

2022 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, 2022 and 2021, 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, 2022 and 2021, 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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The report of the Board of Directors, Executive Director and Contact Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
August 26, 2022

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 43,000,005	\$ 34,368,512
Loans receivable (See Notes 2 & 3)		
NC Teacher Housing	3,597,207	4,143,282
NCHFA construction loans	700,000	2,150,861
Other Foundation loans	5,248,885	5,393,739
Habitat for Humanity	8,647,275	9,257,418
Less: allowance for loan losses	(424,172)	(519,045)
Total loans receivable	17,769,195	20,426,255
Prepaid expenses	-0-	-0-
Total assets	\$ 60,769,200	\$ 54,794,767
Liabilities		
Accounts payable	\$ 15,629	\$ 26,003
Habitat for Humanity escrow	231,380	136,508
Scholarships payable	12,287,301	12,500,414
Grants payable		
SECU Internship Program	749,060	758,940
Mission Development Grant Program	90,000	-0-
Grant programs	12,825,397	7,975,435
Total grants payable	13,664,457	8,734,375
Total liabilities	26,198,767	21,397,300
Net Assets		
Without donor restrictions		
Undesignated	12,655,065	8,150,687
Designated	21,915,368	25,246,780
Total net assets	34,570,433	33,397,467
Total liabilities & net assets	\$ 60,769,200	\$ 54,794,767

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

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, gains, and other support		
SECU member contributions	\$ 19,136,817	\$ 18,283,722
SECU contributed services	876,944	705,467
Interest and dividends	219,215	234,404
Total revenues, gains, and other support	<u>20,232,976</u>	<u>19,223,593</u>
Program expenses		
Total scholarships	4,701,655	5,700,381
SECU Internship Program	1,650,000	1,450,000
Mission Development Grant Program	240,000	-0-
Grant programs	11,558,961	9,747,279
Total program expenses	<u>18,150,616</u>	<u>16,897,660</u>
Management and general expense	<u>909,394</u>	<u>745,035</u>
Total expenses	<u>19,060,010</u>	<u>17,642,695</u>
Changes in net assets	1,172,966	1,580,898
Net assets at beginning of year	33,397,467	31,816,569
Net assets at end of year	\$ 34,570,433	\$ 33,397,467

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

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,172,966	\$ 1,580,898
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Decrease)/Increase allowance for loan losses	(94,873)	27,473
Increase/(Decrease) in grants payable	4,930,082	(633,968)
(Decrease)/Increase in scholarships payable	(213,113)	330,885
Increase/(Decrease) in accounts payable & escrow	84,498	(19,654)
Decrease in prepaid expense	-0-	7,199
	<hr/>	<hr/>
Net cash provided by operating activities	5,879,560	1,292,833
Cash flows from investing activities:		
Loan issuance	(1,479)	(1,340,934)
Principal collected on loans	2,753,412	1,189,032
Net cash provided/(used) in investing activities	<hr/> 2,751,933	<hr/> (151,902)
Net increase in cash and cash equivalents	8,631,493	1,140,931
Cash and cash equivalents at beginning of year	34,368,512	33,227,581
Cash and cash equivalents at end of year	\$ 43,000,005	\$ 34,368,512

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

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021.

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 \$42,714,898 and \$34,380,844 as of June 30, 2022 and 2021, 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 \$424,172 and \$519,045 as of June 30, 2022 and 2021, 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, 2022, there are no donor restrictions present.

Net Assets: As of June 30, 2022, and 2021, 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 \$12,655,065 and \$8,150,687 are available to be awarded as of June 30, 2022 and 2021, respectively. The Board designated \$21,915,368 and \$25,246,780 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, 2022 and 2021, 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. 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 \$876,944 and \$705,467 were recognized in the years ended June 30, 2022 and 2021, 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 one percent. In both 2022 and 2021 the Foundation was subject to a one percent rate with estimated excise tax expenses of \$2,192 and \$2,344, 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 2022, the Foundation was required to make minimum distributions of \$4,556,855 (\$2,783,580 in 2021). The Foundation made qualifying distributions in 2022 totaling \$13,462,130 and \$18,822,259 in 2021, 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 September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 - Presentation and Disclosures for Not-for-Profit Entities for Contributed Non-Financial Assets. ASU 2020-07 requires the Foundation to present contributed nonfinancial assets as a separate line item on the Statement of Activities and Changes in Net Assets and expands disclosures related to the disaggregation of contributed nonfinancial assets and expanded qualitative information related to the contributed nonfinancial assets. The Foundation adopted ASU 2020-07 during the year ended June 30, 2022 and resulted in additional disclosures related to the contributed services.

Note 2: Programs, Scholarships and Grants

A key mission of the Foundation is to fund initial 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. Ideas for potential projects are initiated primarily through local SECU branch Advisory Boards. Each SECU branch office has an Advisory Board comprised of up to twelve members who represent the interests of the membership to the local management staff and to the Board of Directors of the Foundation. 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 a graduating senior in every traditional public high school and provided two \$5,000 scholarships over two years to students attending each of the 58 community colleges in the North Carolina Community College System. In 2018, the Foundation set a limit of 435 scholarships to be distributed statewide. The allocation of scholarships is based on the Local Education Agencies (LEA). The statewide distribution per school district ensures the equitable dissemination of scholarships across North Carolina. The Foundation will run the allocation formula each year based on the information provided by the Department of Public Instruction. This new allocation is to address sustainability of the program and ensure its long-term success.

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 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 2022 an additional \$1,044,000 was granted to the program. The outstanding balances at June 30, 2022 and 2021 were \$1,044,000 and \$1,196,563, respectively.

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. This initiative was continued with additional commitments of \$1,650,000 in 2022 and \$1,450,000 in 2021. The Foundation Board expanded the program to include fifteen of our state universities in 2021. The outstanding balances at June 30, 2022 and 2021 were \$749,060 and \$758,940, 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 \$7.6 million in 2022 (\$7.4 million in 2021) and total over \$99 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 three or five kilowatt solar photovoltaic systems. The outstanding balances at June 30, 2022 and 2021 were \$613,919 and \$105,000, 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 at June 30, 2022 and 2021 were \$86,478 and \$60,435, respectively.

In October 2019, the Foundation provided a grant of \$500,000 to The Shepherd's House, a non-profit organization that works to address the needs of a rising homeless population in Surry County and the surrounding region. The grant is part of a capital project to fund construction of a 12-bedroom shelter in Mount Airy that will provide emergency housing and food for up to 48 individuals nightly. The outstanding balance at June 30, 2021 was \$250,000 with the project being fully disbursed in January 2022.

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 balances at June 30, 2022 and 2021 were \$400,000 and \$1,000,000, respectively.

In March 2020, the Foundation provided a grant of \$5,000,000 to North Carolina Baptists on Mission, a non-profit 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 balance at June 30, 2022 and 2021 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 balance as of June 30, 2022 and 2021 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 balances as of June 30, 2022 and 2021 were \$250,000 and \$500,000, respectively.

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 balance as of June 30, 2022 and 2021 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, 2022 and 2021 were \$250,000 and \$500,000, respectively.

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, 2022 and 2021 were \$1,000,000 and \$2,000,000, respectively.

In October 2017, the Foundation started providing capacity building grants, now referred to as Mission Development grants, to organizations to help the grantees address certain organizational challenges. By helping address these challenges, the hope is that the grantees can overcome them and grow to be more successful in their various missions.

In January 2020, the Foundation provided a grant of \$400,000 to renew the Mission Development Grant Program. The pilot program will award up to 10 grantees at \$40,000 each over a two-year period. Funding will assist grantees with developing strategies to support key elements of their organization's mission and goals. The outstanding balances at June 30, 2022 and 2021 were \$30,000 and \$260,000.

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 is \$15,000.

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

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 is \$15,000.

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 is \$15,000.

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 is \$15,000.

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 is \$15,000.

Project Name	2022	2021
Housing Consultants Group	\$ 15,000	\$ -0-
Note in the Pocket	15,000	-0-
Out of the Ashes	15,000	-0-
TROSA	15,000	-0-
Stanton Hospitality House	15,000	-0-
Voices Together	15,000	-0-
	<u>\$ 90,000</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 will support 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, NC area. The outstanding balance as of June 30, 2022 is \$500,000.

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 balance as of June 30, 2022 is \$1,000,000.

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 balance as of June 30, 2022 is \$1,000,000.

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 balance as of June 30, 2022 is \$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 balance as of June 30, 2022 is \$1,220,000.

In September 2021, the Foundation provided a \$350,000 grant to Club Nova Community Inc. The grant will support 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, 2022 is \$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 will be used for a facility to provide quality emergency shelter and supportive services for victims of domestic abuse from Lincoln and surrounding counties. The outstanding balance as of June 30, 2022 is \$750,000.

The Foundation provided a \$225,000 grant to North Carolina State University in October 2021 to support the Institute for Emerging Issues BAND-NC program for digital inclusion for internet services with a focus on communities located in rural Northeast, Northwest, and Sandhills regions. The project was fully disbursed in October 2021.

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 balance as of June 30, 2022 is \$1,500,000.

The Foundation provided a \$200,000 grant to United Negro College Fund in April 2022 to support the Emergency Student Aid Program to provide financial assistance to students attending one of the five public Historically Black Colleges and Universities in North Carolina and have been impacted by the pandemic or other unexpected events. The grant was fully funded in April 2022.

Note 3: Loans Receivable

In 2007, the Foundation made a \$2.25 million interest-free loan for the construction of an affordable rental housing complex for teachers in Hertford County, North Carolina. The ability to offer affordable rental housing has aided in the recruitment of qualified teachers to this rural county which has historically had difficulty attracting new teachers and has an acute shortage of rental housing. The Foundation worked with the Partners for Hertford County Public Schools, the Hertford County Board of Education and other supporters within Hertford County to provide this benefit to teachers moving into the county. The Hertford Pointe outstanding balance at June 30, 2021 was \$33,428 and the loan was paid off in August 2021.

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, 2022 and 2021 were \$509,793 and \$634,640, 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, 2022 and 2021 were \$1,118,664 and \$1,317,464, 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, 2022 and 2021 were \$1,968,750 and \$2,157,750, 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, \$15.3 million in loan advances have been made. Outstanding balances at June 30, 2022 and 2021 were \$700,000 and \$2,150,861, respectively. The following paragraphs detail the individual construction loans supported by the Foundation and NCHFA.

In March 2019, the Foundation provided a \$500,000 interest-free loan to Religious Community Services for the BEE Emergency Shelter. The project will rehabilitate an existing homeless shelter which contains 20 beds for emergency housing. The outstanding loan balance at June 30, 2021 was \$500,000. Loan was paid in full May 2022.

In May 2020, the Foundation provided a \$592,340 interest-free loan to the North Carolina Indian Housing Authority for the Springs Cove II project located in Red Springs, North Carolina. The project will involve the construction of three duplexes to provide permanent housing for six low-income households with two units set aside for persons with disabilities. The outstanding loan balance at June 30, 2021 was \$590,861. Loan was paid in full May 2022.

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 will consist 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 and 2021 was \$700,000.

In June 2020, the Foundation provided a \$360,000 interest-free loan to the Tammy Lynn Memorial Foundation for the Montreal Court project located in Cary, North Carolina. The project will involve the acquisition and rehabilitation of an existing three-bedroom licensed group home to create a four-bedroom licensed group home that is an accessible property that will provide permanent supportive housing for persons with severe intellectual and developmental disabilities. The outstanding loan balance at June 30, 2021 was \$360,000. Loan was paid in full December 2021.

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, 2022 and 2021:

<u>Project Name</u>	<u>Location</u>	<u>2022</u>	<u>2021</u>
Religious Community Services	New Bern	\$ -0-	\$ 500,000
NC Indian Housing II	Red Springs	-0-	590,861
Renaissance Apartments	Wilson	700,000	700,000
Montreal Court	Cary	-0-	360,000
		<u>\$ 700,000</u>	<u>\$ 2,150,861</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, 2022 and 2021 were \$318,125 and \$329,141, 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, 2022 and 2021 were \$104,032 and \$124,056, 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, 2022 and 2021 were \$2,524,105 and \$2,586,416, 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, 2022 and 2021 were \$2,302,623 and \$2,354,126, respectively.

In 2015, the Foundation entered an agreement with Habitat for Humanity for the purchase of mortgage loans in North Carolina. The Foundation has 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, 2022 and 2021 were \$8,647,275 and \$9,257,418, 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, 2022 and 2021.

A summary of the activity in the allowance for loan losses for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 519,045	\$ 491,572
Provision for loan losses	-0-	-0-
Transfer from Habitat Escrow Payable	(94,873)	27,473
Charge-offs	-0-	-0-
Recoveries	-0-	-0-
Allowance for loan losses	<u>\$ 424,172</u>	<u>\$ 519,045</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 ends May 2023. A summary of the breakdown of the allowance for loan losses for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Allowance for loan losses - Non-Habitat	\$ 131,576	\$ 131,576
Allowance for loan losses - Habitat	292,596	387,469
Allowance for loan losses	<u>\$ 424,172</u>	<u>\$ 519,045</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 four loans that are in a troubled debt restructuring as of June 30, 2022 with a balance of \$352,758. As of June 30, 2021, the Foundation had three loans that were in a troubled debt restructuring with a balance of \$253,465. The Foundation has eleven loans it considers to be impaired as of June 30, 2022 and had eight loans it considered to be impaired as of June 30, 2021.

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:

<u>2022</u>	<u>Real Estate Loans</u>	<u>Total</u>
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>
<u>2021</u>	<u>Real Estate Loans</u>	<u>Total</u>
Loans:		
Ending balance: Individually evaluated for impairment	\$ 932,109	\$ 932,109
Ending balance: Collectively evaluated for impairment	<u>20,013,191</u>	<u>20,013,191</u>
Ending balance	<u>\$ 20,945,300</u>	<u>\$ 20,945,300</u>

As of June 30, 2022 and June 30, 2021 the Foundation had eleven and eight modified loans with balances of \$846,110 and \$671,598, 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. As of June 30, 2022, the Foundation had nine loans with a total balance of \$886,930 modified in accordance with this policy. The Foundation had eleven loans with a total balance of \$1,115,773 modified in accordance with this policy as of June 30, 2021.

Delinquent Loans and Loan Balances

The tables below provide an age analysis of past due loans by class at June 30, 2022 and 2021. All loans greater than 90 days delinquent are in non-accrual status.

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

<u>2021</u>	<u>30-59 Days</u>	<u>60-89 Days</u>	<u>90 Days or Greater</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans</u>
Real Estate First mortgage	\$ 1,086,805	\$ 294,577	\$ 319,967	\$ 1,701,349	\$ 19,243,951	\$ 20,945,300
Total	<u>\$ 1,086,805</u>	<u>\$ 294,577</u>	<u>\$ 319,967</u>	<u>\$ 1,701,349</u>	<u>\$ 19,243,951</u>	<u>\$ 20,945,300</u>

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:

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

<u>2021</u>	<u>First Mortgage</u>	<u>Total</u>
Performing	\$ 20,625,333	\$ 20,625,333
Non-performing	319,967	319,967
Total	<u>\$ 20,945,300</u>	<u>\$ 20,945,300</u>

Note 5: Grants and Scholarships Payable

The fair value of grants and scholarships payable as of June 30, 2022 and 2021 using a weighted average discount rate of 0.69 percent at June 30, 2022 (0.46 percent at June 30, 2021) are as follows:

	<u>2022</u>	<u>2021</u>
Payable within 1 year	\$ 19,486,871	\$ 14,608,605
Payable between 1 and 2 years	3,510,915	3,479,328
Payable between 2 and 3 years	2,152,500	2,172,500
Payable between 3 and 4 years	1,087,500	1,080,000
Fair Value Discount	(286,028)	(105,644)
Total grants and scholarships payable	<u>\$ 25,951,758</u>	<u>\$ 21,234,789</u>

Interest expense recognized on grants and scholarships payable amounted to \$65,654 for 2022 (\$103,969 in 2021).

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 \$43,000,005 and \$34,368,512 in cash and cash equivalents as of June 30, 2022 and 2021, respectively. Cash and cash equivalents include interest bearing checking accounts and money market accounts.

Note 7: Subsequent Events

Management evaluated subsequent events through August 26, 2022, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2022 but prior to August 26, 2022 that provided additional evidence about conditions that existed at June 30, 2022 have been recognized in the financial statements for the year ended June 30, 2022.

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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Karan Bunn
Mark Fleming
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Brad McMillen
Mona Moon
Thomas Parrish IV
Jo Anne Sanford
Stelfanie Williams
McKinley Wooten Jr.

The Executive Director is Jama Campbell.

Contact Information

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