

NORTH CAROLINA STATE UNIVERSITY CLUB

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors
North Carolina State University Club

Opinion

We have audited the accompanying financial statements of the North Carolina State University Club (the "Club", a non-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of revenue and expenses and changes in members' equity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State University Club as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Club and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Club's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club'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 Club'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.

Batchelor, Tilling & Roberts, LLP

June 5, 2023

NORTH CAROLINA STATE UNIVERSITY CLUB

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 6,571,814	4,965,718
Investments, at fair value	1,230,597	1,562,643
Accounts receivable	567,361	406,151
Inventories	68,775	41,658
Prepaid expenses	<u>34,753</u>	<u>25,577</u>
Total current assets	8,473,300	7,001,747
Property and equipment, net	<u>9,249,848</u>	<u>8,273,298</u>
	\$ <u>17,723,148</u>	<u>15,275,045</u>
<u>Liabilities and Members' Equity</u>		
Current liabilities:		
Accounts payable	196,602	126,803
Other accrued liabilities	33,078	25,775
Deferred revenue	20,440	19,600
Current portion of long-term debt	<u>285,196</u>	<u>205,196</u>
Total current liabilities	535,316	377,374
Long-term debt	<u>1,844,777</u>	<u>1,106,201</u>
Total liabilities	2,380,093	1,483,575
Members' equity	<u>15,343,055</u>	<u>13,791,470</u>
	\$ <u>17,723,148</u>	<u>15,275,045</u>

See accompanying notes to financial statements.

NORTH CAROLINA STATE UNIVERSITY CLUB

Statements of Revenue and Expenses and Changes in Members' Equity

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue:		
Membership dues and fees	\$ 2,132,691	1,753,421
Initiation fees	408,800	281,225
Processing and late fees	23,199	17,290
Banquet	858,543	412,174
Food and beverage	1,080,689	936,504
Golf	167,774	168,955
Swimming pool	87,191	64,129
Tennis	327,337	319,648
Clubhouse	51,061	44,584
Total operating revenue	<u>5,137,285</u>	<u>3,997,930</u>
Operating expenses:		
Banquet, food and beverage	1,964,763	1,496,414
Golf	293,554	245,245
Swimming pool	263,309	199,116
Tennis	372,776	338,238
Clubhouse	283,853	204,722
General and administrative	1,237,926	1,019,071
Total operating expenses	<u>4,416,181</u>	<u>3,502,806</u>
Income from operations	<u>721,104</u>	<u>495,124</u>
Other revenue (expense):		
Capital fees	1,006,663	886,105
Gain on sale of assets	227	3,150,000
Interest income	44,688	10,423
Investment return	(147,731)	(2,524)
Other income (loss)	(79,790)	20,938
Employee Retention Credit	455,941	-
Interest expense	(62,745)	(27,236)
Depreciation and amortization	(386,772)	(373,003)
Total other revenue, net	<u>830,481</u>	<u>3,664,703</u>
Revenues in excess of expenses	1,551,585	4,159,827
Members' equity, beginning of year	<u>13,791,470</u>	<u>9,631,643</u>
Members' equity, end of year	\$ <u>15,343,055</u>	<u>13,791,470</u>

See accompanying notes to financial statements.

NORTH CAROLINA STATE UNIVERSITY CLUB

Statement of Functional Expenses

Year ended December 31, 2022

	Program services					General and administrative	Total	
	<u>Banquet, food & beverage</u>	<u>Golf</u>	<u>Swimming pool</u>	<u>Tennis</u>	<u>Clubhouse</u>	<u>Total</u>		
Salaries and benefits	\$ 773,527	207,398	45,185	283,186	52,935	1,362,231	598,987	1,961,218
Supplies	96,192	19,938	4,162	10,897	44,452	175,641	7,700	183,341
Cost of sales	744,074	-	-	21,000	-	765,074	-	765,074
Insurance	-	-	-	-	-	-	65,542	65,542
Payroll taxes	68,558	15,491	2,972	26,000	-	113,021	37,453	150,474
Equipment rental	8,621	2,391	-	1,232	21,855	34,099	-	34,099
Repair & maintenance	6,414	27,007	2,110	4,971	103,915	144,417	-	144,417
Utilities	-	-	-	-	-	-	209,967	209,967
Contract services	134,600	2,042	190,673	2,042	48,500	377,857	89,633	467,490
Professional fees	-	-	-	-	-	-	13,648	13,648
Bank charges	-	-	-	-	-	-	64,053	64,053
Travel and training	6,206	-	-	1,754	-	7,960	17,636	25,596
Postage	-	-	-	-	-	-	7,955	7,955
Printing	2,798	-	-	-	-	2,798	11,612	14,410
Linens	60,838	-	-	-	-	60,838	-	60,838
Uniforms	8,037	282	-	229	-	8,548	-	8,548
Bad debts	-	-	-	-	-	-	15,956	15,956
Other	54,898	19,005	18,207	21,465	12,196	125,771	97,784	223,555
	<u>\$ 1,964,763</u>	<u>293,554</u>	<u>263,309</u>	<u>372,776</u>	<u>283,853</u>	<u>3,178,255</u>	<u>1,237,926</u>	<u>4,416,181</u>

See accompanying notes to financial statements.

NORTH CAROLINA STATE UNIVERSITY CLUB

Statement of Functional Expenses

Year ended December 31, 2021

	Program services					General and administrative	Total	
	Banquet, food & beverage	Golf	Swimming pool	Tennis	Clubhouse	Total		
Salaries and benefits	\$ 751,542	190,500	34,706	259,167	48,037	1,283,952	547,946	1,831,898
Supplies	73,550	11,007	3,450	3,829	33,142	124,978	4,502	129,480
Cost of sales	516,693	-	-	17,700	-	534,393	-	534,393
Insurance	-	-	-	-	-	-	56,306	56,306
Payroll taxes	64,314	14,136	2,254	23,703	15	104,422	34,861	139,283
Equipment rental	5,485	398	-	205	13,882	19,970	-	19,970
Repair & maintenance	4,952	7,299	3,826	1,725	54,869	72,671	-	72,671
Utilities	-	-	-	-	-	-	180,434	180,434
Contract services	1,470	-	146,558	-	47,923	195,951	74,543	270,494
Professional fees	-	-	-	-	-	-	12,840	12,840
Bank charges	-	-	-	-	-	-	50,144	50,144
Travel and training	403	-	-	318	-	721	5,999	6,720
Postage	-	-	-	-	-	-	8,026	8,026
Printing	3,742	-	-	-	-	3,742	10,936	14,678
Linens	37,723	-	-	-	-	37,723	-	37,723
Uniforms	2,367	-	-	27	-	2,394	-	2,394
Bad debts (recoveries)	-	-	-	-	-	-	(4,599)	(4,599)
Other	34,173	21,905	8,322	31,564	6,854	102,818	37,133	139,951
	\$ <u>1,496,414</u>	<u>245,245</u>	<u>199,116</u>	<u>338,238</u>	<u>204,722</u>	<u>2,483,735</u>	<u>1,019,071</u>	<u>3,502,806</u>

See accompanying notes to financial statements.

NORTH CAROLINA STATE UNIVERSITY CLUB

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Revenues in excess of expenses	\$ 1,551,585	4,159,827
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation and amortization	386,772	373,003
Gain on sale of assets	(2,000)	(3,150,000)
Loss on disposal of equipment	1,773	-
Realized and unrealized losses on investments	150,353	17,295
Changes in operating assets and liabilities:		
Accounts receivable	(161,210)	(108,711)
Inventories	(27,117)	(475)
Prepaid expenses	(9,176)	13,123
Accounts payable	69,799	36,385
Other accrued liabilities	7,303	(13,860)
Deferred revenue	840	2,200
Net cash provided by operating activities	<u>1,968,922</u>	<u>1,328,787</u>
Cash flows from investing activities:		
Purchases of investments	(1,354,658)	(3,345,475)
Sales of investments	1,536,351	1,750,275
Proceed from sale of assets	2,000	3,150,000
Purchases of property and equipment	<u>(1,365,095)</u>	<u>(1,450,540)</u>
Net cash (used in) provided by investing activities	<u>(1,181,402)</u>	<u>104,260</u>
Cash flows from financing activities:		
Loan proceeds	1,023,772	1,310,227
Principal payments on long-term debt	<u>(205,196)</u>	<u>(5,196)</u>
Net cash provided by financing activities	<u>818,576</u>	<u>1,305,031</u>
Net increase in cash and cash equivalents	1,606,096	2,738,078
Cash and cash equivalents, beginning of year	<u>4,965,718</u>	<u>2,227,640</u>
Cash and cash equivalents, end of year	\$ <u>6,571,814</u>	<u>4,965,718</u>
Supplemental disclosure of cash flow information:		
Interest paid during year	\$ <u>62,745</u>	<u>27,236</u>

See accompanying notes to financial statements.

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements

December 31, 2022 and 2021

(1) Organization and Significant Accounting Policies

North Carolina State University Club (the “Club”) is a member-owned private club located in Raleigh, North Carolina. It consists of facilities for tennis, golf, swimming, fitness, and dining.

The significant accounting policies of the Club are summarized below:

(a) Revenue Recognition

The Club recognizes revenue from member dues over the membership period, which is generally one month. The performance obligation consists of providing members continuous access to the golf course, fitness center, and common areas, and is recognized ratably as services are simultaneously received and consumed by members. The dues are used to cover costs of operating the Club, maintaining the common elements and improvements, and providing for facility repair and replacement.

Revenues derived from pro shop, fitness class, and food and beverage sales are recognized as the fitness classes are held or as goods are delivered to the buyer. Facility rentals are recognized when the performance obligation of providing space for the event is satisfied.

Club dues paid in advance are deferred to the membership period to which they relate. All other amounts paid in advance are deferred to the period in which the underlying sale, event or rental takes place. Due to the nature and timing of the performance and/or transfer of services and products, substantially all contract liabilities at December 31 of each year are recognized in the following year.

(b) Cash and Cash Equivalents

Cash and cash equivalents include investments with an original maturity of three months or less.

(c) Receivables

An allowance is recorded for uncollectible receivables based on historical experience and a review of existing accounts. No allowance was required for 2022 and 2021.

(d) Inventories

Inventories, consisting of food and beverages, are stated at lower of cost or net realizable value.

(e) Property and Equipment

Property and equipment are stated at cost. As applicable, interest expense is capitalized as a component of the cost of building renovations. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. See note 2.

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(1) Organization and Significant Accounting Policies, Continued

(f) Investments

Investments are reported at fair market value. The return on investments is included in the change in net assets in the accompanying statements of revenue and expenses and changes in members' equity. In addition, investment fees totaling \$7,994 and \$2,317 were netted with investment return in 2022 and 2021, respectively.

(g) Fair Value Measurements

For determining fair value measurements, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Management follows an established framework for measuring fair value. That framework provides a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are described below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: one or more significant inputs or significant value drivers are unobservable or based on market assumptions

(h) Initiation Fees

Initiation fees are paid by new members when they join the Club. Such initiation fees are treated as income in the period in which they become due.

(i) Construction Assessment

Construction assessments are paid monthly by all members to help finance the Club's renovation project. Such construction assessments are treated as income in the period in which they become due.

(j) Income Taxes

The Club is a non-profit organization exempt from federal income taxes under Section 501(c)(7) of the Internal Revenue Code and from state income taxes under similar provisions of North Carolina tax laws. The Club is subject to taxation on unrelated business income which consists primarily of interest from investments and net income from food service and rentals to nonmembers. No tax was payable for 2022 and 2021.

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(1) Organization and Significant Accounting Policies, Continued

(k) Use of Estimates

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

(l) Functional Allocation of Expenses

Management estimates the costs of providing the various programs and other activities on a functional basis in the statements of revenue and expenses and changes in members’ equity. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenditures not directly attributable to specific programs or supporting services are allocated to programs or supporting services by management based on what is considered to be the best available objective criteria, such as hours worked or relative benefit.

(m) Selected Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU enhances presentation and disclosure requirements for gifts-in-kind, but does not change the recognition and measurement requirements for such contributions. ASU 2020-07 was effective for the Club beginning January 1, 2022.

The FASB has issued ASU 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases classified as operating leases under previous GAAP, along with the disclosure of key information about leasing arrangements. ASU 2016-02 was effective for the Club beginning January 1, 2022. Management has determined that the impact of this standard is not significant for the Club.

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(2) Property and Equipment

A summary of property and equipment is as follows:

	<u>2022</u>	<u>2021</u>
Land improvements	\$ 99,789	99,789
Buildings and improvements	720,834	720,834
Future Ahead renovations	7,516,044	7,516,044
Leasehold improvements	779,829	779,829
Golf course equipment	176,762	119,718
Tennis and pool equipment	537,316	495,228
Kitchen and dining room equipment	586,940	461,696
Office and house equipment	896,271	384,178
Fitness center	149,559	149,559
Computer upgrade	13,912	13,912
I-440 construction projects	<u>2,165,334</u>	<u>1,544,723</u>
	13,642,590	12,285,510
Less accumulated depreciation and amortization	<u>(4,392,742)</u>	<u>(4,012,212)</u>
Total property and equipment, net	\$ <u>9,249,848</u>	<u>8,273,298</u>

Property and equipment purchased by the Club becomes the property of the NC State University Foundation (The “Foundation”) upon acquisition. The property and equipment is available for use by the Club as long as the lease (see note 3) remains in place. Such property and equipment is included in the assets of the Club and is depreciated over its estimated useful life.

(3) Leases

The Club leases land and facilities from the Foundation through a sub-lease dated December 1, 2000 for \$10 per year that was paid in full at the time of the execution of the lease. The original land lease between North Carolina State University and the Foundation is a 99-year lease dated December 12, 1960. The Club’s sublease agreement is for the remainder of the original 99-year lease. The lease is cancelable with twelve months notice by either party. The North Carolina State University Board of Trustees must approve a cancellation by the Foundation. The lease is automatically cancelled should the Foundation’s lease be cancelled. Property and equipment purchased by the Club becomes the property of the Foundation and is available for use by the Club as long as the lease remains in place.

(4) Capital Campaign Funds

Funds in the amount of \$6,893 as of December 31, 2022 and 2021, are available for major repairs and improvements to the buildings through a Capital Campaign fund that is administered by the NC State Foundation. Uncollected pledges held by the NC State Foundation total approximately \$0 as of December 31, 2022 and 2021. These funds were pledged to and collected by the NC State University Foundation, and are reflected as revenue to the Club when requested and received from the NC State University Foundation.

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(5) Fair Value Measurement of Investments

Investments are stated at fair value and consist of mutual funds invested in equity securities. All are measured at fair value based on quoted prices in active markets and as such are categorized as Level 1 for determining fair value. Investments totaled \$1,230,597 and \$1,562,643 as of December 31, 2022 and 2021, respectively. The total cost of investments was \$1,336,598 and \$1,562,643 as of December 31, 2022 and 2021, respectively.

Investment return is summarized as follows:

	<u>2022</u>	<u>2021</u>
Dividends	\$ 10,616	7,870
Net realized (losses) gains	(45,594)	9,218
Net unrealized losses	<u>(104,759)</u>	<u>(17,295)</u>
	(139,737)	(207)
Investment fees	<u>(7,994)</u>	<u>(2,317)</u>
Net investment return	\$ <u>(147,731)</u>	<u>(2,524)</u>

(6) Members' Equity

The types of memberships currently offered by the Club are as follows:

(a) Alumni Member

Alumni is defined as any person who is 18 years of age or older and meets one or more of the following criteria: (1) has received a degree from NC State University ("NCSU"); (2) has been accepted and enrolled in a degree program at NCSU and can successfully prove completion of at least 9 semester hours in such degree program; (3) has attended NCSU and can successfully prove completion of at least 9 semester hours and who subsequently received a degree from another college or university. A one-time non-refundable entrance fee is payable upon admittance to the Club and monthly dues, construction fees, and food minimums thereafter.

(b) Faculty and Staff

All full-time, part-time, retired faculty, visiting faculty, adjunct faculty, and staff including professional staff of Research Triangle Institute are eligible for membership under this classification. Faculty & Staff members are subject to monthly dues, non-refundable entrance fees, monthly assessments and quarterly food minimums.

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(6) Members' Equity, Continued

(c) Friends of the University

This category of membership is defined as any person 18 years of age or older (1) who has substantially contributed to the faculty at NCSU and the goals and missions of the University as a whole; or (2) whose family has substantially contributed to NCSU, provided such person has demonstrated his/her continued support of the faculty at NCSU and the goals and missions of the University as a whole. Admittance under this category requires nine affirmative votes of approval by the Board of Directors then present and voting, a one-time non-refundable entrance fee, and monthly dues, construction fees, and food minimums thereafter. This category, combined with the "Friends of the University Club" category, should not exceed 15% of the total membership of the Club.

(d) Friends of the University Club

This category of membership is defined as an individual 18 years of age or older or family who has demonstrated a strong commitment and continued support to NC State University or the University Club. This commitment can be demonstrated in many ways and will be evaluated on a case-by-case basis and shall be determined in the sole discretion of the Board of Directors. Admittance under this category requires nine affirmative votes of approval by the Board of Directors then present and voting, a one-time non-refundable entrance fee, and monthly dues, construction fees, and food minimums thereafter. This category, combined with the "Friends of the University" category, should not exceed 15% of the total membership of the Club.

(e) Legacy

A Legacy member is defined as any person 18 years of age or older who is the son and/or daughter of a current or former Club member who pays a one-time non-refundable entrance fee upon admittance to the Club and monthly dues, construction fees, and food minimums thereafter. The prospective member should be able to prove a direct family relationship to a current or previous member of the Club and demonstrate a strong commitment and continued support to NCSU and the University Club. Members of this category should not exceed 5% of the total membership of the Club.

(f) Non-Resident

Any active member who is currently in one of the four main membership classifications and who resides or relocates outside a 50-mile radius from the Club is subject to a one-time non-refundable entrance fee, monthly dues at one-half the regular amount, and construction fees. Non-resident members are exempt from the quarterly food minimum.

(g) Centennial Corporate Partner

All faculty and staff who work at a Centennial Campus Corporate Partner business housed on Centennial Campus of North Carolina State University are eligible for membership under this classification. This category shall not exceed 100 members and is subject to monthly dues, entrance fees, monthly assessments and quarterly food minimums.

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(6) Members' Equity, Continued

(h) Senior (70+) years old

A Senior member is defined as an active member who has been a member for 10 consecutive years and has reached the age of 70. Senior members pay 80% of monthly dues, construction fees of \$50 a month, and a food minimum set at \$72 per quarter.

(7) Credit Risk

Financial instruments which potentially subject the Club to concentration of credit risk consist primarily of demand deposits, investment securities, and member receivables. Management believes demand deposits are placed with a high credit quality financial institution. Member receivables include a large number of individual members with small balances.

The Club places all of its cash in federally insured financial institutions, which limits its credit risk. Balances exceeding the FDIC insured limit of \$250,000 totaled \$6,269,151 and \$4,644,206 as of December 31, 2022 and 2021, respectively.

(8) Notes Payable

On March 17, 2020, the Club entered into a \$5,000,000 non-revolving line of credit with a bank to be used for capital projects associated with the I-440 widening project (see note 12). Interest only is payable monthly at a fixed rate of 3.75% with annual principal payments through March 25, 2024 at which time the balance will be converted to a term loan. The balance outstanding net of unamortized loan costs as of December 31, 2022 and 2021 was \$2,118,737 and \$1,294,965, respectively.

On February 12, 2020, the Club took out a zero interest loan for \$25,979 from a financial institution to purchase a new tractor with monthly payments of \$433. The balance outstanding as of December 31, 2022 and 2021 was \$11,236 and \$16,432, respectively.

On February 1, 2021, the Club entered into a \$200,000 non-revolving line of credit with a bank to be used for capital projects associated with the I-440 widening project (see note 12). Interest only is payable monthly as a fixed rate of 3.25% with the entire principal balance due on September 23, 2023. The balance outstanding as of December 31, 2022 and 2021 was \$0.

Future minimum payments are as follows:

<u>Year ending December 31,</u>	
2023	\$ 285,196
2024	405,196
2025	<u>1,439,581</u>
	\$ <u>2,129,973</u>

NORTH CAROLINA STATE UNIVERSITY CLUB

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(9) Retirement Plan

The Club maintains a 401(k) profit sharing plan that covers substantially all employees meeting certain eligibility requirements. Retirement plan expense totaled \$10,000 in 2022 and 2021.

(10) Information Regarding Liquidity and Availability of Resources

The Club regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Club considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Club's financial assets as of December 31, 2022 consist of cash, accounts receivable, and investments reduced by any board-designated fund, resulting in net financial assets of \$8,369,772, all of which are available to meet general expenditures within one year of the financial statement date.

	<u>2022</u>	<u>2021</u>
Financial assets, at year end:		
Cash and cash equivalents	\$ 6,571,814	4,965,718
Accounts receivable	567,361	406,151
Investments, at fair value	<u>1,230,597</u>	<u>1,562,643</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>8,369,772</u>	<u>6,934,512</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Club operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

(11) Impact of COVID-19

In March, 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19's effect on the Club's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape.

(12) Gain on Sale of Assets

The North Carolina Department of Transportation ("NCDOT") is widening I-440 which required NCDOT to acquire several acres of the Club's property. In 2021, the Club agreed to a price of \$3,150,00 for the acreage lost to the project. NCDOT agreed to construct, at its own expense, a temporary parking lot and new access road plus relocate existing utilities.

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Notes to Financial Statements, Continued

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(13) Related Party Transactions

A total of approximately \$323,000 and \$353,000 during 2022 and 2021, respectively, was paid to a company whose principal is a Club board member to relocate infrastructure that was displaced by the I-440 widening project.

(14) Subsequent Events

The date to which events occurring after December 31, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is June 5, 2023, the date the financial statements were available to be issued.