

NORTH CAROLINA STATE UNIVERSITY
FOUNDATION, INC.

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2020 and 2019

North Carolina State University Foundation, Inc.
Consolidated Financial Report
For the Years Ended June 30, 2020 and 2019

Contents

| | |
|------------------------------|-------|
| Independent Auditors' Report | 1 - 2 |
|------------------------------|-------|

| | |
|-----------------------------------------------|--------|
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities | 4 - 5 |
| Consolidated Statements of Cash Flows | 6 |
| Notes to Consolidated Financial Statements | 7 - 25 |

| | |
|------------------------------------------------------|----|
| Supplementary Information | |
| Fund for Excellence Budget vs. Actual - Unaudited | 26 |
| Ten Year Summary of Asset Growth – Unaudited | 27 |
| Ten Year Summary of Revenues and Support - Unaudited | 28 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Carolina State University Foundation, Inc.
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of North Carolina State University Foundation, Inc. (the "Foundation"), a nonprofit organization and a component unit of North Carolina State University, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Carolina State University Foundation, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 26 through 28, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Overman Pierce, LLP

Greensboro, North Carolina
September 23, 2020

North Carolina State University Foundation, Inc.

Consolidated Statements of Financial Position
June 30, 2020 and 2019

| | 2020 | 2019 |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents (Note 1) | \$ 33,560,293 | \$ 31,016,671 |
| Cash and cash equivalents - NC State Executive Education, LLC (Notes 1 and 14) | 118,319 | 21,690 |
| Intermediate investments (Note 1) | 7,255,128 | 7,110,125 |
| Long-term investments (Notes 1 and 3) | 400,874,525 | 399,185,879 |
| Pledges receivable, net (Notes 1 and 7) | 15,226,627 | 16,273,231 |
| Receivable - charitable lead trusts (Note 1) | 1,639,640 | 1,921,443 |
| Receivable from University-associated entities (Note 1) | 7,580 | 122,735 |
| Annuity contract (Notes 1 and 4) | 1,207,546 | 1,462,284 |
| Donated property and land (Note 1) | 3,286,350 | 2,526,350 |
| University Club, net of accumulated depreciation of \$2,745,011 and \$2,957,137 at June 30, 2019 and 2020 respectively (Notes 1 and 13) | 6,066,799 | 6,278,925 |
| NC State Executive Education, LLC accounts receivable and prepaid expenses (Note 14) | 213,569 | 475,877 |
| Other assets (Note 1) | 268,721 | 268,143 |
| Total Assets | \$ 469,725,097 | \$ 466,663,353 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable - North Carolina State University (Note 1) | \$ 159,288 | \$ 119,119 |
| Accounts payable (Note 1) | 80,092 | 196,672 |
| Due to others (Note 1) | 216,798 | 259,919 |
| Life income funds payable (Note 6) | 4,755,774 | 5,294,083 |
| Deferred revenue (Note 1) | 2,653 | 6,000 |
| Agency funds held in custody for others (Note 9) | 88,651 | 88,645 |
| NC State Executive Education, LLC payables and deferred revenue (Note 14) | 328,293 | 497,321 |
| Total Liabilities | 5,631,549 | 6,461,759 |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | 2,161,886 | 1,665,987 |
| Undesignated nonexpendable - University Club | 6,066,799 | 6,278,925 |
| Board-designated endowments (Note 2) | 7,911,736 | 8,199,030 |
| Designated - NC State Executive Education, LLC (Note 14) | 3,595 | 246 |
| With donor restrictions: | | |
| Perpetual in nature (Note 10) | 290,998,443 | 282,702,362 |
| Purpose restricted (Note 10) | 156,951,089 | 161,355,044 |
| Total Net Assets | 464,093,548 | 460,201,594 |
| Total Liabilities and Net Assets | \$ 469,725,097 | \$ 466,663,353 |

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------------------------------------------|-------------------------------|----------------------------|-------------------|
| Revenues, Gains, and Other Income | | | |
| Contributions | \$ 2,290 | \$ 18,874,093 | \$ 18,876,383 |
| Change in pledges receivable, net | - | (1,046,604) | (1,046,604) |
| Donated services and salaries (Note 8) | 1,250,000 | - | 1,250,000 |
| Donated property and land | - | 760,000 | 760,000 |
| Net investment income | (26,538) | 6,917,632 | 6,891,094 |
| Change in value of split interest agreements | - | (145,592) | (145,592) |
| Change in value of charitable lead trusts | - | (281,803) | (281,803) |
| Interest and dividends | 633,106 | 1,229,191 | 1,862,297 |
| NC State Executive Education, LLC income (Note 14) | 2,069,801 | - | 2,069,801 |
| Other income | - | 5,239,676 | 5,239,676 |
| Net assets released from restrictions (Note 11) | 27,862,158 | (27,862,158) | - |
| Total Revenues, Gains, and Other Income | 31,790,817 | 3,684,435 | 35,475,252 |
| Grants to Support the University Program: | | | |
| Scholarships and fellowships | 10,705,945 | - | 10,705,945 |
| Faculty support | 5,200,537 | - | 5,200,537 |
| Departmental support | 4,299,731 | - | 4,299,731 |
| Capital support | 2,829,745 | - | 2,829,745 |
| NC State Executive Education, LLC expenses (Note 14) | 2,066,452 | - | 2,066,452 |
| Total Program Support | 25,102,410 | - | 25,102,410 |
| Administrative | 599,573 | - | 599,573 |
| Fundraising | 5,840,272 | - | 5,840,272 |
| Total Other Support | 6,439,845 | - | 6,439,845 |
| Total Support | 31,542,255 | - | 31,542,255 |
| Excess of Revenues, Gains, and Other Income Over Total Support | 248,562 | 3,684,435 | 3,932,997 |
| Net Transfers | | | |
| To other University-associated entities | - | (41,043) | (41,043) |
| Among funds | (248,734) | 248,734 | - |
| Total Net Transfers | (248,734) | 207,691 | (41,043) |
| Change in Net Assets | (172) | 3,892,126 | 3,891,954 |
| Net Assets | | | |
| Beginning of year | 16,144,188 | 444,057,406 | 460,201,594 |
| End of year | \$ 16,144,016 | \$ 447,949,532 | \$ 464,093,548 |

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------------------------------------------|-------------------------------|----------------------------|-------------------|
| Revenues, Gains, and Other Income | | | |
| Contributions | \$ 19,068 | \$ 33,404,492 | \$ 33,423,560 |
| Change in pledges receivable, net | - | (16,602,195) | (16,602,195) |
| Donated services and salaries (Note 8) | 1,402,000 | - | 1,402,000 |
| Disposal of donated property and land | - | (800,169) | (800,169) |
| Net investment income | 909,680 | 25,397,808 | 26,307,488 |
| Change in value of split interest agreements | - | (379,728) | (379,728) |
| Change in value of charitable lead trusts | - | (273,997) | (273,997) |
| Interest and dividends | 618,811 | 947,178 | 1,565,989 |
| NC State Executive Education, LLC income (Note 14) | 1,993,995 | - | 1,993,995 |
| Other income | - | 4,254,002 | 4,254,002 |
| Net assets released from restrictions (Note 11) | 23,315,271 | (23,315,271) | - |
| Total Revenues, Gains, and Other Income | 28,258,825 | 22,632,120 | 50,890,945 |
| Grants to Support the University | | | |
| Program: | | | |
| Scholarships and fellowships | 7,638,644 | - | 7,638,644 |
| Faculty support | 4,545,356 | - | 4,545,356 |
| Departmental support | 5,222,092 | - | 5,222,092 |
| Capital support | 1,896,671 | - | 1,896,671 |
| NC State Executive Education, LLC expenses (Note 14) | 1,949,815 | - | 1,949,815 |
| Total Program Support | 21,252,578 | - | 21,252,578 |
| Administrative | 616,680 | - | 616,680 |
| Fundraising | 5,095,500 | - | 5,095,500 |
| Total Other Support | 5,712,180 | - | 5,712,180 |
| Total Support | 26,964,758 | - | 26,964,758 |
| Excess of Revenues, Gains, and Other Income Over Total Support | 1,294,067 | 22,632,120 | 23,926,187 |
| Net Transfers | | | |
| To other University-associated entities | - | (83,732) | (83,732) |
| Among funds | (236,802) | 236,802 | - |
| Total Net Transfers | (236,802) | 153,070 | (83,732) |
| Change in Net Assets | 1,057,265 | 22,785,190 | 23,842,455 |
| Net Assets | | | |
| Beginning of year | 15,086,923 | 421,272,216 | 436,359,139 |
| End of year | \$ 16,144,188 | \$ 444,057,406 | \$ 460,201,594 |

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--------------------------------------------------------------------------------------------|----------------------|----------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets: | \$ 3,891,954 | \$ 23,842,455 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 212,986 | 217,394 |
| Donated property and land | (760,000) | - |
| Disposal of donated property and land | - | 800,169 |
| Net investment income | (6,891,094) | (26,307,488) |
| Investment income restricted for split interest agreements | (136,943) | (109,406) |
| Change in value of split interest agreements | 168,277 | 380,516 |
| Change in value of split interest agreements due to others | (22,685) | (788) |
| Contributions restricted for permanent endowment | (8,024,848) | (21,287,048) |
| Decrease (increase) in: | | |
| Pledges receivable, net | 1,046,604 | 16,602,195 |
| Receivable - charitable lead trusts | 281,803 | 273,997 |
| Receivable from University-associated entities | 115,155 | (122,341) |
| Annuity contract | 254,738 | 254,737 |
| Other assets | (1,438) | (8,585) |
| NC State Executive Education, LLC accounts receivable and prepaid expenses | 262,308 | (351,305) |
| Increase (decrease) in: | | |
| Accounts payable - North Carolina State University | 40,169 | 7,972 |
| Accounts payable | (116,580) | 180,733 |
| Due to others | (20,436) | (4,687) |
| Deferred revenue | (3,347) | (3,593) |
| Agency funds held in custody for others | 6 | (743,698) |
| NC State Executive Education, LLC payables and deferred revenue | (169,028) | 108,198 |
| Net Cash Used in Operating Activities | <u>(9,872,399)</u> | <u>(6,270,573)</u> |
| Cash Flows From Investing Activities | | |
| Proceeds from sales of investments | 16,824,952 | 16,956,938 |
| Purchases of investments | (11,767,507) | (24,807,653) |
| Proceeds from sales of donated property and land | - | 284,831 |
| Net Cash Provided by (Used in) Investing Activities | <u>5,057,445</u> | <u>(7,565,884)</u> |
| Cash Flows From Financing Activities | | |
| Contributions restricted for permanent endowment | 8,024,848 | 21,287,048 |
| Investment income restricted for split interest agreements | 136,943 | 109,406 |
| Payments on life income fund obligations | (690,814) | (686,240) |
| Proceeds from life income fund obligations | (15,772) | - |
| Net Cash Provided by Financing Activities | <u>7,455,205</u> | <u>20,710,214</u> |
| Net Increase in Cash and Cash Equivalents | 2,640,251 | 6,873,757 |
| Cash and Cash Equivalents: | | |
| Beginning of year | 31,038,361 | 24,164,604 |
| End of year | <u>\$ 33,678,612</u> | <u>\$ 31,038,361</u> |
| Supplemental Disclosure of Noncash Activities: | | |
| Donated services and salaries | <u>\$ 1,250,000</u> | <u>\$ 1,402,000</u> |
| Release of due to others | <u>\$ -</u> | <u>\$ 753,517</u> |

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina State University Foundation, Inc. (the "Foundation") is one of a group of foundations which provides financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, founded in 1942, supports, by financial assistance and otherwise, the various colleges within the University, the libraries, and other University-connected functions. Effective July 1, 2003, North Carolina State University considers the Foundation to be a component unit.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting and presentation: The consolidated financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In preparing its consolidated financial statements, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that are either to be maintained permanently by the Foundation or will be released either by actions of the Foundation and/or by the passage of time. Generally, the donors of these assets permit the Foundation to use all or part of the earnings on related investments for the donor-restricted purpose.

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and NC State Executive Education, LLC, which was organized to further the purposes of its sole member, the Foundation. All significant intercompany balances and transactions have been eliminated in consolidation. Additional details regarding the financial position and activities of NC State Executive Education, LLC are contained in Note 14.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all highly liquid instruments with an original maturity of 90 days or less to be cash equivalents. Cash designated or restricted for long-term purposes is included with long-term investments. At times, the Foundation places deposits with a high-quality financial institution that may be in excess of federal insurance limits.

Cash and cash equivalents consist of accounts with the State Treasurer's Short Term Investment Fund (the "STIF") and TowneBank. The STIF account maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Intermediate investments: Intermediate investments consist of taxable municipal bonds, the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF"), and an account with the common/und Intermediate Term Fund for funds that can be invested for longer periods, but which are available in the event of short-term needs. These investments are reported at readily determinable fair values of \$7,255,128 and \$7,110,125 at June 30, 2020 and 2019, respectively. The cost of these investments was \$7,289,484 and \$7,293,248 as of June 30, 2020 and 2019, respectively.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Long-term investments: Long-term investments are stated at fair value based on readily determinable fair values, when available. Investments for which readily determinable fair values are not available are carried at estimated fair values as provided by the respective fund managers of the investments. The Foundation, in accordance with investment policies promulgated by its Board of Directors (the "Board"), invests with the NC State Investment Fund, Inc. Long Term Investment Pool (the "LTIP"). In addition, the Foundation has planned giving instruments invested with TIAA Kaspick and invests specific endowment assets in the NC State Sustainable Responsible Impact Fund (the "SRI Fund").

Pledges receivable, net: Unconditional pledges receivable are recognized as revenue and assets in the period received. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Receivable – charitable lead trusts: The receivable for the split-interest agreements is carried at fair value, which the Foundation has estimated based on the present value of its expected future cash inflows.

Receivable from University-associated entities: Receivable from University-associated entities consists of the net amounts due to the Foundation from other University-associated entities.

Annuity contract: An annuity contract was purchased to cover the estimated payments on a large charitable gift annuity.

Donated property and land: Donated property and land are stated at cost. Cost for property acquired by gift is defined as fair market value on the date of the gift.

University Club: The value of the North Carolina State University Club (the "Club") and leasehold improvements are stated at depreciated value. It is the Foundation's policy to capitalize all assets costing greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. There were no additional leasehold improvements capitalized for years ended June 30, 2020 and 2019. Refer to Note 13 for additional information regarding the Foundation's role in the Club's financing of the renovations.

Other assets: Other assets include beneficiary interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender values. Cash surrender values of these policies were \$234,723 and \$223,696 at June 30, 2020 and 2019, respectively. Other assets also include leasehold improvements, sales tax receivable and accrued interest on municipal bonds.

Accounts payable - North Carolina State University: Accounts payable to the University include amounts disbursed by the University on behalf of the Foundation for payment of various normal operating expenses.

Accounts payable: Accounts payable represents trade payables due to vendors at June 30, 2020 and 2019.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Due to others: Due to others at June 30, 2020 and 2019 included \$216,798 and \$250,114, respectively, due to remainder beneficiaries of life income funds. Also included in due to others at June 30, 2019 was \$9,805 owed to other organizations.

Deferred revenue: Deferred revenue consists of revenue collected for programs not yet held.

Contributions: Restricted contributions are segregated for income and expense reporting purposes; however, the assets are commingled. When a donor or grantor restriction expires because the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the consolidated statements of activities.

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For years ended June 30, 2020 and 2019, a one-time fee of 7% was assessed on gifts that support current operations and facilities, with 4% designated for Central Development and 3% designated to the fundraising entity receiving the gift.

Investment income: Investment income is allocated on the basis of average fund balances for net assets with and without donor restrictions. For endowments, investment income is allocated on the "unit value" method of valuing interest in an investment portfolio and the investment earnings are recorded as with or without donor restrictions, as appropriate. Earnings from investments are net of investment fees of approximately \$2,243,000 and \$1,706,000 for the years ended June 30, 2020 and 2019, respectively. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

As part of the University's gift assessment program, an annual fee is assessed on the average twenty-quarter market value of assets held in the endowment investment portfolio. For years ended June 30, 2020 and 2019, the annual fee was 1.25%, with 1% designated for University Advancement and 0.25% designated to college-level fundraising efforts.

Estimates: The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2020 and 2019. Therefore, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying consolidated financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to tax year 2016.

Note 2. Endowment

The Foundation's endowment consists of approximately 740 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets perpetual in nature (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment funds that is not classified in net assets perpetual in nature is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation's endowment spending policy.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance to the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions and were (\$14,622) and \$0 as of June 30, 2020 and 2019, respectively.

Investment return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP and the SRI Fund in a manner that is intended to produce results that exceed a 70% MCSI ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 2. Endowment (continued)

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end preceeding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation's policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$11,913,785 and \$13,497,535 for fiscal years 2020 and 2021, respectively.

Strategies employed for achieving investment objectives: For the long term, the primary investment objective is to earn a total return (net of investment and custodial fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the LTIP and to meet the spending needs of the University. To meet this investment objective, the LTIP invests in various asset classes to offer diversification. The purpose of diversification is to provide reasonable assurance that no single security or class of securities or manager will have a disproportionate impact on the performance of the total fund.

The LTIP is diversified both by asset class (e.g. common stocks and fixed income securities) and within asset classes (e.g., within common stocks by economic sector, geographic area, industry, quality, and size). In addition, the LTIP seeks to diversify exposure to all asset classes through the use of multiple managers that use a variety of investment approaches.

The following represents changes in endowment net assets for the fiscal year ended June 30, 2020:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 8,296,647 | \$ 396,233,213 | \$ 404,529,860 |
| Total investment return | 334,443 | 7,619,095 | 7,953,538 |
| Contributions, including change in accrued pledges and other income | 25 | 7,990,755 | 7,990,780 |
| Appropriations of endowment assets for expenditure | (627,190) | (14,387,630) | (15,014,820) |
| Change in value of split interest agreements and charitable lead trust | - | (427,395) | (427,395) |
| Other changes: | | | |
| Transfers | - | 1,103,491 | 1,103,491 |
| Endowment net assets, end of year | <u>\$ 8,003,925</u> | <u>\$ 398,131,529</u> | <u>\$ 406,135,454</u> |

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 2. Endowment (continued)

The following represents endowment net asset composition by type of fund, as of June 30, 2020:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------|-------------------------------|----------------------------|-----------------------|
| Board-designated endowment funds | \$ 7,911,736 | \$ - | \$ 7,911,736 |
| Donor-designated endowment funds: | | | |
| Corpus | - | 290,998,443 | 290,998,443 |
| Appreciation | 92,189 | 107,147,708 | 107,239,897 |
| Underwater endowments | - | (14,622) | (14,622) |
| Total funds | <u>\$ 8,003,925</u> | <u>\$ 398,131,529</u> | <u>\$ 406,135,454</u> |

The following represents changes in endowment net assets for the fiscal year ended June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 7,707,937 | \$ 374,740,234 | \$ 382,448,171 |
| Total investment return | 1,188,755 | 25,866,568 | 27,055,323 |
| Contributions, including change in accrued pledges and other income | 25 | 9,933,452 | 9,933,477 |
| Appropriations of endowment assets for expenditure | (600,070) | (14,616,534) | (15,216,604) |
| Change in value of split interest agreements and charitable lead trust | - | (653,725) | (653,725) |
| Other changes: | | | |
| Transfers | - | 963,218 | 963,218 |
| Endowment net assets, end of year | <u>\$ 8,296,647</u> | <u>\$ 396,233,213</u> | <u>\$ 404,529,860</u> |

The following represents endowment net asset composition by type of fund, as of June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------|-------------------------------|----------------------------|-----------------------|
| Board-designated endowment funds | \$ 8,199,030 | \$ - | \$ 8,199,030 |
| Donor-designated endowment funds: | | | |
| Corpus | - | 282,702,362 | 282,702,362 |
| Appreciation | 97,617 | 113,530,851 | 113,628,468 |
| Underwater endowments | - | - | - |
| Total funds | <u>\$ 8,296,647</u> | <u>\$ 396,233,213</u> | <u>\$ 404,529,860</u> |

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 3. Long-Term Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Investments consisted of the following at June 30:

| | 2020 | | 2019 | |
|-----------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| STIF | \$ 87,107 | \$ 87,107 | \$ 73,869 | \$ 73,869 |
| NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP) | 218,905,126 | 339,856,721 | 218,812,514 | 339,013,846 |
| SRI Fund | 48,246,702 | 55,469,154 | 47,578,824 | 54,105,065 |
| Life Income Funds | 5,473,534 | 5,461,543 | 5,759,366 | 5,993,099 |
| | <u>\$272,712,469</u> | <u>\$400,874,525</u> | <u>\$272,224,573</u> | <u>\$399,185,879</u> |

Note 4. Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820 provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The fair value hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical investments

Level 2 – Valuations based on quoted prices in inactive markets or for which all significant inputs are observable (including quoted prices for similar investments, interest rates, credit risks, etc.)

Level 3 – Valuations based on significant unobservable inputs (including the fund’s own assumptions in determining the fair value of investments)

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 4. Fair Value Measurement (continued)

The Foundation's assets itemized below are measured at fair value on a recurring basis at June 30:

| | 2020 | | | |
|-----------------------------------------------------------------|------------------|----------------------|-----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| STIF | \$ 87,107 | \$ - | \$ - | \$ 87,107 |
| Municipal Bonds | - | 2,149,203 | - | 2,149,203 |
| commonfund Intermediate Term Fund | - | 1,706,566 | - | 1,706,566 |
| NC State Investment Fund, Inc. Intermediate Term Fund (ITF) | - | 3,399,359 | - | 3,399,359 |
| NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP) | - | - | 339,856,721 | 339,856,721 |
| SRI Fund | - | - | 55,469,154 | 55,469,154 |
| Life Income Funds | - | 5,461,543 | - | 5,461,543 |
| Annuity Contract | - | - | 1,207,546 | 1,207,546 |
| Beneficial Interest in Life Insurance Policies | - | - | 234,723 | 234,723 |
| | <u>\$ 87,107</u> | <u>\$ 12,716,671</u> | <u>\$ 396,768,144</u> | <u>\$ 409,571,922</u> |

| | 2019 | | | |
|-----------------------------------------------------------------|------------------|----------------------|-----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| STIF | \$ 73,869 | \$ - | \$ - | \$ 73,869 |
| Municipal Bonds | - | 2,042,303 | - | 2,042,303 |
| commonfund Intermediate Term Fund | - | 1,671,087 | - | 1,671,087 |
| NC State Investment Fund, Inc. Intermediate Term Fund (ITF) | - | 3,396,735 | - | 3,396,735 |
| NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP) | - | - | 339,013,846 | 339,013,846 |
| SRI Fund | - | - | 54,105,065 | 54,105,065 |
| Life Income Funds | - | 5,993,099 | - | 5,993,099 |
| Annuity Contract | - | - | 1,462,284 | 1,462,284 |
| Beneficial Interest in Life Insurance Policies | - | - | 223,696 | 223,696 |
| | <u>\$ 73,869</u> | <u>\$ 13,103,224</u> | <u>\$ 394,804,891</u> | <u>\$ 407,981,984</u> |

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 4. Fair Value Measurement (continued)

The following are reconciliations of the assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining value as of June 30:

| | 2020 | | | |
|-------------------------|--------------------------------------|---------------|---------------------|------------------------------------------------------|
| | NC State Investment Fund, Inc. | SRI Fund | Annuity Contract | Beneficial Interest in Life Insurance Policies |
| Beginning balance | \$ 339,013,846 | \$ 54,105,065 | \$ 1,462,284 | \$ 223,696 |
| Participant additions | 9,275,000 | - | - | - |
| Investment income | 298,634 | 794,093 | - | - |
| Realized gains | 7,162,759 | 481,046 | - | - |
| Unrealized gain | 750,263 | 695,783 | - | 11,027 |
| Participant withdrawals | (14,857,380) | (157,440) | (254,738) | - |
| Expenses | (1,786,401) | (449,393) | - | - |
| Ending balance | \$ 339,856,721 | \$ 55,469,154 | \$ 1,207,546 | \$ 234,723 |

| | 2019 | | | |
|-------------------------|--------------------------------------|---------------|---------------------|------------------------------------------------------|
| | NC State Investment Fund, Inc. | SRI Fund | Annuity Contract | Beneficial Interest in Life Insurance Policies |
| Beginning balance | \$ 320,174,970 | \$ 37,467,567 | \$ 1,717,021 | \$ 215,272 |
| Participant additions | 9,565,000 | 14,402,048 | - | - |
| Investment income | 144,961 | 688,763 | - | - |
| Realized gains | 5,521,094 | 314,434 | - | - |
| Unrealized gain | 18,820,455 | 2,970,475 | - | 8,424 |
| Participant withdrawals | (13,735,449) | (1,515,205) | (254,737) | - |
| Expenses | (1,477,185) | (223,017) | - | - |
| Ending balance | \$ 339,013,846 | \$ 54,105,065 | \$ 1,462,284 | \$ 223,696 |

Following is a description of the valuation methodologies used for assets measured at fair value:

STIF – This investment has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Municipal Bonds – Valued by the custodian using a computerized pricing service or, for less actively traded issues, using a yield-based matrix system.

common/und Intermediate Term Fund – Valued using the net asset value (“NAV”) per share of the fund provided by the fund manager. The Foundation considers this the best estimate of fair value for investments that do not have a quoted market price.

Note 4. Fair Value Measurement (continued)

NC State Investment Fund, Inc. Intermediate Term Fund (“ITF”) – This investment is a combination of publicly traded mutual funds valued at quoted market prices.

NC State Investment Fund, Inc. Long-Term Investment Pool (“LTIP”) – The LTIP’s investment in UNCMC is valued using the net asset value per share of the fund provided by the fund manager. The LTIP’s private equity investments are initially valued based on transaction price with subsequent valuation adjustments based on trading multiples of comparable public companies adjusted for differences in factors such as liquidity. The LTIP’s investment in a Blackrock Liquid Policy Portfolio (“LPP”) is valued at the closing price of the exchange-traded fund’s shares. The LTIP also has an investment in the STIF, valued as described above.

SRI Fund – This investment is a combination of equities and fixed income securities valued using quoted market prices or net asset values per share provided by the fund manager. The SRI Fund also has an investment in the STIF, valued as described above. The SRI Fund’s private equity investments are initially valued based on transaction price with subsequent valuation adjustments based on trading multiples of comparable public companies adjusted for differences in factors such as liquidity.

Life Income Funds – These investments are a combination of exchange-traded equity and fixed income securities valued at quoted market prices.

Annuity Contract – Valued using cash purchase price of contract less payments to date.

Beneficial Interest in Life Insurance Policies – Valued based on the cash surrender value of the policies. Because these values are based on significant unobservable inputs, they are categorized in Level 3 of the fair value hierarchy.

Note 5. Financial Assets and Liquidity Resources

The Foundation endowment funds consist of donor-designated endowments and board-designated endowments. Income from most donor-designated endowments is restricted for specific purposes and, therefore, is not available for general expenditures. As part of the Foundation’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The LTIP is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the Fund’s longer-term return objectives. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 5. Financial Assets and Liquidity Resources (continued)

The Foundation has board-designated endowments of approximately \$7.90 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 2, the board-designated endowments have a spending rate of 4%. \$584,615 of appropriations from the board-designated endowments and \$7,240 from unrestricted donor-designated endowments will be available within the next 12 months.

As of June 30, 2020, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, were as follows:

| | |
|----------------------------------------------------------------------------------------|---------------------|
| Total assets, less nonfinancial assets | \$ 460,354,436 |
| Less those unavailable for general expenditures within one year, due to: | |
| Donor imposed restrictions: | |
| Restricted by donor in perpetuity | (290,497,093) |
| Subject to appropriation and satisfaction of donor restrictions | (153,571,839) |
| Board-designated endowments | (7,327,121) |
| Designated - NC State Executive Education, LLC | (3,595) |
| Total liabilities | <u>(5,631,549)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 3,323,239</u> |

Note 6. Life Income Funds

The consolidated financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2020 and 2019 have asset balances of \$5,461,543 and \$5,993,099, respectively.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$4,755,774 and \$5,294,083 at June 30, 2020 and 2019, respectively. Payments from these funds were \$690,814 and \$686,240 during the years ended June 30, 2020 and 2019, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2020 and 2019, the CGA reserve balance was \$42,049 and \$82,443, respectively.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

| | 2020 | 2019 |
|--------------------------------------------------------------|----------------------|----------------------|
| Receivable in less than one year | \$ 8,481,673 | \$ 7,532,800 |
| Receivable in one to five years | 7,541,941 | 10,065,483 |
| Receivable in greater than five years | 66,650 | 230,000 |
| Total gross pledges receivable | <u>16,090,264</u> | <u>17,828,283</u> |
| Less allowance for uncollectible pledges | (805,000) | (892,000) |
| Less unamortized discount (discount rates of 0.18% to 2.00%) | (58,637) | (663,052) |
| Pledges receivable, net | <u>\$ 15,226,627</u> | <u>\$ 16,273,231</u> |

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding large pledges for which signed memorandums of understanding exist and therefore the Foundation is reasonably assured of collecting. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

Three donors represented approximately \$7.9 million of total undiscounted pledges receivable at June 30, 2020. Three donors represented \$9.8 million of total undiscounted pledges receivable at June 30, 2019.

Note 8. Donated Services and Salaries

Donated services in the amount of \$455,000 and \$506,000 for the years ended June 30, 2020 and 2019, respectively, have been reflected in the accompanying consolidated financial statements for services provided by the University Finance Division. In addition, donated salaries paid by the University for college development personnel in the amount of \$795,000 and \$896,000 for the years ended June 30, 2020 and 2019, respectively, have been reflected in the accompanying consolidated financial statements.

Note 9. Agency Funds

The Foundation acts as funds custodian for the North Carolina State University Greek Court funds. The funds are for the sole benefit for the redevelopment of the Greek Court and totaled \$88,075 at June 30, 2020 and 2019, and are for Kappa Sigma, Sigma Alpha Epsilon, Chi Psi, Delta Gamma, and Lambda Chi Alpha. The Foundation also holds debt service and operating surplus funds for the University Club (see Note 13), which totaled \$576 and \$570 at June 30, 2020 and 2019, respectively.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10. Net Assets With Donor Restriction

Net assets with donor restriction were available for the following purposes at June 30:

| | 2020 | 2019 |
|--------------------------------------------------------------------|-----------------------|-----------------------|
| Subject to expenditure for specified purpose: | | |
| Scholarships and fellowships | \$ 15,311,543 | \$ 13,922,345 |
| Faculty support | 984,204 | 1,216,933 |
| Library support | 1,582,946 | 1,750,258 |
| Research support | 1,224,886 | 1,358,598 |
| Forever Bell Tower Fund | 1,250,986 | 2,212,926 |
| Performance and Retention Fund | 1,499,889 | 1,421,534 |
| Gregg Museum of Art and Design Building | 405,304 | 450,722 |
| Greek Village Development Fund | 214,652 | 171,836 |
| Pledges receivable | 8,451,513 | 9,375,438 |
| Other | 18,767,209 | 15,825,216 |
| | <u>49,693,132</u> | <u>47,705,806</u> |
| Subject to passage of time: | | |
| Beneficial interest in life insurance policies | 234,723 | 223,696 |
| Assets held under split-interest agreements, net | 2,128,610 | 2,370,344 |
| Annuity contract | 1,207,546 | 1,462,283 |
| | <u>3,570,879</u> | <u>4,056,323</u> |
| Endowments: | | |
| Subject to Foundation endowment spending policy and appropriation: | | |
| Scholarships and fellowships | 290,445,097 | 288,129,147 |
| Faculty support and professorships | 576,226 | 579,412 |
| Library support | 13,358,037 | 13,234,604 |
| Research support | 927,711 | 951,507 |
| Pledges receivable | 6,775,114 | 6,897,793 |
| Other | 82,603,336 | 82,502,814 |
| | <u>394,685,521</u> | <u>392,295,277</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 447,949,532</u> | <u>\$ 444,057,406</u> |

The "Other" grouping includes amounts designated for general college support, general University support, facility support and funds with multiple purposes.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 11. Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions as restrictions were met via the passage of time or by incurring expenses satisfying the restricted purposes specified by donors as follows during the years ended June 30:

| | 2020 | 2019 |
|--------------------------------|----------------------|----------------------|
| Scholarships and fellowships | \$ 10,705,945 | \$ 7,638,644 |
| Faculty support | 5,078,659 | 4,545,356 |
| Departmental support | 2,861,887 | 4,699,327 |
| Capital support | 2,829,745 | 1,896,671 |
| Administrative and fundraising | 6,385,922 | 4,535,273 |
| | <u>\$ 27,862,158</u> | <u>\$ 23,315,271</u> |

Note 12. Description of Leasing Arrangements

The Foundation had operating leases with total payments for the years ended June 30, 2020 and 2019 of \$24,642 and \$27,696 respectively. Future minimum rental payments under the non-cancelable operating leases are as follows at June 30, 2020:

| Years ending June 30: | |
|------------------------|------------------|
| 2021 | \$ 17,499 |
| 2022 | 8,998 |
| 2023 | 4,499 |
| Minimum lease payments | <u>\$ 30,996</u> |

Note 13. University Club

In June 2008, to assist with financing the construction, renovation, and expansion of the University Club, the Board of the Foundation approved a resolution to authorize the Foundation to serve as the guarantor for \$3 million of a \$4 million loan from First Citizens Bank & Trust Company to the Club to be obtained in conjunction with Phase I of the renovation of the Club's facilities. The loan had a fixed interest rate of 5.96% but, as of November 2012, was modified to a new rate of 3.95%. The loan was paid off during fiscal year 2019.

A Memorandum of Understanding between the Foundation and the Club was established for the Phase I loan, which imposes certain requirements on the Club as a condition to the Foundation serving as guarantor. See Note 9 for the amounts the Foundation holds on behalf of the University Club.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 14. NC State Executive Education, LLC

NC State Executive Education, LLC (the "LLC") was organized on June 6, 2008 to further the purposes of its sole member, the Foundation, and is consolidated for the purposes of these consolidated financial statements. The purposes of the LLC are exclusively charitable within the meaning of paragraph 501(c)(3) of the Internal Revenue Code of 1986, and more specifically are to support the educational mission of the University by operating an executive education program.

The Statements of Financial Position for NC State Executive Education, LLC were as follows at June 30:

| | 2020 | 2019 |
|----------------------------------------------------|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 118,319 | \$ 21,690 |
| Accounts receivable | 161,750 | 475,877 |
| Due from University-associated entity | 39,923 | - |
| Prepaid expenses | 11,896 | - |
| Total Assets | \$ 331,888 | \$ 497,567 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable - North Carolina State University | \$ 1,187 | \$ 58,664 |
| Due to University-associated entity | - | 122,735 |
| Other payables | 141,611 | 240,767 |
| Deferred revenue | 185,495 | 75,155 |
| Total Liabilities | 328,293 | 497,321 |
| Net Assets | | |
| Unrestricted | 3,595 | 246 |
| Total Net Assets | 3,595 | 246 |
| Total Liabilities and Net Assets | \$ 331,888 | \$ 497,567 |

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 14. NC State Executive Education, LLC (continued)

The Statements of Activities for NC State Executive Education, LLC were as follows for the years ended June 30:

| | 2020 | 2019 |
|------------------------------------------------|------------------|------------------|
| Revenues, Gains, and Other Income | | |
| Program revenue | \$ 2,068,920 | \$ 1,993,300 |
| Interest and dividends | 881 | 695 |
| Total Revenues, Gains, and Other Income | <u>2,069,801</u> | <u>1,993,995</u> |
| Expenses | | |
| Program: | | |
| Labor costs | 796,849 | 722,519 |
| Rental costs | 60,659 | 72,491 |
| Contract fees | 1,108,977 | 991,239 |
| Other | 17,674 | 60,338 |
| Transfers to University departments | 82,293 | 103,228 |
| Total Expenses | <u>2,066,452</u> | <u>1,949,815</u> |
| Change in Net Assets | 3,349 | 44,180 |
| Net Assets (Deficit) | | |
| Beginning of year | 246 | (43,934) |
| End of year | <u>\$ 3,595</u> | <u>\$ 246</u> |

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 15. Functional Expense

The Foundation's primary program is to provide financial support to the various colleges within the University, the libraries, and other University-collected functions at NC State University. Expenses by functional classification for the year ended June 30, 2020 were as follows:

| | Total Program Support | Supporting Activities | | Total Support |
|---------------------------------|-----------------------------|-----------------------|------------------------|---------------|
| | | Management Support | Fundraising Support | |
| Grants | \$ 16,770,581 | \$ - | \$ 549,234 | \$ 17,319,815 |
| Legal | (22,713) | 6,141 | 18,552 | 1,980 |
| Accounting | 115,000 | 137,000 | - | 252,000 |
| Advertising | 189,219 | - | 170,206 | 359,425 |
| Office Expenses | 73,993 | - | 59,507 | 133,500 |
| Occupancy | 177,735 | - | 1,727 | 179,462 |
| Travel | 636,628 | - | 227,592 | 864,220 |
| Conferences and Meetings | 149,522 | - | 52,697 | 202,219 |
| Depreciation | 212,986 | - | - | 212,986 |
| Insurance | 14,526 | - | 10,627 | 25,153 |
| Departmental Equipment | 311,517 | - | 182,342 | 493,859 |
| Equip Rental and Maintenance | 193,725 | - | 128,354 | 322,079 |
| Contracted Services | 1,130,109 | 957 | 843,287 | 1,974,353 |
| Miscellaneous Services and Fees | 1,416,646 | 455,000 | 2,278,282 | 4,149,928 |
| Printing and Binding | 148,169 | - | 599,046 | 747,215 |
| Dues and Subscriptions | 190,405 | - | 456,416 | 646,821 |
| Supplies | 564,617 | 475 | 262,403 | 827,495 |
| Capital Transfers | 2,829,745 | - | - | 2,829,745 |
| Total | \$ 25,102,410 | \$ 599,573 | \$ 5,840,272 | \$ 31,542,255 |

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, event and media services, maintenance agreements and honorariums. Miscellaneous Services and Fees include donated salaries and services as well as annual giving appeals, solutions and campaign strategy work.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 15. Functional Expense (continued)

Expenses by functional classification for the year ended June 30, 2019 were as follows:

| | Total Program Support | Supporting Activities | | Total Support |
|---------------------------------|-----------------------------|-----------------------|------------------------|---------------|
| | | Management Support | Fundraising Support | |
| Grants | \$ 13,022,656 | \$ - | \$ 544,592 | \$ 13,567,248 |
| Legal | - | 16,050 | 275 | 16,325 |
| Accounting | 138,667 | 93,750 | - | 232,417 |
| Advertising | 205,852 | - | 278,172 | 484,024 |
| Office Expenses | 94,770 | - | 210,347 | 305,117 |
| Occupancy | 123,267 | - | 1,309 | 124,576 |
| Travel | 902,337 | - | 276,130 | 1,178,467 |
| Conferences and Meetings | 245,417 | - | 126,422 | 371,839 |
| Depreciation | 217,394 | - | - | 217,394 |
| Insurance | 19,431 | - | 12,296 | 31,727 |
| Departmental Equipment | 638,046 | - | 135,215 | 773,261 |
| Equip Rental and Maintenance | 198,906 | - | 154,169 | 353,075 |
| Contracted Services | 1,067,144 | - | 354,060 | 1,421,204 |
| Miscellaneous Services and Fees | 1,687,638 | 506,000 | 2,431,436 | 4,625,074 |
| Printing and Binding | 170,658 | - | 167,567 | 338,225 |
| Dues and Subscriptions | 177,289 | - | 140,572 | 317,861 |
| Supplies | 446,435 | 880 | 262,938 | 710,253 |
| Capital Transfers | 1,896,671 | - | - | 1,896,671 |
| Total | \$ 21,252,578 | \$ 616,680 | \$ 5,095,500 | \$ 26,964,758 |

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, event and media services, maintenance agreements and honorariums. Miscellaneous Services and Fees include donated salaries and services as well as annual giving appeals, solutions and campaign strategy work.

Note 16. 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 effects on the Foundation's operational 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. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Foundation's operations. However, the pandemic could have a material adverse effect on the Foundation's results of operations, financial condition and cash flows.

North Carolina State University Foundation, Inc.

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 17. Subsequent Events

The Foundation has evaluated subsequent events through September 23, 2020, the date which the consolidated financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University Foundation, Inc.

Fund for Excellence Budget vs. Actual - Unaudited
Year Ended June 30, 2020

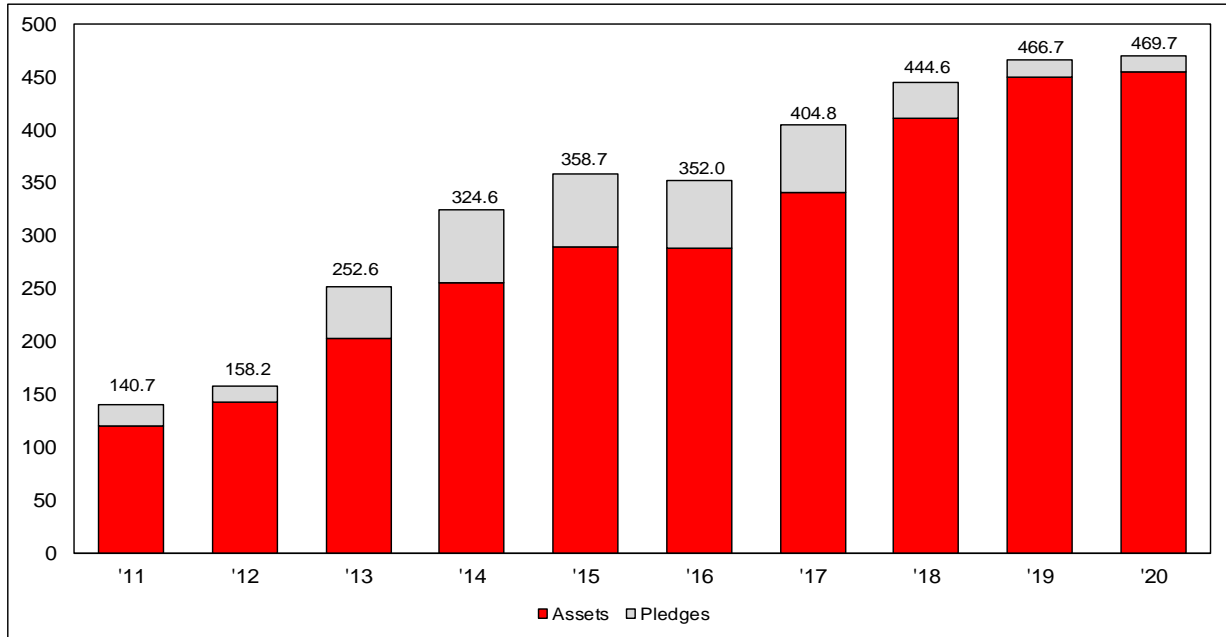
| | Budget | Actual | Over (Under) Variance |
|----------------------------|----------------|----------------|--------------------------|
| Income | | | |
| Endowment spending budget | \$ 565,985 | \$ 565,985 | \$ - |
| General Fund contributions | 1,500 | 2,106 | 606 |
| Interest and dividends | 242,000 | 410,093 | 168,093 |
| Total Income | 809,485 | 978,184 | 168,699 |
| Support | | | |
| Program support | 541,000 | 601,159 | 60,159 |
| Foundation administration | 267,000 | 214,667 | (52,333) |
| Total Support | 808,000 | 815,826 | 7,826 |
| Income Less Support | 1,485 | 162,358 | 160,873 |
| Fund Balance | | | |
| Beginning of year | \$ 934,497 | \$ 934,497 | \$ - |
| End of year | \$ 935,982 | \$ 1,096,855 | \$ 160,873 |

North Carolina State University Foundation, Inc.

Ten Year Summary of Asset Growth - Unaudited
Years Ended June 30

Total Assets

(Dollars in Millions)

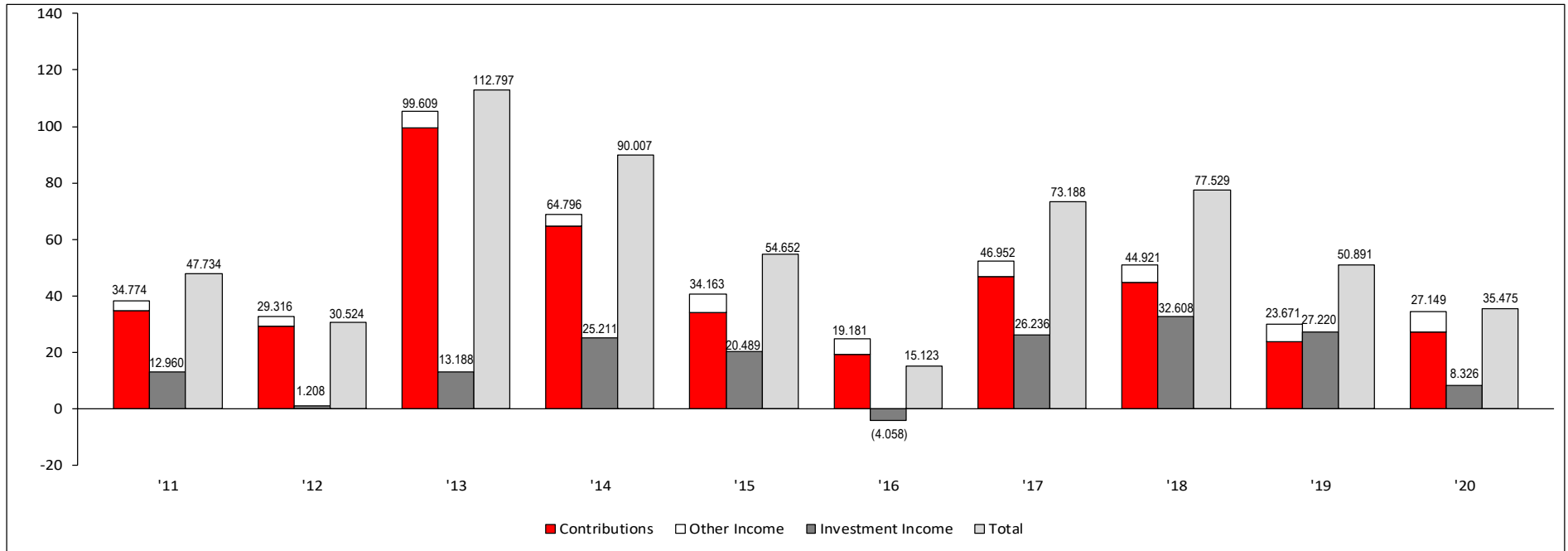


North Carolina State University Foundation, Inc.

Ten Year Summary of Revenues and Support - Unaudited
Years Ended June 30

Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)

