



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

Financial Statements and Other Report  
Years Ended June 30, 2023 and 2022

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

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Financial Statements and Other Report  
Years Ended June 30, 2023 and 2022

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

**Contents**

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<b>Independent Auditor's Report</b>	3-5
<b>Management's Discussion and Analysis (Unaudited)</b>	6-11
<b>Financial Statements</b>	
Statements of Net Position and Governmental Fund Balance Sheets	13-14
Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	15-16
Notes to Financial Statements	17-32
<b>Other Report</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35



## **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, 2023 and 2022, 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, 2023 and 2022, and the changes in its financial 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 audits 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 opinions.

#### ***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.



### ***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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 29, 2023 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, P.C.*

September 29, 2023

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

## Management's Discussion and Analysis (Unaudited)

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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, 2023, with comparative information for the fiscal year ended June 30, 2022. 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. Since June 2017, the North Carolina General Assembly has made an annual appropriation of \$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 grantmaking.

### *Financial Highlights*

- The total assets of the Foundation increased by \$89.1 million during 2023 from \$1,206.1 million at June 30, 2022 to \$1,295.2 million at June 30, 2023.
- The Foundation ended 2023 with investments and cash and cash equivalents totaling \$1,289.1 million, an increase of \$89.6 million from June 30, 2022.
- The total liabilities of the Foundation decreased by \$4.0 million during 2023 from \$218.5 million at June 30, 2022 to \$214.3 million at June 30, 2023.
- The Foundation received tobacco settlement funds of \$17.5 million in fiscal years 2023 and 2022.
- With Session Law 2021-180, North Carolina General Assembly allocated \$10.0 million to the Foundation to provide grants to assist nonprofits in becoming eligible to be partner agencies to a North Carolina food bank, to assist current nonprofit food bank partner agencies with enhancing or expanding capacity, or to assist nonprofit organizations with establishing or expanding school-based week food assistance programs. The Foundation received \$200,000 in funding of this \$10 million in fiscal year 2023 as an administrative allocation. As of June 30, 2023, the Foundation had not awarded any grants from these funds.
- In fiscal year 2023, the Foundation received \$11.4 million in funds from loan repayments from the Rapid Recovery Loan Program, which is a small business loan program established during the COVID-19 pandemic. The North Carolina General Assembly modified legislation in July 2022, which allowed the Foundation to recapture the initial matching funds that the Foundation provided to the program in 2020 (\$15 million).
- The Foundation's investment portfolio generated income of \$108.0 million in fiscal year 2023 compared to losses of \$158.7 million in fiscal year 2022. The Foundation's investment assets returned 9.6% in 2023 compared to (11.8)% in 2022. The increase in investment

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

## Management's Discussion and Analysis (Unaudited)

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earnings reflects broader market increases. The S&P 500 Index (domestic equities) returned 19.6% in fiscal year 2023 compared to (10.6)% in fiscal year 2022. The MSCI EAFE Index (international equities) returned 18.8% in fiscal year 2023 versus a return of (17.7)% in fiscal year 2022. The Bloomberg Aggregate Index (fixed income) returned (0.9)% in fiscal year 2023 compared to (10.3)% in fiscal year 2022 and the HFRI Index (hedge funds) returned 5.1% in fiscal year 2023 versus (2.3)% in fiscal year 2022.

- The Foundation made awards of \$56.3 million in fiscal year 2023, a \$70.4 million decrease from fiscal year 2022, which is primarily due to two large economic catalyst grants made in fiscal year 2022. In addition to \$23.7 million in awards through the Foundation's Open Grants Program, Economic Catalyst Cycle, scholarship and other programs, grants were awarded to support the following special initiatives:

Community Based Grantmaking Initiative - \$11.0 million: 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 counties to apply to participate in the initiative by Prosperity Zone. It is anticipated to take up to eight years to complete the program in all Prosperity Zones 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 Prosperity Zone have an opportunity to apply to participate. The grants awarded in 2023 were to support projects in the Southeast Prosperity Zone.

SITE Program - \$11.9 million: Golden LEAF created the SITE Program to help rural and economically distressed communities have sites available for development to attract new businesses and create opportunities for existing businesses to expand. Through this program, Golden LEAF will provide support to communities to identify potential sites for economic development, enable completion of due diligence on sites already identified, or to extend public utilities to or conduct rough grading and clearing of sites for which due diligence has been completed.

Town of Siler City / Project Hibernian Award - \$9.8 million: The award provides support for the construction and/or improvement of public sewer infrastructure necessary to serve Project Hibernian. Project Hibernian is a manufacturer of silicon carbide wafers, which are used in manufacturing semiconductors. The company plans to make a capital investment of \$4.8 billion at the Chatham-Siler City Advanced Manufacturing Site located in Siler City. The project is expected to create 1,800 new jobs paying an average annual wage of approximately \$62,500, which is 51% higher than the average wage of Chatham County's private sector.

- The Foundation made grant payments of \$45.0 million in fiscal year 2023 compared to \$57.7 million in fiscal year 2022.
- Administrative costs were \$4.1 million in fiscal year 2023 compared to \$3.3 million in fiscal year 2022. Administrative costs represented 7.3% and 2.6% of awards in 2023 and 2022, respectively. Administrative costs in fiscal year 2023 included approximately \$138,000 related to the food distribution assistance program.



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

**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, 2023 and 2022. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. 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, 2023 and 2022. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Assets</b>			
Current assets	\$ 1,292,166,073	\$ 1,203,014,453	\$ 1,379,237,142
Capital assets—nondepreciable	903,906	903,906	903,906
Capital assets—depreciable, net	2,107,183	2,181,691	2,232,200
<b>Total Assets</b>	<b>\$ 1,295,177,162</b>	<b>\$ 1,206,100,050</b>	<b>\$ 1,382,373,248</b>
<b>Total Liabilities</b>	<b>\$ 214,502,164</b>	<b>\$ 218,513,934</b>	<b>\$ 154,263,791</b>
<b>Fund Balance/Net Position</b>			
Net investment in capital assets	3,011,089	3,085,597	3,136,106
Restricted for flood mitigation projects	16,066,960	23,293,450	-
Restricted for broadband projects	2,482,342	1,379,595	929,289
Restricted for disaster recovery projects	428,951	429,151	145,253
Restricted for food distribution assistance projects	61,999	-	-
Unassigned/unrestricted	1,058,623,657	959,398,323	1,223,898,809
<b>Total Fund Balance/Net Position</b>	<b>1,080,674,998</b>	<b>987,586,116</b>	<b>1,228,109,457</b>
<b>Total Liabilities and Fund Balance/Net Position</b>	<b>\$ 1,295,177,162</b>	<b>\$ 1,206,100,050</b>	<b>\$ 1,382,373,248</b>

**2023**

Total assets at June 30, 2023 were \$1,295.2 million, an increase of approximately \$89.1 million from June 30, 2022. 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, 2023 was

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

**Management's Discussion and Analysis (Unaudited)**

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\$1,289.1 million, compared to \$1,199.6 million at June 30, 2022. This increase resulted primarily from investment gains. Net capital assets were \$3.0 million at June 30, 2023, a decline of approximately \$75,000 from 2022 primarily due to depreciation.

The liabilities of the Foundation are comprised primarily of grants payable. Grants payable totaled \$214.3 million at June 30, 2023, compared to \$218.2 million at June 30, 2022. The current year grant awards of \$56.3 million exceeded the payment of current and prior year grant awards of \$45.0 million. The Foundation also rescinded \$15.2 million in grant awards in fiscal year 2023. The Foundation's grants payable are disbursed based upon each respective grantees completion of various milestones. Therefore, there is no agreed upon payment schedule for grants when awarded and the liability is considered non-current.

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.

**2022**

Total assets at June 30, 2022 were \$1,206.1 million, a decrease of approximately \$176.3 million from June 30, 2021. 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, 2022 was \$1,199.6 million, compared to \$1,375.4 million at June 30, 2021. This decrease resulted primarily from investment losses and payments for grants and other expenditures. Net capital assets were \$3.1 million at June 30, 2022, a decline of approximately \$51,000 from 2021 primarily due to depreciation.

The liabilities of the Foundation are comprised primarily of grants payable. Grants payable totaled \$218.2 million at June 30, 2022, compared to \$154.0 million at June 30, 2021. The current year grant awards of \$126.8 million exceeded the payment of current and prior year grant awards of \$57.7 million. The Foundation also rescinded \$4.8 million in grant awards in fiscal year 2022.

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.

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

**Management's Discussion and Analysis (Unaudited)**

***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>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Total Revenues (Losses)</b>	<b>\$ 138,231,163</b>	<b>\$ (115,947,928)</b>	<b>\$ 385,276,518</b>
<b>Total Expenditures/Expenses</b>	<b>45,142,281</b>	<b>124,575,413</b>	<b>133,678,606</b>
<b>Change in Fund Balance/Net Position</b>	<b>93,088,882</b>	<b>(240,523,341)</b>	<b>251,597,912</b>
<b>Fund Balance/Net Position, beginning of year</b>	<b>987,586,116</b>	<b>1,228,109,457</b>	<b>976,511,545</b>
<b>Fund Balance/Net Position, end of year</b>	<b>\$ 1,080,674,998</b>	<b>\$ 987,586,116</b>	<b>\$ 1,228,109,457</b>

These statements show the revenues and the expenses of the Foundation for the years ended June 30, 2023, 2022 and 2021, and the corresponding effect on fund balance/net position.

**2023**

Total revenues were \$138.2 million in 2023 compared to losses of \$115.9 million in 2022, an increase of \$254.2 million. The increase was primarily the result of investment income due to fiscal year 2023 market performance and the Foundation's asset allocation. The Foundation had investment income of \$108.0 million in 2023 compared to losses of \$158.7 million in 2022. In 2023, the Foundation received an allocation of \$200,000 of state appropriated funds to fund administrative costs for the food distribution assistance program. The Foundation received \$17.5 million of proceeds from tobacco settlement funds in 2023 and 2022. In fiscal year 2023, the Foundation received \$11.4 million in funds from loan repayments from the Rapid Recovery Loan Program. Grant revenue to support rural broadband projects was approximately \$1.1 million in 2023 compared to \$279,000 in 2022.

Total expenditures/expenses were \$45.1 million in 2023 and \$124.6 million in 2022. The largest expense of the Foundation in 2023 and 2022 was grant distributions. Grant distributions represent grants awarded net of grants rescinded and grant funds returned. Grants were awarded (excluding grants rescinded or returned) in the amount of \$56.3 million during 2023 and \$126.8 million in 2022. Administrative costs were \$4.1 million in 2023 and \$3.3 million in 2022, an increase of approximately \$808,000 from 2022. Line of credit expenses amounted to \$157,000 in fiscal year 2023 compared to none in 2022. Depreciation expense was approximately \$109,000 in 2023 and approximately \$106,000 in 2022.

**2022**

Total losses were \$115.9 million in 2022 compared to revenues of \$385.3 million in 2021, a decrease of \$501.2 million. The decrease was primarily the result of investment losses due to fiscal year 2022 market performance and the Foundation's asset allocation. The Foundation had investment losses of \$158.7 million in 2022 compared to income of \$289.6 million in 2021. In 2022, the Foundation received an allocation of \$25.0 million of state appropriated funds to fund flood mitigation and recovery projects. The Foundation received \$17.5 million of proceeds from

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

**Management's Discussion and Analysis (Unaudited)**

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tobacco settlement funds in 2022 and 2021. The Foundation recognized \$78.0 million in revenue in 2021 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 \$279,000 in 2022 compared to approximately \$258,000 in 2021.

Total expenditures/expenses were \$124.6 million in 2022 and \$133.7 million in 2021. The largest expense of the Foundation in 2022 and 2021 was grant distributions. Grant distributions represent grants awarded net of grants rescinded and grant funds returned. Grants were awarded (excluding grants rescinded or returned) in the amount of \$126.8 million during 2022 and \$135.8 million in 2021. Administrative costs were \$3.3 million in 2022, an increase of approximately \$181,000 from 2021. Depreciation expense was approximately \$106,000 in 2022 and approximately \$100,000 in 2021. *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

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

**Statement of Net Position and Governmental Fund Balance Sheet**

<i>June 30, 2023</i>	General Fund	Reclassifications and Eliminations (Note 6)	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 1,205,375	\$ -	\$ 1,205,375
Accounts receivable	2,886,497	-	2,886,497
Note receivable	19,821	-	19,821
Prepaid items	120,162	-	120,162
Investments	1,287,928,816	-	1,287,928,816
Investments—coronavirus relief funds	5,402	-	5,402
Capital assets—nondepreciable	-	903,906	903,906
Capital assets—depreciable, net	-	2,107,183	2,107,183
<b>Total Assets</b>	<b>\$ 1,292,166,073</b>	<b>\$ 3,011,089</b>	<b>\$ 1,295,177,162</b>
<b>Liabilities</b>			
Accounts payable	\$ 138,891	\$ -	\$ 138,891
Accrued liabilities	69,873	-	69,873
Grants payable	214,293,400	-	214,293,400
<b>Total Liabilities</b>	<b>214,502,164</b>	<b>-</b>	<b>214,502,164</b>
<b>Fund Balance/Net Position</b>			
Nonspendable prepaid items	120,162	(120,162)	-
Net investment in capital assets	-	3,011,089	3,011,089
Restricted for flood mitigation projects	16,066,960	-	16,066,960
Restricted for broadband projects	2,482,342	-	2,482,342
Restricted for disaster recovery projects	428,951	-	428,951
Restricted for food distribution assistance projects	61,999	-	61,999
Unassigned/unrestricted	1,058,503,495	120,162	1,058,623,657
<b>Total Fund Balance/Net Position</b>	<b>1,077,663,909</b>	<b>3,011,089</b>	<b>1,080,674,998</b>
<b>Total Liabilities and Fund Balance/ Net Position</b>	<b>\$ 1,292,166,073</b>	<b>\$ 3,011,089</b>	<b>\$ 1,295,177,162</b>

*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, 2022</i>	General Fund	Reclassifications and Eliminations (Note 6)	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 1,810,078	\$ -	\$ 1,810,078
Accounts receivable	3,298,854	-	3,298,854
Note receivable	24,776	-	24,776
Prepaid items	120,181	-	120,181
Investments	1,197,755,355	-	1,197,755,355
Investments—coronavirus relief funds	5,209	-	5,209
Capital assets—nondepreciable	-	903,906	903,906
Capital assets—depreciable, net	-	2,181,691	2,181,691
<b>Total Assets</b>	<b>\$ 1,203,014,453</b>	<b>\$ 3,085,597</b>	<b>\$ 1,206,100,050</b>
<b>Liabilities</b>			
Accounts payable	\$ 160,669	\$ -	\$ 160,669
Accrued liabilities	109,042	-	109,042
Grants payable	218,244,223	-	218,244,223
<b>Total Liabilities</b>	<b>218,513,934</b>	<b>-</b>	<b>218,513,934</b>
<b>Fund Balance/Net Position</b>			
Nonspendable prepaid items	120,181	(120,181)	-
Net investment in capital assets	-	3,085,597	3,085,597
Restricted for flood mitigation projects	23,293,450	-	23,293,450
Restricted for broadband projects	1,379,595	-	1,379,595
Restricted for disaster recovery projects	429,151	-	429,151
Unassigned/unrestricted	959,278,142	120,181	959,398,323
<b>Total Fund Balance/Net Position</b>	<b>984,500,519</b>	<b>3,085,597</b>	<b>987,586,116</b>
<b>Total Liabilities and Fund Balance/ Net Position</b>	<b>\$ 1,203,014,453</b>	<b>\$ 3,085,597</b>	<b>\$ 1,206,100,050</b>

*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, 2023</i>	General Fund	Reclassifications and Eliminations (Note 6)	Statement of Activities
<b>Revenues</b>			
Net investment income	\$ 108,036,414	\$ -	\$ 108,036,414
Proceeds from state appropriation	200,000	-	200,000
Proceeds from state settlement	17,500,000	-	17,500,000
Capital allocation revenue	11,392,002	-	11,392,002
Grant revenue	1,102,747	-	1,102,747
<b>Total Revenues</b>	<b>138,231,163</b>	<b>-</b>	<b>138,231,163</b>
<b>Expenditures/Expenses</b>			
Grant distributions	40,782,768	-	40,782,768
Administrative costs	4,085,138	-	4,085,138
Line of credit expense	157,398	-	157,398
Capital outlays	34,800	(34,800)	-
Depreciation expense	-	109,308	109,308
Unrelated business income tax	7,669	-	7,669
<b>Total Expenditures/Expenses</b>	<b>45,067,773</b>	<b>74,508</b>	<b>45,142,281</b>
<b>Revenues Over (Under)</b>			
Expenditures/Expenses	93,163,390	(74,508)	93,088,882
<b>Change in Fund Balance/Net Position</b>	<b>93,163,390</b>	<b>(74,508)</b>	<b>93,088,882</b>
<b>Fund Balance/Net Position, beginning of year</b>	<b>984,500,519</b>	<b>3,085,597</b>	<b>987,586,116</b>
<b>Fund Balance/Net Position, end of year</b>	<b>\$ 1,077,663,909</b>	<b>\$ 3,011,089</b>	<b>\$ 1,080,674,998</b>

*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, 2022</i>	General Fund	Reclassifications and Eliminations (Note 6)	Statement of Activities
<b>Revenues</b>			
Net investment loss	\$ (158,726,909)	\$ -	\$ (158,726,909)
Proceeds from state appropriation	25,000,000	-	25,000,000
Proceeds from state settlement	17,500,000	-	17,500,000
Grant revenue	278,981	-	278,981
<b>Total Revenues</b>	<b>(115,947,928)</b>	<b>-</b>	<b>(115,947,928)</b>
<b>Expenditures/Expenses</b>			
Grant distributions	121,168,938	-	121,168,938
Administrative costs	3,276,663	-	3,276,663
Capital outlays	55,387	(55,387)	-
Depreciation expense	-	105,896	105,896
Unrelated business income tax	23,916	-	23,916
<b>Total Expenditures/Expenses</b>	<b>124,524,904</b>	<b>50,509</b>	<b>124,575,413</b>
<b>Revenues (Under) Over Expenditures/Expenses</b>	<b>(240,472,832)</b>	<b>(50,509)</b>	<b>(240,523,341)</b>
<b>Change in Fund Balance/Net Position</b>	<b>(240,472,832)</b>	<b>(50,509)</b>	<b>(240,523,341)</b>
<b>Fund Balance/Net Position, beginning of year</b>	<b>1,224,973,351</b>	<b>3,136,106</b>	<b>1,228,109,457</b>
<b>Fund Balance/Net Position, end of year</b>	<b>\$ 984,500,519</b>	<b>\$ 3,085,597</b>	<b>\$ 987,586,116</b>

*See accompanying notes to financial statements.*

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

**Notes to Financial Statements**

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**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 provided 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 Annual Comprehensive Financial Report. The Foundation is governed by a 15-member board, all of whom are appointed by either the Governor, the 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 measurable and available to finance expenditures of the current period. Expenditures generally are recognized when the related liability is incurred.

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

**Notes to Financial Statements**

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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, 2023 and 2022, 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 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 appropriations for disaster recovery, flood mitigation, and food distribution assistance 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 appropriations for disaster recovery, and flood mitigation projects are reported as restricted.
- Committed fund balance represents amounts that can be used only for specific purposes as a result of constraints imposed by the Foundation's Board of Directors prior to the end of the fiscal year. Commitments will remain in place until the resources have been spent for the specified purpose or the Board of Directors removes or revises the limitation.
- Unassigned/unrestricted fund balance is the residual fund balance of the general fund.

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

**Notes to Financial Statements**

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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 non-publicly 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, 2023 and 2022, fair value of investments based on other than quoted market prices were \$778.1 million and \$713.5 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/award. 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 an agreement, which stipulates guidelines and related requirements. Several requirements must be met by the grantees prior to the disbursement of funds. Grants payable also includes programmatic contracts in which the Foundation contracts with a third party to implement a program of the Foundation, such as the scholarship programs.

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

**Notes to Financial Statements**

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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, 2023 and 2022. 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.                                    |

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

**Notes to Financial Statements**

The following table summarizes the Foundation's investments within the fair value hierarchy at June 30, 2023 and 2022, exclusive of cash and cash equivalents and investments in money market funds and certificates of deposit (which are within Level 1 of the fair value hierarchy):

<i>June 30, 2023</i>	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
<b>Investments by fair value level:</b>				
U.S. Treasuries	\$ 40,119,238	\$ 40,119,238	\$ -	\$ -
Fixed income funds	53,984,414	53,984,414	-	-
Domestic stocks and equity funds	167,348,353	167,348,353	-	-
International equity fund	138,541,378	138,541,378	-	-
Real estate fund	55,406,834	55,406,834	-	-
<b>Total investments by fair value level</b>	<b>\$ 455,400,217</b>	<b>\$ 455,400,217</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Investments measured at net asset value ("NAV"):</b>				
International equity funds	\$ 332,003,440			
Absolute return funds	255,033,983			
Private equity limited partnerships	110,227,635			
Real estate and other real asset limited partnerships	80,826,846			
<b>Total investments measured at NAV</b>	<b>778,091,904</b>			
<b>Total investments measured at fair value</b>	<b>\$ 1,233,492,121</b>			

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

**Notes to Financial Statements**

<i>June 30, 2022</i>	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
<b>Investments by fair value level:</b>				
U.S. Treasuries	\$ 62,681,250	\$ 62,681,250	\$ -	\$ -
Fixed income funds	57,553,637	57,553,637	-	-
Domestic stocks and equity funds	144,901,407	140,233,876	4,624,331	43,200
International equity fund	127,461,779	127,461,779	-	-
Real estate fund	54,362,458	54,362,458	-	-
<b>Total investments by fair value level</b>	<b>\$ 446,960,531</b>	<b>\$ 442,293,000</b>	<b>\$ 4,624,331</b>	<b>\$ 43,200</b>
<b>Investments measured at net asset value ("NAV"):</b>				
International equity funds	\$ 280,957,860			
Absolute return funds	267,741,104			
Private equity limited partnerships	101,816,491			
Real estate and other real asset limited partnerships	63,028,583			
<b>Total investments measured at NAV</b>	<b>713,544,038</b>			
<b>Total investments measured at fair value</b>	<b>\$ 1,160,504,569</b>			

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

<i>June 30, 2023</i>	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Available)	Redemption Notice Period
International equity funds <sup>(A)</sup>	\$ 332,003,440	\$ -	Daily-quarterly	9-60 days
Absolute return funds <sup>(B)</sup>	255,033,983	-	Monthly-biannually	30-90 days
Private equity limited partnerships <sup>(C)</sup>	110,227,635	117,541,002	N/A	N/A
Real estate and other real asset limited partnerships <sup>(D)</sup>	80,826,846	64,874,453	N/A	N/A
<b>Total investments measured at NAV</b>	<b>\$ 778,091,904</b>	<b>\$ 182,415,455</b>		

A. International equity funds include eight funds, including investments in six commingled funds that hold approximately 70 percent of the funds' investments in publicly traded non-U.S. stocks and 30 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.

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

**Notes to Financial Statements**

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. Approximately one percent of the value of investments in this type is held in non-marketable securities and is illiquid. Investments representing approximately 14 percent of the value of the investments in this type cannot be redeemed because the investments have lock-up periods of 12-24 months. The remaining restriction period for these investments was 13 months at June 30, 2023.

C. Private equity limited partnerships are comprised of 26 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 20 private limited partnerships. Twelve of the private limited partnerships invest in real estate and ten 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, 2022</i>	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Available)	Redemption Notice Period
International equity funds <sup>(A)</sup>	\$ 280,957,860	\$ -	Daily-quarterly	9-60 days
Absolute return funds <sup>(B)</sup>	267,741,104	-	Monthly-biannually	30-90 days
Private equity limited partnerships <sup>(C)</sup>	101,816,491	103,084,417	N/A	N/A
Real estate and other real asset limited partnerships <sup>(D)</sup>	63,028,583	62,562,964	N/A	N/A
<b>Total investments measured at NAV</b>	<b>\$ 713,544,038</b>	<b>\$ 165,647,381</b>		

A. International equity funds include investments in six commingled funds that hold approximately 70 percent of the funds’ investments in publicly traded non-U.S. stocks and 30 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 11 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. Approximately two percent of the value of investments in this type is held in non-marketable securities and is illiquid. Investments representing approximately six 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 1 month at June 30, 2022.



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

**Notes to Financial Statements**

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C. Private equity limited partnerships are comprised of 25 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 22 private limited partnerships. Twelve of the private limited partnerships invest in real estate and ten 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, 2023 and 2022.

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, 2023 and 2022, respectively, the carrying amount of the Foundation’s deposits was \$1,205,375 and \$1,810,078 and the bank balance, excluding in-transit items, was \$1,223,819 and \$1,714,871. Of the bank balances, \$724,760 and \$586,161 was covered by the Federal Deposit Insurance Corporation (“FDIC”) and \$499,059 and \$1,128,710 was uninsured and uncollateralized at June 30, 2023 and 2022, respectively.

At June 30, 2023, the Foundation holds a portfolio of \$1.5 million in 10 certificate of deposit accounts at various community banks in North Carolina, each in a denomination of \$150,000. At June 30, 2022, the Foundation held \$1.65 million in certificate of deposit accounts. There is no custodial credit risk for these accounts as they are fully insured by the FDIC.

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the FDIC up to \$250,000. At June 30, 2023 and 2022, the Foundation had \$499,059 and \$1,128,710 in excess of the FDIC insured limit, respectively.

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

**Notes to Financial Statements**

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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 the effective duration of its portfolio. The Foundation has no specific limitations with respect to duration. At June 30, 2023 and 2022, respectively, the Foundation had investments in U.S. Treasuries with an average duration of 4.70 years and 6.00 years and fair value of \$40.1 million and \$62.7 million and investments in two fixed income security funds with an average duration of 6.30 years and 5.29 years and fair value of \$54.0 million and \$57.6 million. The Foundation also had investments in a short-term bond fund with an average duration of 0.4 years and 0.4 years and fair value of \$12.6 million and \$12.1 million at June 30, 2023 and 2022, respectively, and a money market fund with a fair value of \$38.1 million and \$23.5 million and duration of 0.11 years and 0.13 years at June 30, 2023 and 2022, 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. At June 30, 2023 and 2022, respectively, the Foundation had investments in two unrated fixed income funds with a fair value of \$54.0 million and \$57.6 million. At June 30, 2023 and 2022, respectively, the Foundation had an investment in an unrated short-term bond fund with a fair value of \$12.6 million and \$12.1 million. At June 30, 2023 and 2022, respectively, the Foundation had an investment in a money market fund rated AAA with a fair value of \$38.1 million and \$23.5 million.

The concentration of credit risk is the risk of loss that may be caused by the Foundation's investment in a single issuer. The Foundation's investment policy limits the amount of the portfolio that can be invested in any one single, active fund manager to no more than 10% of the fair value of the portfolio.

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.

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

**Notes to Financial Statements**

The Foundation's investments are summarized below:

<i>June 30,</i>	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
U.S. Treasuries	\$ 40,119,238	3.11	\$ 62,681,250	5.23
Fixed income funds	53,984,414	4.19	57,553,637	4.81
Domestic stocks and equity funds	167,348,353	12.99	144,901,407	12.10
International equity funds	470,544,819	36.54	408,419,639	34.10
Absolute return funds	255,033,983	19.80	267,741,104	22.35
Private equity limited partnerships	110,227,635	8.56	101,816,491	8.50
Real estate and other real asset funds	136,233,680	10.58	117,391,041	9.80
Money market funds	50,697,874	3.94	35,600,786	2.97
Certificates of deposit	1,500,000	0.12	1,650,000	0.14
Cash and equivalents	2,238,820	0.17	-	-
<b>Total investments</b>	<b>\$ 1,287,928,816</b>	<b>100.00</b>	<b>\$ 1,197,755,355</b>	<b>100.00</b>

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>	<b>2023</b>	<b>2022</b>
Dividends and interest	\$ 19,494,759	\$ 14,919,713
Net realized gains	8,069,158	69,983,432
Net unrealized gains (losses)	83,388,568	(240,742,095)
Management fees	(2,916,071)	(2,887,959)
<b>Net investment income (loss)</b>	<b>\$ 108,036,414</b>	<b>\$ (158,726,909)</b>

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.

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

**Notes to Financial Statements**

**4. Grants Payable**

The Foundation's grants payable are disbursed based upon each respective grantees completion of various milestones. Therefore, there is no agreed upon payment schedule for grants when awarded and the liability is considered non-current. A summary of the activity related to grants payable for the years ended June 30, 2023 and 2022 is as follows:

<i>Year ended June 30,</i>	<b>2023</b>	<b>2022</b>
Balance, July 1	\$ 218,244,223	\$ 154,026,366
Rescissions	(15,249,456)	(4,815,648)
Payments	(45,035,825)	(57,749,214)
Awards	56,334,458	126,782,719
<b>Ending balance, June 30,</b>	<b>\$ 214,293,400</b>	<b>\$ 218,244,223</b>

**5. Capital Assets**

A summary of the activity related to the capital assets for the years ended June 30, 2023 and 2022 is as follows:

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
<b>Capital assets—nondepreciable:</b>				
Land	\$ 900,256	\$ -	\$ -	\$ 900,256
Land improvements	3,650	-	-	3,650
<b>Total capital assets—nondepreciable</b>	<b>903,906</b>	<b>-</b>	<b>-</b>	<b>903,906</b>
<b>Capital assets—depreciable:</b>				
Buildings	3,348,028	2,995	-	3,351,023
Equipment	143,698	17,016	-	160,714
Furniture and fixtures	133,072	14,789	(1,569)	146,292
<b>Total capital assets—depreciable</b>	<b>3,624,798</b>	<b>34,800</b>	<b>(1,569)</b>	<b>3,658,029</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,222,679)	(89,165)	-	(1,311,844)
Equipment	(97,906)	(16,590)	-	(114,496)
Furniture and fixtures	(122,522)	(3,553)	1,569	(124,506)
<b>Total accumulated depreciation</b>	<b>(1,443,107)</b>	<b>(109,308)</b>	<b>1,569</b>	<b>(1,550,846)</b>
<b>Total capital assets—depreciable, net</b>	<b>2,181,691</b>	<b>(74,508)</b>	<b>-</b>	<b>2,107,183</b>
<b>Total capital assets, net</b>	<b>\$ 3,085,597</b>	<b>\$ (74,508)</b>	<b>\$ -</b>	<b>\$ 3,011,089</b>

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

**Notes to Financial Statements**

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
<b>Capital assets—nondepreciable:</b>				
Land	\$ 900,256	\$ -	\$ -	\$ 900,256
Land improvements	3,650	-	-	3,650
<b>Total capital assets—nondepreciable</b>	<b>903,906</b>	<b>-</b>	<b>-</b>	<b>903,906</b>
<b>Capital assets—depreciable:</b>				
Buildings	3,330,459	17,569	-	3,348,028
Equipment	120,957	31,203	(8,462)	143,698
Furniture and fixtures	127,430	6,615	(973)	133,072
<b>Total capital assets—depreciable</b>	<b>3,578,846</b>	<b>55,387</b>	<b>(9,435)</b>	<b>3,624,798</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,134,628)	(88,051)	-	(1,222,679)
Equipment	(90,973)	(15,395)	8,462	(97,906)
Furniture and fixtures	(121,045)	(2,450)	973	(122,522)
<b>Total accumulated depreciation</b>	<b>(1,346,646)</b>	<b>(105,896)</b>	<b>9,435</b>	<b>(1,443,107)</b>
<b>Total capital assets—depreciable, net</b>	<b>2,232,200</b>	<b>(50,509)</b>	<b>-</b>	<b>2,181,691</b>
<b>Total capital assets, net</b>	<b>\$ 3,136,106</b>	<b>\$ (50,509)</b>	<b>\$ -</b>	<b>\$ 3,085,597</b>

## 6. 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 \$1.24 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.

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

**Notes to Financial Statements**

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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 the Settlement Reserve Account (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 2023 and 2022. 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 November 2021, the North Carolina General Assembly enacted Session Law 2021-180 that included an allocation of \$10.0 million to Golden LEAF to provide grants to assist nonprofits in becoming eligible to be partner agencies to a North Carolina food bank, to assist current nonprofit food bank partner agencies with enhancing or expanding capacity, or to assist nonprofit organizations with establishing or expanding school-based week food assistance programs. As of June 30, 2023, the Foundation had not awarded grants from these funds.

In November 2021, the North Carolina General Assembly enacted Session Law 2021-180 that included an allocation of \$25.0 million to Golden LEAF to provide grants to units of local government for flood mitigation and recovery projects. As of June 30, 2023, the Foundation had awarded grants totaling \$8.9 million from these funds.

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, through the North Carolina Pandemic Recovery Office (“NC PRO”), 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. Through 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. There were no additional funds received or expended related to this program during the years ended June 30, 2022, or June 30, 2023. The Foundation is required to return the net loan funds back to the State beginning on the date the authority to award new loans ceases and every six months thereafter. During fiscal year 2022, the Foundation collected and remitted net loan funds amounting to approximately \$2.3 million to the State. In July 2022, the North Carolina General Assembly enacted Session Law 2022-74 that modified the definition of net loan funds whereby net loan funds to be returned to the State are reduced by an amount equal to the

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

**Notes to Financial Statements**

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amount of non-State funds provided as matching funds, which was \$15 million. In fiscal year 2023, the Foundation collected \$11.4 million in loan repayments and recorded these funds as revenue.

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, 2023 and 2022, the Foundation had \$0.2 million and \$0.1 million respectively, as restricted funds related to these appropriations.

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, 2023 and 2022, the Foundation had \$0.1 million and \$0.1 million, respectively, as restricted funds related to these appropriations.

In June 2018, the North Carolina General Assembly enacted Session Law 2018-5, or 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, 2023 and 2022, the Foundation had \$0.1 million and \$0.2 million, respectively, as restricted funds related to this appropriation.

**7. 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.

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

**Notes to Financial Statements**

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## **8. 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, 2023 and 2022.

At June 30, 2023, the Foundation has an approximately \$6 million commitment to the North Carolina Housing Financing Agency (“NCHFA”), a public agency of the State of North Carolina, for funding affordable workforce housing. The Foundation has entered into a contract with the NCHFA to leverage federal tax credit funding and other financial resources to facilitate construction of affordable workforce housing opportunities in certain North Carolina counties that are priority counties for the Foundation.

## **9. 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. Employees of the Foundation working 1,000 hours or more annually 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 \$234,000 and \$176,000 to the plan during the years ended June 30, 2023 and 2022, respectively. Participants contributed approximately \$178,000 and \$140,000 to the plan during the years ended June 30, 2023 and 2022, 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.

## **10. 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 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, 2023 and 2022.

## **11. 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.



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

**Notes to Financial Statements**

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**12. Line of Credit**

To mitigate liquidity risk, in September 2022, the Foundation entered into an agreement for a \$100 million revolving line of credit. This line of credit is secured by the Foundation's domestic stock fund. The Foundation pays an unused fee at a rate of 0.135% per annum based on the unused balance of the line of credit. If the Foundation were to borrow from the line of credit, the borrowing rate is one month secured overnight financing rate (SOFR) plus 1.00% per annum. The line of credit also has certain covenant requirements for which the Foundation was in compliance with as of June 30, 2023. The Foundation did not borrow from this line of credit during fiscal year 2023 and had no borrowings outstanding at June 30, 2023. The line of credit agreement expires on September 29, 2023, and it is the Foundation's intention to renew the facility in the amount of \$50 million subsequent to year end.

**13. Subsequent Events**

The Foundation has evaluated subsequent events from June 30, 2023 through September 29, 2023. On September 28, 2023, the Foundation modified its existing revolving line of credit agreement by reducing its line of credit commitment to \$50 million and extending the expiration date to September 27, 2024. No additional material recognizable events were identified.

## Other Report

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## **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, 2023, 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 29, 2023.

### **Report on 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 or significant deficiencies may exist that were not identified.



## Report on 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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, P.C.*

September 29, 2023