791,160
Total operating expenses	<u>1,705,682</u>	<u>1,190,347</u>
 Operating income (loss)	 <u>(427,642)</u>	 <u>19,952</u>
NONOPERATING REVENUES (EXPENSES)		
Noncapital gifts	1,691,303	220,444
University support	(294,986)	(332,235)
Investment income (net of investment expense)	674,074	3,273,629
Interest and fees on debt and capital leases	(234,743)	(250,642)
Net nonoperating revenues (expense)	<u>1,835,648</u>	<u>2,911,196</u>
 Additions to endowments	 <u>356,596</u>	 <u>438,288</u>
 Increase (decrease) in net position	 <u>1,764,602</u>	 <u>3,369,436</u>
 Beginning net position	 <u>14,989,784</u>	 <u>11,620,348</u>
 Ending net position	 <u><u>\$ 16,754,386</u></u>	 <u><u>\$ 14,989,784</u></u>

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

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the Fiscal Year ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from rents and sales and services	\$ 1,278,040	\$ 1,210,299
Payments to vendor and suppliers	(1,749,610)	(1,002,510)
Net cash provided (used) by operating activities	(471,570)	207,789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Additions to permanent endowments	356,596	438,288
Noncapital gifts	1,701,658	253,531
University support	(294,986)	(332,235)
Net cash provided (used) by noncapital financing activities	1,763,268	359,584
CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES		
Principal paid on long-term capital liabilities	(554,000)	(539,000)
Payments received on capital lease	554,000	539,000
Interest and fees on capital debt and leases	(237,405)	(253,231)
Net cash provided (used) by capital financing activities	(237,405)	(253,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income, net	238,075	212,471
Proceeds from sale of investments	1,498	45,628
Transfer from (to) endowment investments	(340,766)	(95,366)
Net cash provided (used) by investing activities	(101,193)	162,733
Net increase (decrease) in cash and cash equivalents	953,100	476,875
Balances - beginning of year	4,152,147	3,675,272
Balances - end of year	\$ 5,105,247	\$ 4,152,147

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

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
Consolidated Statement of Cash Flows (Continued)
For the Fiscal Year ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (427,642)	\$ 19,952
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Change in accrued interest receivable	2,662	2,589
Change in interest payable	(2,662)	(2,589)
Change in accounts payable	(43,928)	187,837
	<u>(471,570)</u>	<u>207,789</u>
Net cash provided (used) by operating activities	<u>\$ (471,570)</u>	<u>\$ 207,789</u>
Noncash investing, noncapital, capital & financing activities:		
Change in fair value of investments	<u>\$ 777,929</u>	<u>\$ 3,199,215</u>
Reconciliation of cash and cash equivalents		
Current assets		
Cash and cash equivalents	\$ 2,696,422	\$ 3,019,208
Restricted cash	2,408,825	1,132,939
	<u>\$ 5,105,247</u>	<u>\$ 4,152,147</u>

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION

Fayetteville State University Foundation, Inc. (Foundation) is a separate and distinct entity from Fayetteville State University. It was chartered by the State of North Carolina and has its own board of directors. Its purpose is to raise and disburse funds for programs that will further the educational purposes of Fayetteville State University.

The Foundation, through a wholly owned subsidiary, The Fayetteville State University Housing Foundation, LLC, operates a student housing facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of Fayetteville State University Foundation Inc., and Subsidiary is presented to assist in understanding the Foundation's financial statements. The consolidated financial statements and notes to the consolidated financial statements are representation of the Foundation's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and have been consistently applied in the preparation of the consolidated financial statements.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis* – for State and Local Governments, as amended by GASB Statement No. 35, *Basic Financial Statement – and Management's Discussion and Analysis – for Public College and Universities*, the full scope of the Foundation's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Foundation does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

Basis of Accounting

The consolidated financial statements of the Foundation are prepared using the economic resource management focus and the accrual basis of accounting by recognizing revenues when earned and expenses when an obligation has been incurred, regardless of the timing of cash flows. Support that is restricted by the donor is reported as an increase in unrestricted net position if the restriction expires with the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in restricted net position depending on the nature of the restriction. When a restriction expires, restricted net position is reclassified to unrestricted net position.

Basis of Consolidation

The consolidated financial statements include the accounts of Fayetteville State University Housing Foundation, LLC. The Foundation is the sole member of the LLC. All significant intercompany transactions have been eliminated.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

This classification includes cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund. The Short-Term Investment Fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. In addition, the Foundation from time-to-time places excess cash into certificates of deposit.

Receivables

Receivables consist of accrued interest and pledges receivable. Receivables are recorded net of estimated uncollectible amounts.

Capital Assets

Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of acquisition. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The Foundation capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for intangible assets which are capitalized with the value or cost is \$100,000 or greater and internally generated software which is capitalized when the value or cost is \$1,000,000 or greater.

Impairment of Assets

Accounting for the impairment or disposal of long-lived assets requires that long-lived assets be held and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As of June 30, 2022 and 2021, management determined that no indicators of impairment existed.

Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include principal amounts of bonds payable that will not be paid with the next fiscal year.

Restricted Position

Certain resources are reported as restricted position because restriction on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operation and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources legally segregated for the payment of principal and interest as required by debt covenants.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expense Recognition

The Foundation classifies its revenues and expenses as its operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Foundation's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the Foundation, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

Income Taxes

The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation files federal Form 990, Return of Organization Exempt from Income Tax each fiscal year ending June 30. The Foundation has been determined not to be a private foundation within the meaning of Section 509(a) of the IRC. The Foundation is a subsidiary of Fayetteville State University Foundation, Inc. and files a consolidated Federal information return. There was no unrelated business income for the years ended June 30, 2022 and 2021.

On July 1, 2010, the Foundation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for income tax positions at June 30, 2022 and 2021.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2018.

The Foundation's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY**Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021****NOTE 3 - SUBSIDIARY INFORMATION**

In August 2001, Fayetteville State University Foundation, Inc. formed a wholly owned subsidiary named The Fayetteville State University Housing Foundation, LLC, whose purpose is to own and manage off-campus housing for students of Fayetteville State University. The Foundation issued \$14,950,000 in tax-exempt revenue bonds in October 2001 to finance the purchase and construction of several housing units. During the fiscal year ending June 30, 2017 the Series 2001 bonds were refunded and replaced with Series 2017 Student Housing Facilities Revenue Refunding Bond for \$10,150,000. Repayment of debt will be from rental revenue. Balances from the June 30, 2022 and 2021 statement of net position of the subsidiary have been included in the Foundation's consolidated statement of net position. In addition, balances from the subsidiary's statement of revenues, expenses, and changes in net position for the year ended June 30, 2022 and 2021 are included in the Foundation's consolidated statement of revenues, expenses, and changes in net position.

NOTE 4 - DEPOSITS AND INVESTMENTS

The Foundation is required by disclosure of information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk. In addition, the Foundation is required to disclose significant concentrations of credit risk regardless of the degree of risk. The Foundation maintains balances at one financial institution, which is secured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2022 and 2021, the bank balances totaled \$1,869,156 and \$1,868,955, of which \$1,619,156 and \$1,618,955 were uninsured.

In addition, the Foundation had \$2,399,434 and \$1,128,425 in certificates of deposit at June 30, 2022 and 2021.

Investments are presented in the financial statements at fair market value. Investments earned realized and unrealized gains (losses) of \$438,661 during the year ended June 30, 2022 and incurred management fees of \$57,409. Investments earned realized and unrealized gains (losses) of \$3,022,595 during the year ended June 30, 2021 and incurred management fees of \$36,549. Investments within the account are composed of the following at June 30:

	2022		
	Cost	Market	Unrealized Appreciation
UNC Investment Fund, LLC	<u>\$ 4,496,836</u>	<u>\$ 11,371,468</u>	<u>\$ 6,874,632</u>
	2021		
	Cost	Market	Unrealized Appreciation
UNC Investment Fund, LLC	<u>\$ 4,177,913</u>	<u>\$ 10,593,539</u>	<u>\$ 6,415,626</u>

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and 2021

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2022 and 2021 the Foundation's investments include \$11,371,468 and \$10,593,539, respectively, which represents the Foundation's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating and is not subject to any regulation oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from the UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517 or can be accessed on the Fund's website at <https://uncmc.unc.edu/the-fund/> in the annual report section.

At June 30, 2022 and 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$836,657 and \$1,154,767, respectively, which represents the Foundation's equity position in the State Treasurer's Short Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the audited financial statements section.

Investments also include donated land. At June 30, 2022 and 2021, land value totaled \$434,040 and \$434,040, respectively.

NOTE 5 - FAIR VALUE MEASUREMENTS

To the extent available, the Foundation's investment are recorded at fair value as of June 30, 2022 and 2020. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that an entity can access at the measurement date.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2022 and 2021

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 – Investments classified as level 3 have unobservable inputs for an asset and may require a degree of professional judgement.

The following table summarizes the Foundation's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Investment in real estate	\$ -	\$ -	\$ 434,040	\$ 434,040
Short-term investment fund	836,657	-	-	836,657
Certificates of deposit	2,399,434	-	-	2,399,434
	<u>\$ 3,236,091</u>	<u>\$ -</u>	<u>\$ 434,040</u>	<u>\$ 3,670,131</u>

**Investments as a position in an
External Investment Pool**

UNC Investment Fund	11,371,468
	<u>\$ 14,607,559</u>

	2021			
	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Investment in real estate	\$ -	\$ -	\$ 434,040	\$ 434,040
Short-term investment fund	1,154,767	-	-	1,154,767
Certificates of deposit	844,543	-	-	844,543
	<u>\$ 1,999,310</u>	<u>\$ -</u>	<u>\$ 434,040</u>	<u>\$ 2,433,350</u>

**Investments as a position in an
External Investment Pool**

UNC Investment Fund	10,593,539
	<u>\$ 12,592,849</u>

Short-Term Investment Fund

Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The University's position in the pool is measured and reported at fair value.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

**Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021**

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

UNC Investment Fund

Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operation procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The Foundation's position in the pool is measured and reported at fair value.

Investments in Real Estate

The Foundation currently holds parcels of land for resale valued at \$434,040. This investment is classified in level 3. The real estate was donated to the Foundation to be sold. The fair value is initially determined by donor appraisal. The investment is periodically measured at fair value by comparing it to comparative sales, county property tax values, and/or tentative asking prices.

NOTE 6 - PROMISES TO GIVE

Promises to give receivable in years exceeding one year from the Foundation's fiscal year end date are adjusted to fair value using a risk-adjusted interest rate factor determined at June 30 of the year in which the pledge was received. The interest rate, so determined, that was used for this purpose is 4%. Unconditional promises to give at June 30, 2022 and 2021 are reported as follows:

	<u>2022</u>	<u>2021</u>
Total promises to give	\$ 25,900	\$ 38,000
Less:		
Allowance for uncollectible pledges	(2,868)	(2,280)
Discount to present value	<u>(418)</u>	<u>(2,751)</u>
Promises to give restricted for endowment scholarships,	<u>\$ 22,614</u>	<u>\$ 32,969</u>

Of the total promises to give at June 30, 2022, \$11,000 is due within one year, with the remaining \$14,900 over the next three years.

NOTE 7 - HOUSING FOUNDATION, LLC LEASE AGREEMENT

Effective February 15, 2017, the State of North Carolina entered a lease agreement with Fayetteville State University Foundation, LLC, whereby the State will lease the capital assets from Fayetteville State University Foundation, LLC, for a period ending November 1, 2039. The lease includes a purchase option of \$1 plus the amount then necessary to pay the Bank any amount remaining outstanding with respect to the Advance under the Bond Purchase and Loan Agreement. The lease has been classified as a capital lease. As a result, there is sale of assets in exchange for the capital lease receivable. The capital lease portion is a base rental which constitutes the portion of the rental payments equal to the principal and interest requirement on the bond purchase. In addition, there is additional rentals to cover operating expenses defined in the Use Agreement. The yearly lease is \$1,995,752 to be increase by an amount not to exceed the increase in the Consumer Price Index with an annual cap of 3%.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY**Notes to the Consolidated Financial Statements****For the Year Ended June 30, 2022 and 2021****NOTE 7 - HOUSING FOUNDATION, LLC LEASE AGREEMENT (Continued)**

Capital lease obligations relating to the lease of capital assets are recorded at the present value of the minimum lease payments. Future minimum lease payments under the capital lease obligation consist of the following at June 30, 2022:

<u>Year ended June 30:</u>	<u>Amount</u>
2023	\$ 791,337
2024	791,352
2025	790,818
2026	790,336
2027	790,354
2028 and after	<u>5,525,287</u>
Total minimum lease payments	9,479,484
Amount representing interest at 2.82%	<u>1,455,484</u>
Present value of future lease payments	<u>\$ 8,024,000</u>

In addition to the base capital lease payments, stated above, as noted the Housing Foundation will receive minimum rental payments of \$1,995,752 per year. The additional minimum lease payments to be received, net of the base payments noted above are as follows at June 30, 2022:

<u>Year ended June 30:</u>	<u>Amount</u>
2023	\$ 1,204,415
2024	1,204,400
2025	1,204,934
2026	1,205,416
2027	1,205,398
2028 and after	<u>16,427,985</u>
Total minimum lease payments	<u>\$ 22,452,548</u>

The Housing Foundation recognized additional rent revenue of \$1,264,220 and \$1,203,724 for the years ended June 30, 2022 and 2021, respectively.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2022 and 2021

NOTE 8 - OBLIGATION BONDS

In October 2001, Fayetteville State University Foundation, LLC sold \$14,950,000 in Series 2001 tax-exempt Revenue Bonds. These bonds were dated October 1, 2001, and bear interest from that date. Interest is paid monthly. The principal on the bonds was paid annually in November. The maturity of the bonds was to be from 2002 to 2033. The issuance of the bonds was to provide funds for the construction, equipping and furnishing a new student housing facility to be located on the Fayetteville State University campus. The construction took place through Fayetteville State University Foundation, LLC (an affiliate of Fayetteville State University), and be repaid from a lease with the University.

During the prior year the Series 2001 bonds were refunded and replaced with Series 2017 Student Housing Facilities Revenue Refunding Bond. The total bond issued is \$10,150,000. Bond interest is 2.82% with interest payable semi-annually. Principle is payable starting November 1, 2018 and payable annually through November 2033.

Annual requirements to pay principal and interest on the long-term obligations at June 30, 2022, are as follows:

	Annual Requirements	
	Principal	Interest
<u>Year ended June 30:</u>		
2023	\$ 570,000	\$ 221,337
2024	586,000	205,352
2025	603,000	187,818
2026	620,000	170,336
2027	638,000	152,354
2028 and after	5,007,000	518,287
Total	<u>\$ 8,024,000</u>	<u>\$ 1,455,484</u>

NOTE 9 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2022, is presented as follows:

	Balance July 01, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Revenue bonds payable	<u>\$ 8,578,000</u>	<u>\$ -</u>	<u>\$ (554,000)</u>	<u>\$ 8,024,000</u>	<u>\$ 570,000</u>

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and 2021

NOTE 9 - LONG-TERM LIABILITIES (Continued)

The Foundation was indebted for revenue bonds payable for the purpose shown below:

	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2022	Principal Outstanding June 30, 2022
<u>Revenue Bonds Payable:</u>						
Student Housing Project	2017	2.820%	11/01/2033	\$ 10,150,000	\$ 2,126,000	\$ 8,024,000

NOTE 10 - NET POSITION

The Foundation reports four classes of net position: net investment in capital assets, restricted net position-nonexpendable, restricted net position-expendable, and unrestricted net position..

Net Investment in Capital Assets

Net investment in capital assets represents the Foundation's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Nonexpendable

Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position – Expendable

Expendable restricted net position includes resources for which the Foundation is legally or contractually obligated to spending in accordance with restriction imposed by external parties.

Restricted net position - expendable includes the following:

	2022	2021
Endowment restricted net assets	\$ 6,654,178	\$ 6,438,067
Other non endowment net assets	2,339,665	812,041
Total restricted net position - expendable	<u>\$ 8,993,843</u>	<u>\$ 7,250,108</u>

Unrestricted Net Position

Unrestricted net position includes resources derived from unrestricted gifts and interest income.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Foundation made a donation to Fayetteville State University of \$294,986 and \$332,235, respectively during the years ended June 30, 2022 and 2021 to be used by the University for scholarships.

FAYETTEVILLE STATE UNIVERSITY FOUNDATION, INC., AND SUBSIDIARY

**Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2022 and 2021**

NOTE 12 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to contractors; and natural disasters. These exposures to loss are handled via a combination of methods, including purchase of commercial insurance and self-retention of certain risks.

NOTE 13 - ENDOWMENT SPENDING POLICY AND REINVESTED ENDOWMENT INCOME

Investment and spending of endowment net assets are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

The composition of endowment net position and changes in net position as of June 30, 2022 and 2021 are as follows:

	Restricted Net Position - Expendable	Restricted Net Position - Nonexpendable	Total
Balance at July 1, 2020	\$ 3,554,745	\$ 4,000,350	\$ 7,555,095
Contributions	-	438,288	438,288
Interest income	781	-	781
Appreciation	3,145,682	-	3,145,682
Fees	(45,794)	-	(45,794)
Program expenditures	(217,347)	-	(217,347)
Balance at June 30, 2021	6,438,067	4,438,638	10,876,705
Contributions	397	356,199	356,596
Interest income	283	-	283
Appreciation	493,560	-	493,560
Fees	(57,409)	-	(57,409)
Program expenditures	(220,720)	-	(220,720)
Balance at June 30, 2022	<u>\$ 6,654,178</u>	<u>\$ 4,794,837</u>	<u>\$ 11,449,015</u>

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 15, 2022 which is the date the financial statements were available to be issued.

As of the date of issuance of the Foundation's audit, there is a pandemic situation regarding the COVID-19 virus. The Foundation is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and had concluded no additional disclosures are warranted.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Fayetteville State University Foundation Inc., and Subsidiary
Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fayetteville State University Foundation Inc., and Subsidiary (a nonprofit organization) (the "Foundation"), which comprise the consolidated statement of net position as of June 30, 2022, and the related consolidated statements of revenues, expenses, and changes in net position, and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sharpe Patel PLLC". The script is cursive and fluid.

Raleigh, North Carolina
September 15, 2022