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NORTH CAROLINA TEXTILE FOUNDATION, INC.

Financial Statements

June 30, 2019 and 2018

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The Board of Directors
North Carolina Textile Foundation, Inc.
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of North Carolina Textile Foundation, Inc., which comprise the statements of assets, liabilities, and net assets--modified cash basis as of June 30, 2019 and 2018, and the related statements of revenue, gains and other support and expenses and functional expenses and changes in net assets--modified cash basis and cash flows--modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of North Carolina Textile Foundation, Inc., as of June 30, 2019 and 2018, and its revenue, gains and other support and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Raleigh
4060 Barrett Drive
Post Office Box 17806
Raleigh, North Carolina 27619

919 782 9265
919 783 8937 FAX

Durham
3500 Westgate Drive
Suite 203
Durham, North Carolina 27707

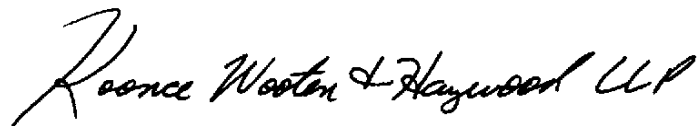
919 354 2584
919 489 8183 FAX

Pittsboro
579 West Street
Post Office Box 1399
Pittsboro, North Carolina 27312

919 542 6000
919 542 5764 FAX

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rance Weston & Haywood LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 8, 2019

NORTH CAROLINA TEXTILE FOUNDATION, INC.
 Statements of Assets, Liabilities and Net Assets--Modified Cash Basis
 June 30, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS:		
Cash	\$ <u>51,256</u>	\$ <u>34,015</u>
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	34,385	33,154
Less Accumulated Depreciation	<u>20,256</u>	<u>22,365</u>
Net Property and Equipment	<u>14,129</u>	<u>10,789</u>
OTHER ASSETS:		
Investments	62,662,213	48,025,982
Investments Held Under Gift Annuities and Charitable Remainder Trusts	687,071	507,417
Cash Surrender Value of Life Insurance	<u>45,535</u>	<u>43,054</u>
Total Other Assets	<u>63,394,819</u>	<u>48,576,453</u>
Total Assets	<u>\$ 63,460,204</u>	<u>\$ 48,621,257</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Due to Donors of Charitable Remainder Trusts and Annuitants	\$ <u>541,535</u>	\$ <u>419,712</u>
NET ASSETS:		
Without Donor Restrictions	19,036,420	6,436,222
With Donor Restrictions	<u>43,882,249</u>	<u>41,765,323</u>
Total Net Assets	<u>62,918,669</u>	<u>48,201,545</u>
Total Liabilities and Net Assets	<u>\$ 63,460,204</u>	<u>\$ 48,621,257</u>

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

STATEMENTS OF REVENUE, GAINS AND OTHER SUPPORT AND EXPENSES
AND CHANGES IN NET ASSETS--MODIFIED CASH BASIS

NORTH CAROLINA TEXTILE FOUNDATION, INC.
Statements of Revenue, Gains and Other Support and Expenses
and Changes in Net Assets--Modified Cash Basis
For The Years Ended June 30, 2019 and 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUE, GAINS AND OTHER SUPPORT:			
Contributions	\$ 12,122,497	\$ 1,456,415	\$ 13,578,912
Interest and Dividend Income, net	85,709	185,242	270,951
Net Realized Gain on Sale of Investments	238,815	517,239	756,054
Unrealized Gain on Investments	1,256,810	2,722,073	3,978,883
Scholarship and Enrichment Repayments		1,825	1,825
Change in Value of Split-Interest Agreements	4,636	2,279	6,915
Other Income			
Increase in Cash Surrender Value of Life Insurance	2,480		2,480
Loss on Disposal of Fixed Assets	(4,357)		(4,357)
Net Assets Released from Donor Restrictions	<u>2,768,147</u>	<u>(2,768,147)</u>	
Total Revenue, Gains and Other Support	<u>16,474,737</u>	<u>2,116,926</u>	<u>18,591,663</u>
EXPENSES:			
Program Services:			
NCSU College of Textiles Support	1,831,987		1,831,987
Scholarship Awards	1,052,047		1,052,047
Naming Opportunity Program			
Designated Purchases	150,978		150,978
Other			
Total Program Services	<u>3,035,012</u>		<u>3,035,012</u>
Supporting Services:			
Management and General	541,569		541,569
Development	297,958		297,958
Total Supporting Services	<u>839,527</u>		<u>839,527</u>
Total Expenses	<u>3,874,539</u>		<u>3,874,539</u>
CHANGES IN NET ASSETS	12,600,198	2,116,926	14,717,124
NET ASSETS--Beginning of Year	<u>6,436,222</u>	<u>41,765,323</u>	<u>48,201,545</u>
NET ASSETS--End of Year	<u>\$ 19,036,420</u>	<u>\$ 43,882,249</u>	<u>\$ 62,918,669</u>

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

2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 545,532	\$ 1,619,304	\$ 2,164,836
55,687	272,728	328,415
278,565	1,364,256	1,642,821
201,523	1,731,851	1,933,374
(2)	12,238	12,236
1,136		1,136
3,381		3,381
<u>2,582,271</u>	<u>(2,582,271)</u>	
<u>3,668,093</u>	<u>2,418,106</u>	<u>6,086,199</u>
1,555,487		1,555,487
942,800		942,800
150,033		150,033
1,446		1,446
<u>2,649,766</u>		<u>2,649,766</u>
468,952		468,952
194,639		194,639
<u>663,591</u>		<u>663,591</u>
<u>3,313,357</u>		<u>3,313,357</u>
354,736	2,418,106	2,772,842
<u>6,081,486</u>	<u>39,347,217</u>	<u>45,428,703</u>
<u>\$ 6,436,222</u>	<u>\$ 41,765,323</u>	<u>\$ 48,201,545</u>

NORTH CAROLINA TEXTILE FOUNDATION, INC.
 Statements of Functional Expenses--Modified Cash Basis
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
PROGRAM SERVICES:		
NCSU College of Textiles Support	\$ 1,831,987	\$ 1,555,487
Scholarship Awards	1,052,047	942,800
Naming Opportunity Program Designated Purchases	150,978	150,033
Other		1,446
Total Program Services	<u>3,035,012</u>	<u>2,649,766</u>
SUPPORTING SERVICES:		
Management and General		
Salaries and Benefits	458,859	390,769
Professional Fees	34,782	41,133
Office Expenses	15,681	5,082
Meeting Expense	8,224	8,581
Insurance	6,274	6,274
Travel	5,133	5,134
Depreciation	3,527	3,316
Professional Development	2,623	2,950
Telephone	2,850	2,774
Materials and Postage	2,002	2,189
Bank Charges	1,524	750
Miscellaneous	90	
Total Management and General	<u>541,569</u>	<u>468,952</u>
Fundraising		
University Grant	163,820	92,335
Travel	88,731	60,345
Events	23,292	19,294
Materials and Postage	12,026	13,461
Entertainment and Promotions	6,821	6,849
Dues	3,268	2,355
Total Fundraising	<u>297,958</u>	<u>194,639</u>
Total Supporting Services	<u>839,527</u>	<u>663,591</u>
Total Expenses	<u>\$ 3,874,539</u>	<u>\$ 3,313,357</u>

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

NORTH CAROLINA TEXTILE FOUNDATION, INC.
 Statements of Cash Flows--Modified Cash Basis
 For The Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 14,717,124	\$ 2,772,842
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,527	3,316
Loss on Disposal of Furniture and Equipment	4,357	
Increase in Cash Surrender Value of Life Insurance	(2,481)	(3,381)
Net Realized Gain on Sale of Investments	(756,054)	(1,642,821)
Unrealized Gain on Investments	(3,978,883)	(1,933,374)
Change in Value of Split-Interest Agreements	(11,231)	30,614
Contributions Restricted for Permanent Endowment	(361,475)	(513,521)
Net Cash Provided (Used) by Operating Activities	<u>9,614,884</u>	<u>(1,286,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	33,755,700	18,892,591
Purchase of Investments	(43,656,994)	(18,331,834)
Purchase of Furniture and Equipment	(11,224)	(1,074)
Net Cash Provided (Used) by Investing Activities	<u>(9,912,518)</u>	<u>559,683</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Permanent Endowment	361,475	513,521
Proceeds from Obligations Under Split-Interest Agreements		174,440
Payments on Obligations Under Split-Interest Agreements	(46,600)	(42,850)
Net Cash Provided by Financing Activities	<u>314,875</u>	<u>645,111</u>
NET INCREASE (DECREASE) IN CASH	17,241	(81,531)
CASH--Beginning of Year	<u>34,015</u>	<u>115,546</u>
CASH--End of Year	<u>\$ 51,256</u>	<u>\$ 34,015</u>

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

NORTH CAROLINA TEXTILE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. Nature of Activities and Summary of Significant Accounting Policies

A. Nature of Activities:

North Carolina Textile Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized in 1942. The mission of the Foundation is to promote the welfare, future development and reputation of the College of Textiles (the "College") at North Carolina State University as the premier institution for textile education and research. As a not-for-profit organization, the Foundation supports the College by providing funds for scholarships to deserving undergraduate and graduate students, recruitment and retention of highly qualified educators and researchers and the acquisition and maintenance of state-of-the-art equipment and facilities for research and education.

B. Basis of Accounting:

The Foundation's financial statements are prepared on a modified cash basis of accounting. As the Foundation applies this basis, contributions and earnings from interest and dividends are recognized when collected, rather than when the rights to receive accrue to the Foundation. Expenses are recognized when paid rather than when incurred. Therefore, accrued investment earnings, pledges receivable, and accounts payable and accrued expenses are not included in the financial statements. The significant modifications to the cash basis are the recognition of unrealized gains and losses on investments, the recording of actuarial liabilities related to split-interest agreements, the recording of the cash surrender value of a life insurance policy, and the recording of beneficial interests in charitable remainder trusts. Therefore, the accompanying financial statements are not intended to present financial position or changes in net assets in conformity with accounting principles generally accepted in the United States of America.

C. Accounting Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect 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.

D. Basis of Presentation:

Financial reporting standards require not-for-profit organizations to classify resources into two net asset categories according to externally imposed restrictions. Accordingly, net assets of the Foundation and changes therein may be classified and reported as follows:

Net Assets Without Donor Restrictions--Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions--Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time or are to be maintained permanently by the Foundation.

E. Revenue Without and With Donor Restrictions:

Contributions of cash and other assets are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

NORTH CAROLINA TEXTILE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

F. Investments:

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

G. Income Tax Status:

The Foundation is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(iv).

It is the Foundation's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the benefit of any certain tax position should be recognized in the period the change occurs.

The Foundation files its Form 990 series tax returns in the U.S. Federal jurisdiction. The Foundation's returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines.

H. Property and Equipment:

Property and equipment are recorded at cost or estimated fair market value at date of donation. A capitalization threshold of \$500 is utilized. Depreciation is computed on a straight-line basis over estimated useful lives.

I. Cash and Cash Equivalents:

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

J. Functional Allocation of Costs:

The cost of providing the program and support services of the Foundation has been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program and support services benefited on the basis of time records and estimates made by the Foundation's management. Support services include expenses which are not directly identifiable with any specific program or fundraising activity but provide support for the Foundation's overall operations.

K. Adoption of New Accounting Pronouncement:

For the year ended June 30, 2019, the Foundation adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. A key change required by ASU 2016-14 are the net asset classes used in these financial statements wherein amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The changes required by the update have been applied retrospectively to all periods presented.

NORTH CAROLINA TEXTILE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

2. Investments

Investments of the Foundation at June 30, 2019 and 2018 consist of the following:

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Market Value</u>	<u>Historical Cost</u>	<u>Market Value</u>	<u>Historical Cost</u>
Cash Equivalents	\$ 5,310,745	\$ 5,310,745	\$ 268,837	\$ 268,837
Fixed Income Securities	11,709,828	11,118,439	9,131,729	8,880,893
Equities	45,166,966	33,031,265	36,746,879	26,681,097
Alternative Investments	<u>474,674</u>	<u>62,349</u>	<u>1,878,537</u>	<u>1,036,715</u>
	<u>\$ 62,662,213</u>	<u>\$ 49,522,798</u>	<u>\$ 48,025,982</u>	<u>\$ 38,867,542</u>

The following schedule summarizes the investment income, after investment expenses of \$189,290, for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and Dividend Income, net	\$ 85,709	\$ 185,242	\$ 270,951
Realized Gains	238,815	517,239	756,054
Unrealized Gains	<u>1,256,810</u>	<u>2,722,073</u>	<u>3,978,883</u>
Total Investment Income	<u>\$ 1,581,165</u>	<u>\$ 3,424,723</u>	<u>\$ 5,005,888</u>

The following schedule summarizes the investment income, after investment expenses of \$175,017, for the year ended June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and Dividend Income, net	\$ 55,687	\$ 272,728	\$ 328,415
Realized Gains	278,565	1,364,256	1,642,821
Unrealized Gains	<u>201,523</u>	<u>1,731,851</u>	<u>1,933,374</u>
Total Investment Income	<u>\$ 535,775</u>	<u>\$ 3,368,835</u>	<u>\$ 3,904,610</u>

Investments (including those held under gift annuity agreements and charitable remainder trusts) in equity securities with readily determinable fair values and all debt securities are reported at fair value. Alternative investments represent investments for which a readily determinable fair value does not exist. These investments are carried at estimated fair values as provided by the respective fund managers of these investments. Brown Brothers Harriman, the Foundation's investment advisor, reviews and evaluates the values provided by the fund managers as well as the valuation methods and assumptions used in determining the fair value of such investments. Those estimated fair values may differ significantly from the values that would have initially been used had a ready market for these investments existed. Unrealized gains and losses, interest and dividend income collected, and realized gains and losses are included in change in net assets in the statement of revenue, gains, and other support and expenses and changes in net assets--modified cash basis.

The Foundation invests in a combination of stocks, fixed income securities, money market funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Foundation's investment balance reported in the statements of assets, liabilities and net assets--modified cash basis.

NORTH CAROLINA TEXTILE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

2. Investments (Continued)

Alternative investments at June 30, 2019 and 2018 includes the Foundation's investment in multi-strategy hybrid funds of funds that employ a variety of low volatility, absolute return oriented strategies designed to achieve consistent returns which are not dependent upon a rising equity market or correlated with the major stock or bond markets. The funds employ a multi-strategy, multi-manager investment approach using traditional and nontraditional alternative strategies. The Foundation has certain restrictions for withdrawal of funds that generally require 60 days' notice. The Foundation's equity in the funds is less than 2% of the funds' participant equity.

3. Investments Held Under Gift Annuities and Charitable Remainder Trusts

The Foundation has been named as a beneficiary in gift annuities and charitable remainder trusts in which the Foundation is the trustee. When the Foundation receives assets in connection with an annuity or charitable remainder trust, the assets are recorded at fair value, generally invested in stocks and fixed income securities, while a liability is recorded at the present value of the expected future payments to be made to the beneficiary. The discount rate and actuarial assumptions used in determining the present value of the expected future payments are based on applicable Internal Revenue Service discount rates and life expectancy assumptions. The Change in Value of Split-Interest Agreements on the Statements of Activities includes the change in market value of the investments, the change in present value of future payments to donors, actual payments made to donors, and contributions of split-interest agreements received. During the years ended June 30, 2019 and 2018, payments to donors and redemptions totaled \$46,600 and \$42,850, respectively.

Investments held under gift annuities and charitable remainder trusts consist of the following:

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Market Value</u>	<u>Historical Cost</u>	<u>Market Value</u>	<u>Historical Cost</u>
Cash Equivalents	\$ 21,711	\$ 21,711	\$ 16,945	\$ 16,945
Fixed Income Securities	279,385	276,305	208,562	215,238
Equities	385,975	368,672	215,881	183,865
Alternative Investments			<u>66,029</u>	<u>70,687</u>
	<u>\$ 687,071</u>	<u>\$ 666,688</u>	<u>\$ 507,417</u>	<u>\$ 486,735</u>

4. Fair Value Measurements

The Foundation follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, as amended, with respect to fair value measurements of its financial assets and liabilities. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NORTH CAROLINA TEXTILE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

4. Fair Value Measurements (Continued)

The valuation methodologies used for the Foundation's assets measured at fair value is as follows:

Government and corporate bonds and notes, common and preferred stocks and mutual funds are held in brokerage accounts and valued at readily available, quoted market prices in principal active markets that are considered to be representative of fair value. The Foundation classifies these investments within Level 1 of the valuation hierarchy.

Alternative investments measured by the Net Asset Value provided by the investment company are considered to be Level 2 investments. The Foundation believes that the carrying amount of its alternative investments is a reasonable estimate of the fair value of such investments.

Fair value for the beneficial interest in charitable remainder trust and amounts due to donors of charitable remainder trusts and annuities is determined using the income approach based on calculating the present value of the annuity using published life expectancy tables and a discount rate of 2.09% and 2.31% for the years ended June 30, 2019 and 2018, respectively. The Foundation classifies these investments Level 2 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2019 and 2018. The Foundation recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2019 and 2018.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In accordance with ASC 820, the tables below provide information by level for assets and liabilities that are measured at fair value on a recurring basis at June 30, 2019 and 2018:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019</u>				
ASSETS				
Cash Equivalents	\$ 5,310,745	\$ 5,310,745	\$	\$
Fixed Income Securities	11,709,828	11,709,828		
Equities	45,166,966	45,166,966		
Alternative Investments	474,674		474,674	
Investments held under Gift Annuities and Charitable Remainder Trusts	<u>687,071</u>	<u>687,071</u>		
Total Assets	<u>\$ 63,349,284</u>	<u>\$ 62,874,610</u>	<u>\$ 474,674</u>	<u>\$</u>
LIABILITIES				
Due to Donors of Charitable Remainder Trusts and Annuities	<u>\$ 541,535</u>	<u>\$</u>	<u>\$ 541,535</u>	<u>\$</u>

NORTH CAROLINA TEXTILE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

4. Fair Value Measurements (Concluded)

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2018</u>				
ASSETS				
Cash Equivalents	\$ 268,837	\$ 268,837	\$	\$
Fixed Income Securities	9,131,729	9,131,729		
Equities	36,746,879	36,746,879		
Alternative Investments	1,878,537		1,878,537	
Investments held under Gift Annuities and Charitable Remainder Trusts	<u>507,417</u>	<u>507,417</u>		
Total Assets	<u>\$ 48,533,399</u>	<u>\$ 46,654,862</u>	<u>\$ 1,878,537</u>	<u>\$</u>
LIABILITIES				
Due to Donors of Charitable Remainder Trusts and Annuities	<u>\$ 419,712</u>	<u>\$</u>	<u>\$ 419,712</u>	<u>\$</u>

5. Beneficial Interest in Charitable Remainder Trusts

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable claims to such assets, including the right to income there from. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in net assets with donor restrictions based on explicit donor stipulations.

6. Endowment Fund

The Foundation's endowment fund provides long-term support to North Carolina State University College of Textiles through scholarships, educational and research related activities. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of North Carolina enacted the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

The Foundation has classified as net assets with restrictions the original value of gifts donated to the permanent endowment. Gains and losses will be classified as net assets with restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence described in UPMIFA.

NORTH CAROLINA TEXTILE FOUNDATION, INC.
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6. Endowment Fund (Continued)

Changes in endowment assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at July 1, 2018	\$ 5,891,192	\$ 40,781,061	\$ 46,672,253
Investment Return:			
Investment Income, net	85,529	185,242	270,771
Net Appreciation (Realized and Unrealized)	1,495,625	3,239,312	4,734,937
Total Investment Return	<u>1,581,154</u>	<u>3,424,554</u>	<u>5,005,708</u>
Contributions and Repayments	12,000,000	361,475	12,361,475
Change in Value of Split Interest Agreement	4,636	(252)	4,384
Amounts Appropriated for Expenditure	<u>(570,335)</u>	<u>(1,787,372)</u>	<u>(2,357,707)</u>
	<u>11,434,301</u>	<u>(1,426,149)</u>	<u>10,008,152</u>
Endowment Net Assets at June 30, 2019	<u>\$ 18,906,647</u>	<u>\$ 42,779,466</u>	<u>\$ 61,686,113</u>

Changes in endowment assets for the year ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at July 1, 2017	\$ 6,021,199	\$ 38,519,365	\$ 44,540,564
Investment Return:			
Investment Income, net	55,687	272,728	328,415
Net Appreciation (Realized and Unrealized)	480,088	3,096,107	3,576,195
Total Investment Return	<u>535,775</u>	<u>3,368,835</u>	<u>3,904,610</u>
Contributions and Repayments		513,521	513,521
Change in Value of Split Interest Agreement	(2)	12,238	12,236
Amounts Appropriated for Expenditure	<u>(665,780)</u>	<u>(1,632,898)</u>	<u>(2,298,678)</u>
	<u>(665,782)</u>	<u>(1,107,139)</u>	<u>(1,772,921)</u>
Endowment Net Assets at June 30, 2018	<u>\$ 5,891,192</u>	<u>\$ 40,781,061</u>	<u>\$ 46,672,253</u>

The endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted Endowment Funds	\$ 998,615	\$ 42,779,466	\$ 43,778,081
Board-designated Endowment Funds	<u>17,908,032</u>		<u>17,908,032</u>
Total Funds	<u>\$ 18,906,647</u>	<u>\$ 42,779,466</u>	<u>\$ 61,686,113</u>

The endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted Endowment Funds	\$ 947,594	\$ 40,781,061	\$ 41,728,655
Board-designated Endowment Funds	<u>4,943,598</u>		<u>4,943,598</u>
Total Funds	<u>\$ 5,891,192</u>	<u>\$ 40,781,061</u>	<u>\$ 46,672,253</u>

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6. Endowment Fund (Concluded)

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets without restrictions. There were no such deficiencies at June 30, 2019 or 2018.

Investment Return Objectives and Strategies

The Foundation's investment policies include several investment objectives relative to its long-term investments, including permanent endowment funds. These objectives include (1) meeting the funding obligations of the Foundation, (2) preserving and/or increasing the purchasing power of the assets in light of inflation, (3) allowing for capital appreciation above and beyond the funding obligations and inflation and (4) to dampen volatility. To achieve these objectives, the Foundation has employed the investment strategy of diversifying within a modeled asset allocation range and reviewing the investment policy and performance regularly. The Fund composition at any given time is dependent upon a number of factors, including the amount available for investment and current market conditions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of a three year rolling average of the fair market value of the endowment funds as determined on an annual basis by the Board of Directors. In establishing this policy and the annual percentage, the Foundation considered the long-term expected return on its endowment. Accordingly, the Foundation expects the current spending policy to sustain its endowment and investment return objectives.

7. Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,128,388	\$ 1,492,624
Board Designated - endowments	<u>17,908,032</u>	<u>4,943,598</u>
Total net assets without donor restrictions	<u>\$ 19,036,420</u>	<u>\$ 6,436,222</u>

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8. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose (or purpose and time)		
Scholarships	\$ 10,166,108	\$ 9,144,081
Professorships	6,199,097	7,234,573
Naming Opportunities Program	4,103,782	3,976,224
Other	<u>4,035,549</u>	<u>2,391,323</u>
Total subject to expenditure for specified purpose or period	<u>24,504,536</u>	<u>22,746,201</u>
Endowments subject to Foundation's spending policy and appropriation		
Scholarships	14,850,612	14,446,587
Professorships	1,393,667	1,696,402
Other	<u>3,133,434</u>	<u>2,876,133</u>
Total endowments subject to the Foundation's spending policy and appropriation	<u>19,377,713</u>	<u>19,019,122</u>
Total net assets with donor restrictions	<u>\$ 43,882,249</u>	<u>\$ 41,765,323</u>

9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of passage of time or other events specified by donors. The net assets released from restrictions for the years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 1,025,804	\$ 852,083
Professorships	346,844	452,259
Naming Opportunities Program	206,709	197,635
Other	<u>1,188,790</u>	<u>1,080,294</u>
	<u>\$ 2,768,147</u>	<u>\$ 2,582,271</u>

10. Major Sources and Concentrations of Revenue and Support

During the years ended June 30, 2019 and 2018, the Foundation received almost all of its funding from contributions and the income from investments. Contributions were primarily from individuals and textile companies.

For the years ended June 30, 2019 and 2018, the Foundation received \$237,000 and \$630,000 from one textile company. The Foundation also received contributions without donor restrictions of \$12,000,000 and \$327,367 from an individual donor during the years ended June 30, 2019 and 2018. These contributions represented 90.12% and 44.22% of total contributions received for the year ended June 30, 2019 and 2018.

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11. Concentration of Credit Risk

The Foundation maintains cash balances at a financial institution located in Raleigh, North Carolina. The balances in the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2019 and 2018. The Foundation's uninsured cash balances totaled \$0 and \$50,257 at June 30, 2019 and 2018, respectively.

12. Cash Available from College of Textiles

The College of Textiles receives a portion of contributions obtained at the University level in an account that is available to be spent on development expenses only. Since the Foundation performs nearly all development functions for the College, these funds are sometimes used by the Foundation on behalf of the College. The available balance in these funds was \$11,029 and \$40,367 as of June 30, 2019 and 2018, respectively.

13. Liquidity and Availability

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure the Foundation has adequate contributions to cover the programs that are being conducted. The programs are supported by contributions with and without donor restrictions. Donors include individuals, corporations, and foundations. Donor's restrictions require resources to be used in a particular manner or in a future period, and are therefore not available for general expenditure. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Foundation invests excess cash in short term investments.

The Foundation's financial assets as of June 30, 2019 and 2018 expected to be available within one year to meet the cash needs for general expenditures comprise the following:

	2019	2018
Cash	\$ 51,256	\$ 34,015
Investments	62,662,213	48,025,982
Financial assets, at year end	62,713,469	48,059,997
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	43,882,249	41,765,323
Board designated	17,908,032	4,943,598
Financial assets available to meet cash needs for general expenditures within one year	\$ 923,188	\$ 1,351,076

14. Subsequent Events

Subsequent events have been evaluated through November 8, 2019, which is the date the financial statements were available to be issued.