



**The Golden L.E.A.F.
(Long-term Economic Advancement
Foundation), Inc.**

Financial Statements and Other Report
Years Ended June 30, 2021 and 2020

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

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(Long-term Economic Advancement Foundation), Inc.**

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Independent Auditor's Report

To the Board of Directors
The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc.
Rocky Mount, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and general fund of The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc. (the "Foundation"), a nonmajor component unit of the State of North Carolina, as of and for the years June 30, 2021 and 2020, and the related notes to the financial statements, which comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and general fund of the Foundation as of June 30, 2021 and 2020, and the changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government 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.

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 6 through 11 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 30, 2021 on our consideration of the Foundation'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 that report is solely 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

BDO USA, LLP

September 30, 2021

The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc.

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc. ("Golden LEAF" or the "Foundation") provides an overview of the Foundation's financial position and activities for the fiscal year ended June 30, 2021, with comparative information for the fiscal year ended June 30, 2020. Please read it in conjunction with the Foundation's accompanying financial statements and notes to the financial statements.

Overview

In 1999, the North Carolina General Assembly created Golden LEAF to administer one-half of North Carolina's (the "State") share of the Master Settlement Agreement ("MSA") with cigarette manufacturers. In 2013, the legislation that had approved the transfer of MSA funds to the Foundation was repealed. Subsequently, the North Carolina General Assembly enacted legislation which provides for the appropriation of tobacco settlement funds to the Foundation each year. In June 2017, the North Carolina General Assembly increased the annual appropriation to \$17,500,000. A nonprofit organization devoted to the economic well-being of North Carolinians, the Foundation endeavors to strengthen the State's economy through diverse grantsmaking.

Financial Highlights

- The total assets of the Foundation increased by \$171.8 million during 2021 from \$1,210.6 million at June 30, 2020 to \$1,382.4 million at June 30, 2021.
- The Foundation ended 2021 with investments and cash and cash equivalents totaling \$1,375.4 million, an increase of \$172.2 million from June 30, 2020.
- The total liabilities of the Foundation decreased by \$79.8 million during 2021 from \$234.1 million at June 30, 2020 to \$154.3 million at June 30, 2021.
- The Foundation received tobacco settlement funds of \$17.5 million in fiscal years 2021 and 2020.
- The North Carolina General Assembly passed legislation to allocate to the Foundation funds received by the State as the result of the federal Coronavirus Aid, Relief, and Economic Security ("CARES") Act that was enacted to address the public health and economic impacts of the COVID-19 pandemic. Of the total allocation of \$83.0 million, \$20.5 million was received in fiscal year 2021, and \$62.5 million was received in fiscal year 2020. As of June 30, 2021, the total allocation of \$83.0 million had been expended to expand the North Carolina COVID-19 Rapid Recovery Loan Program.
- The Foundation's investment portfolio generated income of \$289.6 million in 2021 compared to \$2.3 million in 2020. The Foundation's investment assets returned 25.8% compared to 0.1% in 2020. The increase in investment earnings reflects broader market performance and the Foundation's asset allocation. The S&P 500 Index (domestic equities) returned 40.6% in fiscal year 2021 compared with 7.4% in fiscal year 2020. The MSCI EAFE Index (international equities) returned 32.2% in fiscal year 2021 versus a return of (5.1)% in fiscal year 2020. Barclays Aggregate Index (fixed income) returned (0.3)% in fiscal year 2021 compared with 8.7% in fiscal year 2020 and the HFRI Index (hedge funds) returned 27.4% in fiscal year 2021 versus (0.6)% in fiscal year 2020.

The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc.

Management's Discussion and Analysis (Unaudited)

- The Foundation awarded grants of \$135.8 million in 2021, a \$62.3 million increase from the 2020 levels. In addition to \$35.8 million in grants awarded through the Foundation's Open Grants Program, Economic Catalyst Cycle, scholarship and other programs, grants were awarded to support the following special initiatives:

North Carolina COVID-19 Rapid Recovery Loan Program - \$78.0 million: In March 2020, the Foundation awarded a grant to the North Carolina Rural Center to launch a rapid recovery loan program in response to economic losses related to the COVID-19 pandemic. Through the North Carolina COVID-19 Rapid Recovery Loan Program, the Rural Center will lead a broad coalition of nonprofit lending partners to directly assist small businesses. The rapid recovery loans are intended to provide small businesses with liquidity until federal loans and other relief funds are available, or businesses have time to recover. The loans are expected to be repaid from more permanent funding sources or future cash flows of the business. The Foundation received an allocation of \$83.0 million of the State's CARES Act funds to expand the North Carolina COVID-19 Rapid Recovery Loan Program. Of the total allocation of \$83.0 million, all funds had been disbursed to the Rural Center as of June 30, 2021.

Disaster Recovery Initiative - \$11.3 million: The State of North Carolina provided funds to the Foundation to make grants to units of local government and 501(c)(3) nonprofit tax-exempt organizations to repair or replace infrastructure and equipment damaged or destroyed by Hurricanes Matthew, Florence, Michael, and Dorian. Infrastructure includes nonresidential buildings that serve the public, water, sewer, stormwater, and other publicly owned assets. As of June 30, 2021, \$145,253 remained available for future disaster recovery grants.

Community Based Grantsmaking Initiative - \$10.7 million: Launched in the summer of 2014 as a continuation of the Foundation's community-based grantsmaking and as a response to completion and evaluation of the Community Assistance Initiative, this initiative is designed to identify projects supporting economic growth that are ready for implementation and have the potential to have a significant impact in the areas of agriculture, employment, infrastructure, economic development, workforce training and education. The Foundation invites all counties to apply to participate in the initiative by region, which is anticipated to take up to eight years to complete the program in all regions in the State, depending on future decisions by the Foundation's Board of Directors regarding annual grants budgets. It is a competitive process, but eligible entities located in all counties within a designated region have an opportunity to apply to participate. The grants awarded in 2021 were to support projects in the Northwest Prosperity Zone. Grants made in fiscal year 2018 were the first grants made in this round of the initiative.

- The Foundation made grant payments of \$153.2 million in 2021 compared to \$87.2 million in fiscal year 2020. Of the total grant payments in 2021, \$78.0 million were paid from CARES Act funds to support the North Carolina COVID-19 Rapid Recovery Loan Program.
- Administrative costs were \$3.1 million in 2021 compared to \$2.7 million 2020. Administrative costs represented 2.3% and 3.7% of grantsmaking in 2021 and 2020, respectively.

**The Golden L.E.A.F.
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Management's Discussion and Analysis (Unaudited)

Using This Annual Report

This annual report consists of two financial statements. The Statements of Net Position and Governmental Fund Balance Sheets present the assets, liabilities and fund balance/net position at June 30, 2021 and 2020. The Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance present the revenues, expenditures, and changes in fund balance/net position for the fiscal years ended June 30, 2021 and 2020. The Notes to Financial Statements contain additional information that is essential to a full understanding of the data in the financial statements.

Statements of Net Position and Governmental Fund Balance Sheets

Condensed Statements of Net Position and Governmental Fund Balance Sheets:

| <i>June 30,</i> | 2021 | 2020 | 2019 |
|---|-------------------------|-------------------------|-------------------------|
| Assets | | | |
| Current assets | \$ 1,379,237,142 | \$ 1,207,394,628 | \$ 1,192,806,381 |
| Capital assets—nondepreciable | 903,906 | 903,906 | 903,906 |
| Capital assets—depreciable, net | 2,232,200 | 2,293,033 | 2,365,971 |
| Total Assets | \$ 1,382,373,248 | \$ 1,210,591,567 | \$ 1,196,076,258 |
| Total Liabilities | \$ 154,263,791 | \$ 234,080,022 | \$ 196,863,993 |
| Fund Balance/Net Position | | | |
| Net investment in capital assets | 3,136,106 | 3,196,939 | 3,269,877 |
| Restricted for broadband projects | 929,289 | 671,588 | 12,205 |
| Restricted for disaster recovery projects | 145,253 | 10,554,732 | 14,765,390 |
| Unassigned/unrestricted | 1,223,898,809 | 962,088,286 | 981,164,793 |
| Total Fund Balance/Net Position | 1,228,109,457 | 976,511,545 | 999,212,265 |
| Total Liabilities and Fund Balance/ Net Position | \$ 1,382,373,248 | \$ 1,210,591,567 | \$ 1,196,076,258 |

2021

Total assets at June 30, 2021 were \$1,382.4 million, an increase of approximately \$171.8 million from June 30, 2020. The assets of the Foundation are comprised primarily of investments and cash and cash equivalents. The total of investments, cash and cash equivalents at June 30, 2021 was \$1,375.4 million, compared to \$1,203.1 million at June 30, 2020. This increase resulted primarily from investment income exceeding payments for grants and other expenditures. Net capital assets were \$3.1 million at June 30, 2021, a decline of approximately \$61,000 from 2020 primarily due to depreciation.

**The Golden L.E.A.F.
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Management's Discussion and Analysis (Unaudited)

The liabilities of the Foundation are comprised primarily of grants payable. Grants payable totaled \$154.0 million at June 30, 2021, compared to \$176.4 million at June 30, 2020. The payment of current and prior year grant awards of \$153.2 million exceeded current year grant awards of \$135.8 million. The Foundation also rescinded \$4.9 million in grant awards in 2021.

The Fund Balance/Net Position section of the Statements of Net Position and Governmental Fund Balance Sheets presents the amount of the assets of the Foundation, less its liabilities. Restricted fund balance/net position represents resources that the Foundation is required to spend in accordance with restrictions provided by third parties.

2020

Total assets at June 30, 2020 were \$1,210.6 million, an increase of approximately \$14.5 million from June 30, 2019. The assets of the Foundation are comprised primarily of investments and cash and cash equivalents. The total of investments, cash and cash equivalents at June 30, 2020 was \$1,203.1 million, compared to \$1,188.0 million at June 30, 2019. This increase resulted primarily from the receipt of Coronavirus Relief Funds plus investment income exceeding payments for grants and other expenditures. Net capital assets were \$3.2 million at June 30, 2020, a decline of approximately \$73,000 from 2019 primarily due to depreciation.

The liabilities of the Foundation are comprised primarily of grants payable. Grants payable totaled \$176.4 million at June 30, 2020, compared to \$200.9 million at June 30, 2019. The payment of current and prior year grant awards of \$87.2 million exceeded current year grant awards of \$73.5 million outpaced. The Foundation also rescinded \$6.5 million in grant awards in 2020.

The Fund Balance/Net Position section of the Statements of Net Position and Governmental Fund Balance Sheets presents the amount of the assets of the Foundation, less its liabilities. Restricted fund balance/net position represents resources that the Foundation is required to spend in accordance with restrictions provided by third parties.

Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

Condensed Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance:

| <i>Years ended June 30,</i> | 2021 | 2020 | 2019 |
|---|-------------------------|-----------------------|-----------------------|
| Total Revenues | \$ 385,276,518 | \$ 44,984,529 | \$ 115,122,089 |
| Total Expenditures/Expenses | 133,678,606 | 67,685,249 | 48,051,566 |
| Change in Fund Balance/Net Position | 251,597,912 | (22,700,720) | 67,070,523 |
| Fund Balance/Net Position, beginning of year | 976,511,545 | 999,212,265 | 932,141,742 |
| Fund Balance/Net Position, end of year | \$ 1,228,109,457 | \$ 976,511,545 | \$ 999,212,265 |

These statements show the revenues and the expenses of the Foundation for the years ended June 30, 2021, 2020 and 2019, and the corresponding effect on fund balance/net position.

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

Management's Discussion and Analysis (Unaudited)

2021

Total revenues were \$385.3 million in 2021 and \$45.0 million in 2020, an increase of \$340.3 million. The increase was primarily the result of higher investment income due to fiscal year 2021 market performance and the Foundation's asset allocation. The Foundation had investment income of \$289.6 million in 2021 compared to \$2.3 million in 2020. In 2020, the Foundation received an allocation of \$19.5 million of state appropriated funds to administer grant programs to fund infrastructure and equipment for communities recovering from hurricanes. The Foundation received no allocation of state appropriated disaster recovery funds in fiscal year 2021. The Foundation received \$17.5 million of proceeds from tobacco settlement funds in 2021 and 2020. The Foundation recognized \$78.0 million in revenue in 2021 and \$5.0 million in 2020 from an allocation of \$83.0 million of the State's portion of CARES Act funds. Grant revenue to support rural broadband projects was approximately \$258,000 in 2021 compared to approximately \$659,000 in 2020.

Total expenditures/expenses were \$133.7 million in 2021 and \$67.7 million in 2020. The largest expense of the Foundation in 2021 and 2020 was grant disbursements. Grant disbursements represent grants awarded net of grants rescinded and grant funds returned. Grants were awarded (excluding grants rescinded or returned) in the amount of \$135.8 million during 2021 and \$73.5 million in 2020. Administrative costs were \$3.1 million in 2021, an increase of approximately \$403,000 from 2020. Depreciation expense was approximately \$100,000 in 2021 and approximately \$99,000 in 2020.

2020

Total revenues were \$45.0 million in 2020 and \$115.1 million in 2019, a decrease of \$70.1 million. The decrease was primarily the result of lower investment income due to fiscal year 2020 market performance and the Foundation's asset allocation. The Foundation had investment income of \$2.3 million in 2020 compared to \$57.4 million in 2019. In 2020, the Foundation received an allocation of \$19.5 million of state appropriated funds to administer grant programs to fund infrastructure and equipment for communities recovering from hurricanes. That amount compares to an allocation of \$40.0 million in 2019 for disaster recovery grants. The Foundation received \$17.5 million of proceeds from tobacco settlement funds in 2020 and 2019. The Foundation recognized \$5.0 million in revenue in 2020 from an allocation of \$125.0 million of the State's portion of CARES Act funds. Grant revenue to support rural broadband projects was approximately \$659,000 in 2020 compared to \$240,000 in 2019.

Total expenditures/expenses were \$67.7 million in 2020 and \$48.1 million in 2019. The largest expense of the Foundation in 2020 and 2019 was grant disbursements. Grant disbursements represent grants awarded net of grants rescinded and grant funds returned. Grants were awarded (excluding grants rescinded or returned) in the amount of \$73.5 million during 2020 and \$59.5 million in 2019. Administrative costs were \$2.7 million in 2020, an increase of approximately \$19,000 from 2019. Depreciation expense was approximately \$99,000 in 2020 and approximately \$100,000 in 2019.

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

Management's Discussion and Analysis (Unaudited)

Notes to Financial Statements

The reader is referred to these notes for a more complete understanding of the financial statements of the Foundation. They contain a summary of the significant accounting policies as well as other information.

Requests for Information

This report is designed to provide a general overview of the Foundation's finances and to show the Foundation's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Golden L.E.A.F. Foundation, 301 N. Winstead Ave., Rocky Mount, NC 27804.

Financial Statements

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

Statement of Net Position and Governmental Fund Balance Sheet

| <i>June 30, 2021</i> | General Fund | Reclassifications and Eliminations (Note 6) | Statement of Net Position |
|---|-------------------------|--|------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 998,403 | \$ - | \$ 998,403 |
| Accounts receivable | 3,711,210 | - | 3,711,210 |
| Note receivable | 29,732 | - | 29,732 |
| Prepaid items | 127,707 | - | 127,707 |
| Investments | 1,374,364,888 | - | 1,374,364,888 |
| Investments—coronavirus relief funds | 5,202 | - | 5,202 |
| Capital assets—nondepreciable | - | 903,906 | 903,906 |
| Capital assets—depreciable, net | - | 2,232,200 | 2,232,200 |
| Total Assets | \$ 1,379,237,142 | \$ 3,136,106 | \$ 1,382,373,248 |
| Liabilities | | | |
| Accounts payable | \$ 123,036 | \$ - | \$ 123,036 |
| Accrued liabilities | 114,389 | - | 114,389 |
| Grants payable | 154,026,366 | - | 154,026,366 |
| Total Liabilities | 154,263,791 | - | 154,263,791 |
| Fund Balance/Net Position | | | |
| Nonspendable prepaid items | 127,707 | (127,707) | - |
| Net investment in capital assets | - | 3,136,106 | 3,136,106 |
| Restricted for broadband projects | 929,289 | - | 929,289 |
| Restricted for disaster recovery projects | 145,253 | - | 145,253 |
| Unassigned/unrestricted | 1,223,771,102 | 127,707 | 1,223,898,809 |
| Total Fund Balance/Net Position | 1,224,973,351 | 3,136,106 | 1,228,109,457 |
| Total Liabilities and Fund Balance/ Net Position | \$ 1,379,237,142 | \$ 3,136,106 | \$ 1,382,373,248 |

See accompanying notes to financial statements.

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

Statement of Net Position and Governmental Fund Balance Sheet

| <i>June 30, 2020</i> | General Fund | Reclassifications and Eliminations (Note 6) | Statement of Net Position |
|---|-------------------------|--|------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,368,513 | \$ - | \$ 2,368,513 |
| Accounts receivable | 4,123,567 | - | 4,123,567 |
| Note receivable | 96,029 | - | 96,029 |
| Prepaid items | 45,972 | - | 45,972 |
| Investments | 1,143,259,395 | - | 1,143,259,395 |
| Investments—coronavirus relief funds | 57,501,152 | - | 57,501,152 |
| Capital assets—nondepreciable | - | 903,906 | 903,906 |
| Capital assets—depreciable, net | - | 2,293,033 | 2,293,033 |
| Total Assets | \$ 1,207,394,628 | \$ 3,196,939 | \$ 1,210,591,567 |
| Liabilities | | | |
| Accounts payable | \$ 136,348 | \$ - | \$ 136,348 |
| Accrued liabilities | 97,541 | - | 97,541 |
| Grants payable | 176,346,133 | - | 176,346,133 |
| Grants payable—coronavirus relief funds | 47,608 | - | 47,608 |
| Unearned revenue—coronavirus relief funds | 57,452,392 | - | 57,452,392 |
| Total Liabilities | 234,080,022 | - | 234,080,022 |
| Fund Balance/Net Position | | | |
| Nonspendable prepaid items | 45,972 | (45,972) | - |
| Net investment in capital assets | - | 3,196,939 | 3,196,939 |
| Restricted for broadband projects | 671,588 | - | 671,588 |
| Restricted for disaster recovery projects | 10,554,732 | - | 10,554,732 |
| Unassigned/unrestricted | 962,042,314 | 45,972 | 962,088,286 |
| Total Fund Balance/Net Position | 973,314,606 | 3,196,939 | 976,511,545 |
| Total Liabilities and Fund Balance/ Net Position | \$ 1,207,394,628 | \$ 3,196,939 | \$ 1,210,591,567 |

See accompanying notes to financial statements.

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

**Statement of Activities and Governmental Fund Revenues,
Expenditures, and Changes in Fund Balance**

| <i>Year ended June 30, 2021</i> | General Fund | Reclassifications and Eliminations (Note 6) | Statement of Activities |
|---|-------------------------|--|----------------------------|
| Revenues | | | |
| Net investment income | \$ 289,566,425 | \$ - | \$ 289,566,425 |
| State aid—coronavirus relief funds | 77,952,392 | - | 77,952,392 |
| Proceeds from state settlement | 17,500,000 | - | 17,500,000 |
| Grant revenue | 257,701 | - | 257,701 |
| Total Revenues | 385,276,518 | - | 385,276,518 |
| Expenditures/Expenses | | | |
| Grant distributions | 130,480,583 | - | 130,480,583 |
| Administrative costs | 3,095,815 | - | 3,095,815 |
| Capital outlays | 39,137 | (39,137) | - |
| Depreciation expense | - | 99,970 | 99,970 |
| Unrelated business income tax | 2,238 | - | 2,238 |
| Total Expenditures/Expenses | 133,617,773 | 60,833 | 133,678,606 |
| Revenues Over | | | |
| Expenditures/Expenses | 251,658,745 | (60,833) | 251,597,912 |
| Change in Fund Balance/Net Position | 251,658,745 | (60,833) | 251,597,912 |
| Fund Balance/Net Position, beginning of year | 973,314,606 | 3,196,939 | 976,511,545 |
| Fund Balance/Net Position, end of year | \$ 1,224,973,351 | \$ 3,136,106 | \$ 1,228,109,457 |

See accompanying notes to financial statements.

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

**Statement of Activities and Governmental Fund Revenues,
Expenditures, and Changes in Fund Balance**

| <i>Year ended June 30, 2020</i> | General Fund | Reclassifications and Eliminations (Note 6) | Statement of Activities |
|---|-----------------------|--|----------------------------|
| Revenues | | | |
| State general fund appropriation | \$ 19,500,000 | \$ - | \$ 19,500,000 |
| Proceeds from state settlement | 17,500,000 | - | 17,500,000 |
| State aid—coronavirus relief funds | 5,047,608 | - | 5,047,608 |
| Net investment income | 2,277,149 | - | 2,277,149 |
| Grant revenue | 659,382 | - | 659,382 |
| Other income | 390 | - | 390 |
| Total Revenues | 44,984,529 | - | 44,984,529 |
| Expenditures/Expenses | | | |
| Grant distributions | 64,886,238 | - | 64,886,238 |
| Administrative costs | 2,693,090 | - | 2,693,090 |
| Capital outlays | 28,977 | (28,977) | - |
| Loss on capital assets | - | 3,253 | 3,253 |
| Depreciation expense | - | 98,662 | 98,662 |
| Unrelated business income tax | 4,006 | - | 4,006 |
| Total Expenditures/Expenses | 67,612,311 | 72,938 | 67,685,249 |
| Revenues Under Expenditures/Expenses | (22,627,782) | (72,938) | (22,700,720) |
| Change in Fund Balance/Net Position | (22,627,782) | (72,938) | (22,700,720) |
| Fund Balance/Net Position, beginning of year | 995,942,388 | 3,269,877 | 999,212,265 |
| Fund Balance/Net Position, end of year | \$ 973,314,606 | \$ 3,196,939 | \$ 976,511,545 |

See accompanying notes to financial statements.

**The Golden L.E.A.F.
(Long-term Economic Advancement Foundation), Inc.**

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements:

Reporting Entity

The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc. (the “Foundation”) is a not-for-profit corporation ordered to be established by the consent Decree and Final Judgment in *the State of North Carolina vs. Philip Morris Incorporated, et al.*

The Foundation was established for the purpose of receipt and distribution of fifty percent of the funds allocated to the North Carolina State Specific Account, such funds to be used to provide economic impact assistance to economically affected or tobacco-dependent regions of North Carolina. As discussed in Note 5, in 2013 the North Carolina General Assembly repealed the legislation that had approved the transfer of MSA funds to the Foundation. Subsequently, in September 2015, the North Carolina General Assembly enacted legislation which provides for the appropriation of \$10,000,000 of tobacco settlement funds to the Foundation each year. In June 2017, the North Carolina General Assembly enacted Session Law 2017-57, which increased the annual appropriation to \$17,500,000.

For financial reporting purposes, the Foundation is deemed to be a nonmajor component unit of the State of North Carolina and is included as such in the State of North Carolina Comprehensive Annual Financial Report. The Foundation is governed by a 15-member board, all of whom are appointed by either the Governor, President Pro Tempore of the Senate, or the Speaker of the House. The Foundation provides grants to state agencies and component units, creating a financial benefit/burden relationship.

Basis of Presentation

These financial statements have been prepared in conformity with the accounting principles and reporting guidelines established by the Government Accounting Standards Board (“GASB”).

General Fund

The general fund is used to account for all revenues and expenses applicable to the general operations of the Foundation that are not required either legally or by governmental accounting standards to be accounted for in another fund.

Measurement Focus and Basis of Accounting

The Foundation uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measureable and available to finance expenditures of the current period. Expenditures generally are recognized when the related liability is incurred.

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However, the statement of net position and governmental fund balance and the statement of activities and governmental fund revenues, expenditures and changes in fund balance are reported using economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recorded when the liability is incurred, regardless of the timing of the cash flow.

Budgetary Requirement

The Foundation's enabling legislation requires that the Foundation's Board of Directors consult with the Joint Legislative Commission on Governmental Operations prior to adopting an annual operating budget. As of June 30, 2021, the Foundation's Board of Directors has adopted a preliminary budget only for the general fund on a basis consistent with generally accepted accounting principles, subject to finalization after the Foundation consults with the Joint Legislative Commission on Government Operations. Budgetary control is expected to be at the object of expense classification level (personal services, operating expenditures, capital outlay). Budgetary changes within expense classifications are expected to be made at the discretion of the Foundation.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, less accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through legislation, legal responsibility or third-party requirement, which restrict the use of funds to a specific purpose. Funds received from the North Carolina State Specific Accounts are unrestricted but are invested as directed by the Board of Directors, with the income from investment being used for operating expenses and to fund grants. Grant funds received for rural broadband and disaster recovery projects are reported as restricted. When both restricted and unrestricted funds are available for expenditures, the Foundation's general policy is to first expend restricted resources then to expend unrestricted resources.

Fund Balance

Fund balance represents the difference between assets and liabilities in the governmental fund financial statements. The Foundation's fund balance is classified in the following categories:

- Nonspendable fund balance represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The Foundation reports nonspendable fund balance for prepaid items.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Grant funds received for rural broadband and disaster recovery projects are reported as restricted.
- Unassigned/unrestricted fund balance is the residual fund balance of the general fund.

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Prepaid Items

The Foundation allocates the cost of insurance between the related accounting periods. Amounts paid for services not yet provided are recorded as prepaid and amortized over the service period.

Investments

Investments include obligations of governments, long-duration fixed income investments, listed securities such as common stocks, SEC-registered mutual funds, absolute return funds, private equity limited partnerships, real asset limited partnerships, real estate investment trusts, money market funds and certificates of deposit. Investments are accounted for at fair value. Fair value for investment assets with readily determinable market values are based on quoted market prices. For certain international equity funds, absolute return funds, private equity limited partnerships, and real asset limited partnerships without a readily determinable fair value, the investment is reported at estimated fair value as determined by the underlying asset's manager. The investment asset managers estimate current fair value of nonpublicly traded assets in their portfolios taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions and other pertinent information. The Foundation reviews the values provided by the asset managers as well as the assumptions used in determining fair value. These investment values may differ from the values that would have been used had a ready market for these investments existed and differences could be material. The financial statements of these investments are audited at least annually (typically at December 31) by independent auditors. At June 30, 2021 and 2020, fair value of investments based on other than quoted market prices were \$915.7 million and \$763.5 million, respectively.

Realized investment gains and losses are determined using the specific identification basis and are recorded as investment income in the accompanying Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. Changes in net unrealized gains and losses are also recognized as a component of investment income.

Capital Assets

Generally, capital assets are defined by the Foundation as assets with an initial value or cost greater than or equal to \$1,000 and an estimated useful life of two or more years. Capital assets are stated at cost less accumulated depreciation. Estimated useful lives are five years for equipment, seven years for furniture and fixtures and ten to forty years for buildings.

Grants Payable

The Foundation records grants payable when the Board of Directors approves the grant. The Programs Committee (a subset of the Board of Directors) evaluates the grant applications and makes recommendations to the entire Board of Directors. Applicants that are chosen by the Board of Directors must fill out and sign a "Grantee Acknowledgement and Agreement" which stipulates guidelines and related requirements. Several requirements must be met by the grantees prior to the disbursement of funds.

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Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

2. Fair Value Measurements

The Foundation's investments are recorded at fair value at June 30, 2021 and 2020. GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), 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 for identical assets in active markets that a government can access at the measurement date. |
| 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 and may require a degree of professional judgment. |

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The following table summarizes the Foundation's investments within the fair value hierarchy at June 30, 2021 and 2020, exclusive of cash and cash equivalents investments in money market funds and certificates of deposit:

| <i>June 30, 2021</i> | Fair Value Measurements Using | | | |
|---|-------------------------------|-----------------------|--------------------|------------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Investments by fair value level: | | | | |
| U.S. Treasuries | \$ 85,076,465 | \$ 85,076,465 | \$ - | \$ - |
| Fixed income funds | 101,531,723 | 101,531,723 | - | - |
| Domestic stocks and equity funds | 116,411,144 | 112,507,548 | 3,859,596 | 44,000 |
| International equity fund | 44,870,653 | 44,870,653 | - | - |
| Real estate fund | 66,419,213 | 66,419,213 | - | - |
| Total investments by fair value level | \$ 414,309,198 | \$ 411,006,527 | \$ 3,859,59 | \$ 44,000 |
| Investments measured at net asset value ("NAV"): | | | | |
| International equity funds | \$ 491,285,858 | | | |
| Absolute return funds | 313,957,357 | | | |
| Private equity limited partnerships | 66,150,632 | | | |
| Real estate and other real asset partnerships | 44,320,968 | | | |
| Total investments measured at NAV | 915,714,815 | | | |
| Total investments measured at fair value | \$ 1,330,024,013 | | | |

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| <i>June 30, 2020</i> | Fair Value Measurements Using | | | |
|---|-------------------------------|-----------------------|---------------------|------------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Investments by fair value level: | | | | |
| U.S. Treasuries | \$ 65,125,479 | \$ 65,125,479 | \$ - | \$ - |
| Fixed income funds | 70,379,097 | 70,379,097 | - | - |
| Domestic stocks and equity funds | 154,482,941 | 147,962,843 | 6,460,098 | 60,000 |
| Real estate and other real estate fund | 48,818,278 | 48,818,278 | - | - |
| Total investments by fair value level | \$ 338,805,795 | \$ 332,285,697 | \$ 6,460,098 | \$ 60,000 |
| Investments measured at net asset value ("NAV"): | | | | |
| International equity funds | \$ 372,299,480 | | | |
| Absolute return funds | 300,824,541 | | | |
| Private equity limited partnerships | 54,986,347 | | | |
| Real estate and other real asset limited partnerships | 35,364,699 | | | |
| Total investments measured at NAV | 763,475,067 | | | |
| Total investments measured at fair value | \$ 1,102,280,862 | | | |

The valuation of investments measured at NAV per share, or its equivalent, is presented on the following tables:

| <i>June 30, 2021</i> | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Available) | Redemption Notice Period |
|--|-----------------------|-----------------------|---|--------------------------|
| International equity funds ^(A) | \$ 491,285,858 | \$ - | Daily-quarterly | 9-60 days |
| Absolute return funds ^(B) | 313,957,357 | - | Monthly-biannually | 30-90 days |
| Private equity limited partnerships ^(C) | 66,150,632 | 81,720,059 | N/A | N/A |
| Real estate and other real asset limited partnerships ^(D) | 44,320,968 | 55,161,530 | N/A | N/A |
| Total investments measured at NAV | \$ 915,714,815 | \$ 136,881,589 | | |

A. International equity funds include investments in five commingled funds that hold approximately 59 percent of the funds' investments in publicly traded non-U.S. stocks and 41 percent in publicly traded U.S. stocks and cash. The fair values of the investments in this type have been determined using the NAV per share of the investments.

B. Absolute return funds are comprised of 12 hedge funds, including four stub positions, that employ long/short equity, long/short credit, event-driven, distressed, special situations, relative value and macro strategies. The funds are valued monthly based on the NAV per share.

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Approximately one percent of the value of investments in this type is held in non-marketable securities and is illiquid. Investments representing approximately four percent of the value of the investments in this type cannot be redeemed because the investments have lock-up periods of 24 months. The remaining restriction period for these investments was 13 months at June 30, 2021.

C. Private equity limited partnerships are comprised of 22 private equity funds that utilize buyout, distressed, special situations, growth capital, mezzanine and venture capital strategies. The underlying companies within the limited partnerships span all the Global Industry Classification Standard (“GICS”) economic sectors. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over a period of approximately 10 years.

D. Real estate and other real assets limited partnerships include 17 private limited partnerships. Eight of the private limited partnerships invest in real estate and 9 invest in natural resources. These investments can never be redeemed with the funds. Instead, the nature of the private limited partnerships in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over a period of approximately 10 years.

| <i>June 30, 2020</i> | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Available) | Redemption Notice Period |
|---|-----------------------|-------------------------|---|--------------------------------|
| International equity funds: ^(A) | | | | |
| Commingled funds | \$ 326,903,351 | \$ - | Daily-monthly | 9-30 days |
| Hedge fund | 45,396,129 | - | Quarterly | 45 days |
| Absolute return funds ^(B) | 300,824,541 | - | Monthly-annually | 30-90 days |
| Private equity limited partnerships ^(C) | 54,986,347 | 52,219,479 | N/A | N/A |
| Real estate and other real asset limited partnerships ^(D) | 35,364,699 | 46,072,323 | N/A | N/A |
| Total investments measured at NAV | \$ 763,475,067 | \$ 98,291,802 | | |

A. International equity funds include investments in five commingled funds that hold approximately 60 percent of the funds’ investments in publicly traded non-U.S. stocks and 40 percent in publicly traded U.S. stocks and cash. This type also includes an investment in a fund that invests in long/short hedge funds and whose underlying funds hold approximately 68 percent of the funds’ investments outside of North America. The fair values of the investments in this type have been determined using the NAV per share of the investments.

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B. Absolute return funds are comprised of 12 hedge funds, including two stub positions, that employ long/short equity, long/short credit, event-driven, distressed, special situations, relative value and macro strategies. The funds are valued monthly based on the NAV per share. Approximately two percent of the value of investments in this type is held in non-marketable securities and is illiquid. Investments representing approximately 12 percent of the value of the investments in this type cannot be redeemed because the investments have rolling lock-up periods of 24 months. The remaining restriction period for these investments ranged from 6 to 21 months at June 30, 2020.

C. Private equity limited partnerships are comprised of 21 private equity funds that utilize buyout, distressed, special situations, growth capital, mezzanine and venture capital strategies. The underlying companies within the limited partnerships span all the Global Industry Classification Standard (“GICS”) economic sectors. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over a period of approximately 10 years.

D. Real estate and other real assets limited partnerships include 17 private limited partnerships. Eight of the private limited partnerships invest in real estate and 9 invest in natural resources. These investments can never be redeemed with the funds. Instead, the nature of the private limited partnerships in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over a period of approximately 10 years.

3. Cash and Investments

The Foundation considers highly liquid temporary cash investments with a maturity of three months or less when purchased to be cash equivalents. However, cash investments with a maturity of three months or less that were purchased with the intent to be maintained as an investment are classified as investments.

According to the Foundation’s investment policy adopted by the Board of Directors, the Foundation may invest in any of the following broad asset classes: domestic equities; real estate; mutual funds; foreign equities; fixed income securities; cash equivalents; and alternatives.

The Foundation maintained no direct investments in derivatives at June 30, 2021 and 2020.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Foundation has no policy that contains requirements that would limit the exposure to custodial credit risk for deposits. At June 30, 2021 and 2020, respectively, the carrying amount of the Foundation’s deposits was \$998,403 and \$2,368,513 and the bank balance, excluding in-transit items, was \$970,501 and \$2,446,142. Of the bank balances, \$723,985 and \$668,669 was covered by Federal Depository Insurance and \$246,516 and \$1,699,844 was uninsured and uncollateralized at June 30, 2021 and 2020, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation monitors the interest rate risk inherent in its portfolio by measuring

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the effective duration of its portfolio. The Foundation has no specific limitations with respect to duration. At June 30, 2021 and 2020, respectively, the Foundation had investments in U.S. Treasuries with an average duration of 10.62 years and 12.58 years and fair value of \$85.1 million and \$65.4 million and investments in two fixed income security funds with an average duration of 5.21 years and 3.67 years and fair value of \$101.5 million and \$70.8 million. The Foundation also had investments in a short-term bond fund with an average duration of 0.6 years and 0.6 years and fair value of \$12.2 million and \$12.1 million at June 30, 2021 and 2020, respectively, and a money market fund with a fair value of \$25.7 million and \$27.3 million and duration of 0.14 years and 0.23 years at June 30, 2021 and 2020, respectively. The coronavirus relief funds are invested in a money market fund with fair value of \$0.01 million and \$57.5 million and duration of 0.14 years and 0.23 years at June 30, 2021 and 2020, respectively.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Foundation's investment policy has no specific limitations with respect to credit quality but provides that approximately 50% of the fixed income allocation will be allocated to U.S. Treasury strategies. At June 30, 2021 and 2020, respectively, the Foundation had investments in two unrated fixed income funds with a fair value of \$101.5 million and \$70.8 million. At June 30, 2021 and 2020, respectively, the Foundation had an investment in an unrated short-term bond fund with a fair value of \$12.2 million and \$12.1 million. At June 30, 2021 and 2020, respectively, the Foundation had an investment in a money market fund rated AAA with a fair value of \$25.7 million and \$27.3 million. The coronavirus relief funds are invested in a money market fund rated AAA with a fair value of \$0.01 million and \$57.5 million, respectively, as of June 30, 2021 and 2020.

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation has no written policy on custodial credit risk; however, based on the nature of the investments the Foundation currently holds, management does not consider custodial risk to be significant.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation's investment policy does not limit the amount invested in foreign currency-denominated investments.

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The Foundation's investments are summarized below:

| <i>June 30,</i> | 2021 | % | 2020 | % |
|--|-------------------------|---------------|-------------------------|---------------|
| U.S. Treasuries | \$ 85,076,465 | 6.19 | \$ 65,125,479 | 5.70 |
| Fixed income funds | 101,531,723 | 7.39 | 70,379,097 | 6.16 |
| Domestic stocks and equity funds | 116,411,144 | 8.47 | 154,482,941 | 13.51 |
| International equity funds | 536,156,511 | 39.01 | 372,299,480 | 32.57 |
| Absolute return funds | 313,957,357 | 22.85 | 300,824,541 | 26.31 |
| Private equity limited partnerships | 66,150,632 | 4.81 | 54,986,347 | 4.81 |
| Real estate and other real asset funds | 110,740,181 | 8.06 | 84,182,977 | 7.36 |
| Money market funds | 37,957,585 | 2.76 | 39,328,533 | 3.44 |
| Certificates of deposit | 1,650,000 | 0.12 | 1,550,000 | 0.14 |
| Cash and equivalents | 4,733,290 | 0.34 | - | - |
| Total investments | \$ 1,374,364,888 | 100.00 | \$ 1,143,159,395 | 100.00 |

The Foundation's investments-coronavirus relief funds are summarized below:

| <i>June 30,</i> | 2021 | % | 2020 | % |
|--------------------------|-----------------|---------------|----------------------|---------------|
| Money market funds | \$ 5,202 | 100.00 | \$ 57,501,152 | 100.00 |
| Total investments | \$ 5,202 | 100.00 | \$ 57,501,152 | 100.00 |

The following summarizes the investment return and its classification in the accompanying Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance:

| <i>Year ended June 30,</i> | 2021 | 2020 |
|-------------------------------|-----------------------|---------------------|
| Dividends and interest | \$ 11,741,778 | \$ 16,352,323 |
| Net realized gains | 74,451,064 | 26,066,446 |
| Net unrealized gains (losses) | 206,021,428 | (36,959,885) |
| Management fees | (2,647,845) | (3,181,735) |
| Net investment income | \$ 289,566,425 | \$ 2,277,149 |

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior years and current year.

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4. Capital Assets

A summary of the activity related to the capital assets for the years ended June 30, 2021 and 2020 is as follows:

| | Balance June 30, 2020 | Additions | Disposals | Balance June 30, 2021 |
|--|--------------------------|--------------------|-------------|--------------------------|
| Capital assets—nondepreciable: | | | | |
| Land | \$ 900,256 | \$ - | \$ - | \$ 900,256 |
| Land improvements | 3,650 | - | - | 3,650 |
| Total capital assets—nondepreciable | 903,906 | - | - | 903,906 |
| Capital assets—depreciable: | | | | |
| Buildings | 3,291,322 | 39,137 | - | 3,330,459 |
| Equipment | 120,957 | - | - | 120,957 |
| Furniture and fixtures | 127,430 | - | - | 127,430 |
| Total capital assets—depreciable | 3,539,709 | 39,137 | - | 3,578,846 |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,049,372) | (85,256) | - | (1,134,628) |
| Equipment | (78,530) | (12,443) | - | (90,973) |
| Furniture and fixtures | (118,774) | (2,270) | - | (121,044) |
| Total accumulated depreciation | (1,247,676) | (99,969) | - | (1,346,645) |
| Total capital assets—depreciable, net | 2,293,033 | (60,833) | - | 2,232,200 |
| Total capital assets, net | \$ 3,196,939 | \$ (60,833) | \$ - | \$ 3,136,106 |

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| | Balance June 30, 2019 | Additions | Disposals | Balance June 30, 2020 |
|--|--------------------------|--------------------|-------------------|--------------------------|
| Capital assets—nondepreciable: | | | | |
| Land | \$ 900,256 | \$ - | \$ - | \$ 900,256 |
| Land improvements | 3,650 | - | - | 3,650 |
| Total capital assets—nondepreciable | 903,906 | - | - | 903,906 |
| Capital assets—depreciable: | | | | |
| Buildings | 3,291,322 | - | - | 3,291,322 |
| Equipment | 113,324 | 26,683 | (19,050) | 120,957 |
| Furniture and fixtures | 126,728 | 2,294 | (1,592) | 127,430 |
| Total capital assets—depreciable | 3,531,374 | 28,977 | (20,642) | 3,539,709 |
| Less accumulated depreciation for: | | | | |
| Buildings | (966,033) | (83,339) | - | (1,049,372) |
| Equipment | (81,111) | (13,216) | 15,797 | (78,530) |
| Furniture and fixtures | (118,259) | (2,107) | 1,592 | (118,774) |
| Total accumulated depreciation | (1,165,403) | (98,662) | 17,389 | (1,246,676) |
| Total capital assets—depreciable, net | 2,365,971 | (69,685) | (3,253) | 2,293,033 |
| Total capital assets, net | \$ 3,269,877 | \$ (69,685) | \$ (3,253) | \$ 3,196,939 |

5. Tobacco Settlement and State Appropriations

In November 1998, the Attorneys General of 46 states, five U.S. territories and the District of Columbia (the “States”) signed the MSA with the nation’s largest tobacco manufacturers. Under the MSA, the participating tobacco manufacturers must provide payment to the States. The base payments to the States are estimated to total \$206 billion through 2025. The State of North Carolina’s share of the base payment is estimated to be \$4.57 billion. The Foundation was created to receive and administer one-half of North Carolina’s share of payments under the MSA. The Foundation has received \$1.20 billion since its inception.

While the State of North Carolina’s share of the base payments will not change over time, the amount of the annual payment is subject to a number of adjustments including, among others, inflation, and volume adjustments. These adjustments may increase or decrease the base payment. Therefore, the net effect of these adjustments is uncertain and the impact on the estimated future payments cannot be determined. In the event that the Foundation in the future receives a portion of North Carolina’s payments under the MSA calculated as a percentage, any changes in the base payments may affect the amount received by the Foundation.

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In July 2013, the North Carolina General Assembly enacted Session Law 2014-360, "Current Operations and Capital Improvements Appropriations Act of 2014." The legislation purports to repeal those sections of Session Law 1999-2 in which the General Assembly approved the transfer and assignment to the Foundation of fifty percent (50%) of each annual payment of MSA funds. In September 2015, the North Carolina General Assembly enacted Session Law 2015-241, "Current Operations and Capital Improvements Appropriations Act of 2015," which provided for the appropriation of \$10 million of tobacco settlement funds to the Foundation each year. In June 2017, the North Carolina General Assembly enacted Session Law 2017-57, which increased the annual appropriation to \$17.5 million. The Foundation received tobacco settlement funds of \$17.5 million in fiscal years 2021 and 2020. As a result of the uncertainty of payment and amount of the tobacco settlement funds, no receivable has been recorded for the Foundation's share of the State of North Carolina's future payments under the MSA.

In May 2020, the North Carolina General Assembly enacted Session Law 2020-4 to allocate funds received by the State as the result of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act that was enacted to address the public health and economic impacts of the COVID-19 pandemic. An allocation of \$125.0 million from these funds was made to the Foundation for the purpose of expanding the North Carolina COVID-19 Rapid Recovery Loan Program. Of the total allocation, \$62.5 million was received in fiscal year 2020, and \$5.0 million was expended. In September 2020, the North Carolina General Assembly enacted Session Law 2020-97 which included a provision that reduced the allocation of Coronavirus Relief Funds to the Foundation from \$125.0 million as provided for in Session Law 2020-4 to \$75.0 million and included changes to the terms of loans to be provided through the North Carolina COVID-19 Rapid Recovery Loan Program. In March 2021, the North Carolina General Assembly enacted Session Law 2021-3 which included a provision to increase the allotment of funds to the Foundation from Coronavirus Relief Funds by \$8.0 million from \$75.0 million to \$83.0 million. Of the \$83.0 million allocation, \$20.5 million was received in fiscal year 2021, and \$78.0 million was expended. At June 30, 2021, the total allocation of \$83.0 million had been received and expended to expand the North Carolina COVID-19 Rapid Recovery Loan Program.

During the year ended June 30, 2020, the North Carolina General Assembly enacted two pieces of legislation that included allocations of disaster recovery appropriations to the Foundation. Session Law 2019-224 included an allocation of \$4.5 million that may be used to repair, replace, construct or improve infrastructure or equipment damaged as a result of Hurricane Florence as well as to construct or improve infrastructure to support hazard mitigation. Session Law 2019-250 included an allocation of \$15.0 million that may be used to repair, replace, construct, or improve infrastructure or equipment damaged as a result of Hurricane Matthew, Florence, Michael, or Dorian, as well as to construct or improve infrastructure to support hazard mitigation. As of June 30, 2021, the Foundation had awarded grants totaling \$19.4 million from these funds.

During the year ended June 30, 2019, the North Carolina General Assembly enacted Session Law 2018-136 and Session Law 2018-138 to provide necessary and appropriate relief and assistance from the effects of Hurricane Florence. Of the total appropriations, \$20 million was allocated to Golden LEAF to provide grants to local governments to repair and replace vehicles, equipment and facilities, and to provide grants to local governments and to water and/or sewer authorities to repair and replace water, wastewater and stormwater infrastructure. An allocation of \$10 million was made to Golden LEAF to provide grants to eligible entities capable of making loans to small businesses affected by Hurricane Florence. As of June 30, 2021, the Foundation had awarded grants totaling \$30 million from these funds.

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In June 2018, the North Carolina General Assembly enacted the “Current Operations Appropriations Act of 2018” which included an allocation of appropriations to Golden LEAF of \$10 million to provide infrastructure grants to local governments and to 501(c)(3) nonprofit corporations for assistance and relief from Hurricane Matthew, the western wildfires, and Tropical Storms Julia and Hermine. As of June 30, 2021, the Foundation had awarded grants totaling \$10 million from these funds.

6. Explanations of Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

Total fund balances differ from net position of the Foundation reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus on the Foundation’s fund balance sheets. The provisions of Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, imposed the following difference:

- (a) When capital assets (equipment, furniture and fixtures) that are to be used in Foundation activities are purchased, the costs of those assets are reported as expenditures in general funds. However, the Statement of Net Position includes those capital assets among the assets of the Foundation. The Foundation does not record depreciation, so this expense is included as a reconciling item on the Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance.

7. Commitments

The Foundation has committed to invest in several private equity funds. See Note 2 to the financial statements for a summary of these commitments at June 30, 2021 and 2020.

8. Retirement Plans

The Foundation administers a 403(b) defined contribution plan that provides retirement benefits with options for payment to beneficiaries in the event of the participant’s death. All employees of the Foundation are eligible to participate in the plan. The plan requires the Foundation to contribute 10% of participants’ gross salary and permits participants to contribute a percentage of gross salary up to the maximum established by the Internal Revenue Code.

The Foundation contributed approximately \$165,000 and \$146,000 to the plan during the years ended June 30, 2021 and 2020, respectively. Participants contributed approximately \$133,000 and \$97,000 to the plan during the years ended June 30, 2021 and 2020, respectively.

Plan benefits are provided by means of contracts issued and administered by the privately operated Teachers’ Insurance and Annuity Association and the College Retirement Equities Fund (“TIAA-CREF”) or by means of contracts issued by Vanguard, an investment management company.

9. Deferred Compensation Plan

The Foundation administers The Golden L.E.A.F., Inc. 457(b) Plan as approved by the Board of Directors. The plan is a non-qualified deferred compensation plan for the benefit of highly compensated, key employees designated by the Board of Directors. The Plan allows for

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discretionary contributions by the Foundation as well as employee deferrals up to the maximum established by the Internal Revenue Code. The Foundation made no contributions to the Plan during the years ended June 30, 2021 and 2020.

10. Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees and natural disasters. The Foundation carries commercial insurance to cover these risks of loss. Claims on this coverage have historically not exceeded commercial premiums.

11. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations and financial condition for fiscal year 2020. The Foundation’s small workforce has been able to observe social distance in the office or work remotely while maintaining daily operations. The Foundation has been able to continue meeting operational expenses without the need to delay vendor payments or implement furloughs or lay-offs. The rapid development and fluidity of this situation, however, precludes any prediction as to the ultimate material adverse impact of COVID-19. Management continues to monitor and evaluate the performance of the Foundation’s investment portfolio as significant changes in the market could have an adverse impact on the portfolio’s fair value. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Foundation, its performance, and its financial results.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management cannot estimate the full magnitude that the pandemic will have on the Foundation’s future financial condition, liquidity, investment balances, and future results of operations. Foundation management is actively monitoring the impact of the global situation on the Foundation’s financial condition, liquidity, operations, industry, and workforce.

During the year ended June 30, 2020, the Foundation was allocated a portion of funds received by the State of North Carolina from the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act to award grants to support the North Carolina COVID-19 Rapid Recovery Loan Program. The Foundation received \$62,500,000 in CARES Act funding from a total allocation of \$125,000,000 and recognized \$5,047,608 as state aid - coronavirus relief fund revenue for the year ended June 30, 2020, as permitted by the terms of the state aid. At June 30, 2020, the remaining funds to be expended of \$57,452,392 were reported as unearned revenue - coronavirus relief funds until grant revenue recognition criteria were met. During the year ended June 30, 2021, the allocation of CARES Act funds was first reduced to \$75,000,000 and then increased to \$83,000,000. The Foundation received the remaining \$20,500,000 of the \$83,000,000 allocation in fiscal year 2021 and recognized \$77,952,392 as state aid - coronavirus relief fund revenue for the year ended June 30, 2021. At June 30, 2021, the total allocation to the Foundation of \$83,000,000 in CARES Act

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funds had been expended to support the North Carolina COVID-19 Rapid Recovery Loan Program. The Foundation does not intend to apply for or receive any additional funding from the CARES Act.

12. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2021 through September 30, 2021. No material recognizable events were identified.

Other Report



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
The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc.
Rocky Mount, 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 The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc. (the “Foundation”), which comprise the statement of net position and governmental fund balance sheet as of June 30, 2021, and the related statement of activities and governmental fund revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's 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 financial statements. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

September 30, 2021