

**NORTH CAROLINA STATE UNIVERSITY
ALUMNI ASSOCIATION, INC.**

FINANCIAL REPORT

JUNE 30, 2020 and 2019

North Carolina State University Alumni Association, Inc.

**Financial Report
For The Years Ended June 30, 2020 and 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Carolina State University Alumni Association, Inc.

We have audited the accompanying financial statements of North Carolina State University Alumni Association, Inc. (the "Association"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows 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 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 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 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 from 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 auditors' 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 financial position of North Carolina State University Alumni Association, 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 financial statements as a whole. The supplementary information on pages 20 through 22, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Overman Pierce, LLP

Greensboro, North Carolina
November 18, 2020

North Carolina State University Alumni Association, Inc.

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents (Note 1)	\$ 2,515,974	\$ 2,325,214
Intermediate investments (Note 1)	369,490	369,205
Long-term investments (Notes 1 and 3)	43,594,274	44,058,780
Pledges receivable, net (Notes 1 and 7)	258,816	190,079
Receivable - charitable lead trust (Note 1)	70,345	111,818
Other assets (Note 1)	235,017	243,283
Total Assets	\$ 47,043,916	\$ 47,298,379
Liabilities and Net Assets		
Liabilities		
Accounts payable (Note 1)	\$ 26,611	\$ 19,842
Deferred revenue (Note 12)	2,191,211	2,085,174
Life income funds payable (Note 6)	66,739	160,257
Total Liabilities	2,284,561	2,265,273
Net Assets		
Without donor restrictions	9,812,801	10,215,625
With donor restrictions:		
Perpetual in nature (Note 9)	21,808,626	21,081,931
Purpose restricted (Note 9)	13,137,928	13,735,550
Total Net Assets	44,759,355	45,033,106
Total Liabilities and Net Assets	\$ 47,043,916	\$ 47,298,379

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 59,867	\$ 615,798	\$ 675,665
Change in pledges receivable, net (Note 7)	-	68,737	68,737
University Advancement support (Note 8)	1,828,000	-	1,828,000
Donated services and facilities (Note 8)	162,000	-	162,000
Net investment income (Note 1)	266,418	616,892	883,310
Change in value of split interest agreements	-	110,147	110,147
Change in value of charitable lead trust	-	(41,473)	(41,473)
Membership dues (Note 12)	614,202	-	614,202
Advertising and alumni magazine	73,249	-	73,249
Event revenue	110,192	-	110,192
Affinity program royalties	288,359	-	288,359
The State Club rent	106,734	-	106,734
Other program income	127,824	81,602	209,426
Net assets released from restrictions (Note 10)	1,339,571	(1,339,571)	-
Total Revenues, Gains, and Other Income	4,976,416	112,132	5,088,548
Program Support			
Caldwell scholarships and stipends	374,750	-	374,750
Other scholarships	432,585	-	432,585
Program and event support	1,462,253	-	1,462,253
Administrative	298,034	-	298,034
Fundraising	2,802,877	-	2,802,877
Total Program Support (Note 13)	5,370,499	-	5,370,499
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(394,083)	112,132	(281,951)
Net Transfers			
From other University-associated entities	8,200	-	8,200
Among funds	(16,941)	16,941	-
Total Net Transfers	(8,741)	16,941	8,200
Change in Net Assets	(402,824)	129,073	(273,751)
Net Assets			
Beginning of year	10,215,625	34,817,481	45,033,106
End of year	\$ 9,812,801	\$ 34,946,554	\$ 44,759,355

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 51,408	\$ 1,068,741	\$ 1,120,149
Change in pledges receivable, net (Note 7)	-	5,034	5,034
University Advancement support (Note 8)	1,864,914	-	1,864,914
Donated services and facilities (Note 8)	164,000	-	164,000
Net investment income (Note 1)	869,357	2,154,514	3,023,871
Change in value of split interest agreements	-	(18,299)	(18,299)
Change in value of charitable lead trust	-	(39,711)	(39,711)
Membership dues (Note 12)	693,454	-	693,454
Advertising and alumni magazine	112,465	-	112,465
Event revenue	181,625	-	181,625
Affinity program royalties	325,865	-	325,865
The State Club rent	106,734	-	106,734
Other program income	337,407	98,915	436,322
Net assets released from restrictions (Note 10)	1,252,319	(1,252,319)	-
Total Revenues, Gains, and Other Income	5,959,548	2,016,875	7,976,423
Program Support			
Caldwell scholarships and stipends	334,065	-	334,065
Other scholarships	428,822	-	428,822
Program and event support	1,665,599	-	1,665,599
Administrative	298,614	-	298,614
Fundraising	2,826,116	-	2,826,116
Total Program Support (Note 13)	5,553,216	-	5,553,216
Excess of Revenues, Gains, and Other Income Over Total Support	406,332	2,016,875	2,423,207
Net Transfers			
To other University-associated entities	29,851	53	29,904
Among funds	(21,601)	21,601	-
Total Net Transfers	8,250	21,654	29,904
Change in Net Assets	414,582	2,038,529	2,453,111
Net Assets			
Beginning of year	9,801,043	32,778,952	42,579,995
End of year	\$ 10,215,625	\$ 34,817,481	\$ 45,033,106

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

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

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ (273,751)	\$ 2,453,111
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	1,052
Net investment income	(883,310)	(3,023,871)
Investment income restricted for split interest agreements	(21,011)	(26,814)
Change in value of split interest agreements	(110,147)	18,299
Contributions restricted for permanent endowment	(593,140)	(913,396)
Decrease (increase) in:		
Pledges receivable, net	(68,737)	(5,034)
Receivable - charitable lead trust	41,473	39,711
Other assets	8,266	16,296
(Decrease) increase in:		
Accounts payable	6,769	(1,611)
Deferred revenue	106,037	196,750
Net Cash Used in Operating Activities	(1,787,551)	(1,245,507)
Cash Flows From Investing Activities		
Proceeds from sales of investments	2,691,704	2,079,579
Purchases of investments	(1,344,173)	(1,377,541)
Net Cash Provided by Investing Activities	1,347,531	702,038
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	593,140	913,396
Investment income restricted for split interest agreements	21,011	26,814
Payments on life income fund obligations	(740)	(23,837)
Proceeds from life income funds	17,369	15,884
Net Cash Provided by Financing Activities	630,780	932,257
Net Increase in Cash and Cash Equivalents	190,760	388,788
Cash and Cash Equivalents		
Beginning of year	2,325,214	1,936,426
End of year	\$ 2,515,974	\$ 2,325,214
Supplemental Disclosures of Noncash Activities		
University Advancement salary support	\$ 1,653,000	\$ 1,760,000
Donated services and facilities	\$ 162,000	\$ 164,000

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

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

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina State University Alumni Association, Inc., (the "Association") is a non-profit organization whose primary objectives are to promote alumni affairs and promote awareness of North Carolina State University (the "University"). The Association acts as an organizer for alumni functions, publishes an alumni magazine, and manages various endowments.

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

Basis of accounting and presentation: The financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In preparing its 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 Association 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 Association or will be released either by actions of the Association and/or by the passage of time. Generally, the donors of these assets permit the Association to use all or part of the earnings on related investments for the donor-restricted purpose.

Cash and cash equivalents: For purposes of reporting cash flows, the Association considers all highly liquid instruments with an original maturity date 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 Association 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 the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF") 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 \$369,490 and \$369,205 at June 30, 2020 and 2019, respectively. The cost of these investments was \$372,825 and \$372,930 at June 30, 2020 and 2019, respectively.

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 Association, in accordance with investment policies promulgated by its Board of Directors ("Board"), invests with the NC State Investment Fund, Inc. Long-Term Investment Pool (the "LTIP"). In addition, the Association has planned giving instruments invested with TIAA Kaspick.

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

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2020 and 2019**

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

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

Other assets: Other assets includes beneficiary interests in life insurance policies contributed to the Association and the Association is the owner of these policies. These gifts are recorded at current cash surrender value, less any loans outstanding on the policies. Cash surrender values of these policies were \$233,198 and \$242,214 at June 30, 2020 and 2019, respectively. Other assets also includes sales tax receivable and amounts due to the Association from the University and other University-associated entities.

Accounts payable: Accounts payable include trade payables due to vendors, amounts disbursed by the University on behalf of the Association for payment of various normal operating expenses and amounts due to other associated entities.

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 statement of activities.

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

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 \$229,000 and \$191,000 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 the years ended June 30, 2020 and 2019, the annual fee was 1.25%, designated for University Advancement.

Estimates: The preparation of 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 financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

North Carolina State University Alumni Association, Inc.

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

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

Income taxes and uncertain tax positions: The Association 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 Association had no significant unrelated trade or business income for 2020 and 2019. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

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 Association, 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 financial statements. The Association 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 Association's endowment consists of approximately 170 individual funds established for Caldwell scholarships and a variety of other purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Association 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 Association'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 Association 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 Association 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 Association'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 with the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Association has 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 \$11,732 and \$0 as of June 30, 2020 and 2019, respectively.

Investment return objectives and risk parameters: The Association 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 organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP in a manner that is intended to produce results that exceed a 70% MSCI 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 Alumni Association, Inc.

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

Note 2. Endowment (continued)

Spending policy: The Association 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 preceding the fiscal year in which the spending is planned. This is consistent with the Association'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 Association'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 Association 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 Association considered the long-term expected return on its endowment. Spending budgets were calculated at \$1,082,615 and \$1,168,665 for fiscal years 2020 and 2021, respectively.

Strategies employed for achieving investment objectives: For the long term, the primary investment objective for the LTIP 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 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	\$ 12,046,379	\$ 32,103,480	\$ 44,149,859
Total investment return	227,698	616,817	844,515
Contributions including change in accrued pledges and other	198,497	680,330	878,827
Appropriations of endowment assets for expenditure	(691,130)	(1,396,555)	(2,087,685)
Change in value of split interest agreements	-	110,147	110,147
Change in value of charitable lead trust	-	(41,473)	(41,473)
Other changes:			
Transfers	-	(37,982)	(37,982)
Endowment net assets, end of year	\$ 11,781,444	\$ 32,034,764	\$ 43,816,208

North Carolina State University Alumni Association, Inc.

Notes to 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	\$ 11,766,660	\$ -	\$ 11,766,660
Donor-designated endowment funds:			
Corpus	-	21,808,626	21,808,626
Appreciation	14,784	10,237,870	10,252,654
Underwater endowments	-	(11,732)	(11,732)
Total funds	<u>\$ 11,781,444</u>	<u>\$ 32,034,764</u>	<u>\$ 43,816,208</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	\$ 11,531,034	\$ 30,385,560	\$ 41,916,594
Total investment return	825,116	2,154,239	2,979,355
Contributions including change in accrued pledges and other	266,719	895,792	1,162,511
Appropriations of endowment assets for expenditure	(576,490)	(1,303,600)	(1,880,090)
Change in value of split interest agreements	-	(18,299)	(18,299)
Change in value of charitable lead trust	-	(39,711)	(39,711)
Other changes:			
Transfers	-	29,499	29,499
Endowment net assets, end of year	<u>\$ 12,046,379</u>	<u>\$ 32,103,480</u>	<u>\$ 44,149,859</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	\$ 12,025,979	\$ -	\$ 12,025,979
Donor-designated endowment funds:			
Corpus	-	21,081,931	21,081,931
Appreciation	20,400	11,021,549	11,041,949
Total funds	<u>\$ 12,046,379</u>	<u>\$ 32,103,480</u>	<u>\$ 44,149,859</u>

North Carolina State University Alumni Association, Inc.

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

Note 3. Long-Term Investments

The Association 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 such changes could materially affect the amounts reported in the statements of financial position.

Investments consisted of the following at June 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 75,900	\$ 75,900	\$ 15,396	\$ 15,396
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	24,657,412	43,436,038	24,964,370	43,622,192
Life Income Funds	83,331	82,336	404,190	421,192
	<u>\$ 24,816,643</u>	<u>\$ 43,594,274</u>	<u>\$ 25,383,956</u>	<u>\$ 44,058,780</u>

The Association's investments held in Life Income Funds consist of a diversified portfolio of bond and equity mutual funds.

Note 4. Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board 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 Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2020 and 2019**

Note 4. Fair Value Measurement (continued)

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

	2020			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 75,900	\$ -	\$ -	\$ 75,900
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	369,490	-	369,490
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	43,436,038	43,436,038
Life Income Funds	-	82,336	-	82,336
Beneficial Interest in Life Insurance Policies	-	-	233,198	233,198
	\$ 75,900	\$ 451,826	\$ 43,669,236	\$ 44,196,962

	2019			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 15,396	\$ -	\$ -	\$ 15,396
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	369,205	-	369,205
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	43,622,192	43,622,192
Life Income Funds	-	421,192	-	421,192
Beneficial Interest in Life Insurance Policies	-	-	242,214	242,214
	\$ 15,396	\$ 790,397	\$ 43,864,406	\$ 44,670,199

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.

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 (the "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.

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

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.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2020 and 2019**

Note 4. Fair Value Measurement (continued)

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

	2020		2019	
	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 43,622,192	\$ 242,214	\$ 41,337,200	\$ 254,724
Participant additions	1,060,000	-	1,205,000	-
Investment income	38,252	-	18,702	-
Realized gain	911,556	-	710,668	-
Unrealized appreciation (depreciation)	120,806	(9,016)	2,421,509	(4,725)
Participant withdrawals	(2,087,730)	-	(1,880,135)	(7,785)
Expenses	(229,038)	-	(190,752)	-
Ending balance	<u>\$ 43,436,038</u>	<u>\$ 233,198</u>	<u>\$ 43,622,192</u>	<u>\$ 242,214</u>

You can find additional information regarding the LTIP and the ITF on the Foundations Accounting and Investments home page at <https://foundationsaccounting.ofa.ncsu.edu/>.

Note 5. Financial Assets and Liquidity Resources

The Association's 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 Association'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 availability of funds. In addition, the Association invests cash in excess of daily requirements in short-term investments and money market funds.

The Association has board-designated endowments of approximately \$11.8 million. Although the Association does not intend to spend from its board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation, amounts could be made available if necessary. As described in Note 2, endowments have a spending rate of 4%. Approximately \$311,000 of appropriations from the board-designated endowments and \$7,000 of appropriations from the unrestricted donor-designated endowments will be available within the next 12 months.

North Carolina State University Alumni Association, Inc.

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

Note 5. Financial Assets and Liquidity Resources (continued)

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

Total financial assets	\$	47,043,916
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions:		
Restricted by donor in perpetuity		(21,808,626)
Subject to appropriation and satisfaction of donor restrictions		(13,145,317)
Board-designated endowments		(11,455,520)
Accrued liabilities		(93,350)
		<u> </u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>541,103</u>

Note 6. Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Association is 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 and marked to market thereafter. Life income funds at June 30, 2020 and 2019 have asset balances of \$82,336 and \$421,192, 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 \$66,739 and \$160,257 at June 30, 2020 and 2019, respectively. Payments from these funds were \$740 and \$23,837 during the years ended June 30, 2020 and 2019, respectively. An unrestricted reserve account has been established in the Association's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established 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 Association's CGA pool. As of June 30, 2020 and 2019, the CGA reserve balance was \$6,126 and \$3,566, respectively.

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 157,388	\$ 90,809
Receivable in one to five years	116,225	117,818
Total pledges receivable, gross	<u>273,613</u>	<u>208,627</u>
Less allowance for uncollectible pledges	(14,000)	(11,000)
Less unamortized discount (discount rate of .18% to 2.00%)	(797)	(7,548)
Pledges receivable, net	<u>\$ 258,816</u>	<u>\$ 190,079</u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Association's outstanding pledge balance. 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.

North Carolina State University Alumni Association, Inc.

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

Note 7. Pledges Receivable (continued)

One donor represents approximately \$133,000 of the total undiscounted pledges receivable at June 30, 2020. Three donors represented approximately \$88,000 of total undiscounted pledges receivable at June 30, 2019.

Note 8. Donated Salaries, Services and Facilities

Donated salaries and benefits paid by the University for Alumni Association and Caldwell personnel in the amount of \$1,653,000 and \$1,760,000 for the years ended June 30, 2020 and 2019, respectively, have been reflected in the financial statements as part of University Advancement support. Donated services in the amount of \$26,000 and \$28,000 for the years ended June 30, 2020 and 2019, respectively, have been reflected in the accompanying financial statements for services provided by the University Treasurer's Division. Donated facility support in the amount of approximately \$136,000 for the years ended June 30, 2020 and 2019 has been reflected in the accompanying financial statements for the use of the Dorothy and Roy Park Alumni Center.

Note 9. Net Assets with Donor Restrictions

Donor restricted net assets were available for the following purposes at June 30:

	2020	2019
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 1,706,379	\$ 1,551,429
Pledges receivable	35,918	46,032
Other	936,295	874,326
	<u>2,678,592</u>	<u>2,471,787</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	233,198	242,214
Assets held under split-interest agreements, net	15,597	260,935
	<u>248,795</u>	<u>503,149</u>
Endowments:		
Subject to Association endowment spending policy and appropriation:		
Scholarships and fellowships	30,328,794	30,163,093
Pledges receivable	222,898	144,047
Other	1,467,475	1,535,405
	<u>32,019,167</u>	<u>31,842,545</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 34,946,554</u></u>	<u><u>\$ 34,817,481</u></u>

Donor restricted net asset grouping "Other" includes amounts designated for general University support. Cumulative net endowment earnings are included in the total.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2020 and 2019**

Note 10. Net Assets Released From 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
Caldwell scholarships and stipends	\$ 374,750	\$ 334,065
Other scholarships	429,585	427,202
Program and event support	224,131	213,805
Administrative and fundraising	311,105	277,247
	\$ 1,339,571	\$ 1,252,319

Note 11. Description of Leasing Arrangements

The Association had operating leases with total payments of \$13,267 and \$13,341 for years ended June 30, 2020 and 2019, respectively. Future minimum rental payments under the operating leases are as follows:

Years ending June 30:	
2021	\$ 12,966
2022	12,966
2023	10,226
2024	5,614
Minimum lease payments	\$ 41,772

Note 12. Deferred Revenue

The Association recognizes deferred revenue related to purchases of lifetime memberships over thirty years and multi-year memberships over the life of the membership term. Deferred lifetime membership revenue was \$1,975,263 and \$1,862,976 at June 30, 2020 and 2019, respectively. Deferred multi-year membership revenue was \$215,948 and \$222,198 at June 30, 2020 and 2019, respectively.

North Carolina State University Alumni Association, Inc.

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

Note 13. Functional Expense

The Association's primary objectives are to promote alumni affairs and promote awareness of NC State University. Expenses by functional classification for the year ended June, 30, 2020 were as follows:

	<u>Supporting Activities</u>			Total Program Support
	University Program Support	Administrative	Fundraising	
Grants	\$ 830,410	\$ 3,740	\$ 608,697	\$ 1,442,847
Accounting	-	51,500	-	51,500
Advertising	48,158	1,000	-	49,158
Office Expenses	81,893	720	31,159	113,772
Travel	118,798	465	3,825	123,088
Conferences and Meetings	44,177	1,849	6,579	52,605
Insurance	2,229	-	27,988	30,217
Departmental Equipment	60,447	19,091	2,051	81,589
Equip Rental and Maintenance	49,846	4,346	15,701	69,893
Contracted Services	82,664	-	-	82,664
Miscellaneous Services and Fees	468,922	202,824	2,103,205	2,774,951
Printing and Binding	364,938	395	564	365,897
Dues and Subscriptions	12,595	2,500	-	15,095
Supplies	104,511	9,604	3,108	117,223
Total	\$ 2,269,588	\$ 298,034	\$ 2,802,877	\$ 5,370,499

Grants include scholarships, fellowships and salary support. Miscellaneous Services and Fees include donated salaries, services and facilities as well as gift assessment fees.

North Carolina State University Alumni Association, Inc.

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

Note 13. Functional Expense (continued)

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

	University Program Support	Supporting Activities		Total Program Support
		Administrative	Fundraising	
Grants	\$ 796,327	\$ 1,250	\$ 557,953	\$ 1,355,530
Legal	535	695	-	1,230
Accounting	-	50,800	-	50,800
Advertising	71,907	-	-	71,907
Office Expenses	130,057	720	31,445	162,222
Occupancy	2,704	-	100	2,804
Travel	143,807	3,388	7,203	154,398
Conferences and Meetings	59,088	6,070	10,462	75,620
Depreciation	1,052	-	-	1,052
Insurance	4,940	-	28,960	33,900
Departmental Equipment	49,814	8,581	149	58,544
Equip Rental and Maintenance	52,975	3,362	15,249	71,586
Contracted Services	116,532	-	-	116,532
Miscellaneous Services and Fees	469,057	209,232	2,168,986	2,847,275
Printing and Binding	369,025	820	1,315	371,160
Dues and Subscriptions	20,056	2,500	630	23,186
Supplies	140,610	11,196	3,664	155,470
Total	\$ 2,428,486	\$ 298,614	\$ 2,826,116	\$ 5,553,216

Grants include scholarships, fellowships and salary support. Miscellaneous Services and Fees include donated salaries, services and facilities as well as gift assessment fees.

Note 14. 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 Association'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 Association's operations. However, the pandemic could have a material adverse effect on the Association's results of operations, financial condition and cash flows.

Note 15. Subsequent Events

The Association has evaluated subsequent events through November 18, 2020, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University Alumni Association, Inc.

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

	Budget	Actual	(Under) Over Variance
Income			
Affinity marketing	\$ 325,000	\$ 288,359	\$ (36,641)
Alumni unrestricted gifts	18,500	22,199	3,699
Bricks and pavers	10,000	9,579	(421)
Signature event revenue	35,000	38,961	3,961
Outreach event revenue	32,000	53,953	21,953
Career fair	18,000	1,414	(16,586)
Homecoming sponsorship	5,000	5,000	-
Interest and dividends	25,000	25,430	430
Magazine advertising	95,000	65,049	(29,951)
Membership (annual)	620,000	522,511	(97,489)
Membership (lifetime)	85,735	85,735	-
Merchandise sales	72,500	38,392	(34,108)
Travel program revenue	75,000	62,947	(12,053)
Sponsorships	155,500	61,648	(93,852)
License plate revenue	4,500	7,091	2,591
The State Club	106,000	106,734	734
Alumni quasi endowment - spending budget	302,480	302,480	-
Alumni quasi endowment - additional withdrawal	152,520	152,520	-
Alumni magazine quasi endowment	8,200	8,200	-
Magazine support (University Advancement) *	175,000	175,000	-
Salary support (University Advancement) *	1,655,000	1,653,000	(2,000)
Total Income	3,975,935	3,686,202	(289,733)
Support			
Administrative & fundraising	207,650	162,043	(45,607)
Operations	1,585,745	1,241,121	(344,624)
Professional services	75,500	75,357	(143)
Salaries	2,275,000	2,259,958	(15,042)
Total Support	4,143,895	3,738,479	(405,416)
Income Less Support	(167,960)	(52,277)	115,683
General Fund Balance			
Beginning of year	224,103	224,103	-
End of year	\$ 56,143	\$ 171,826	\$ 115,683

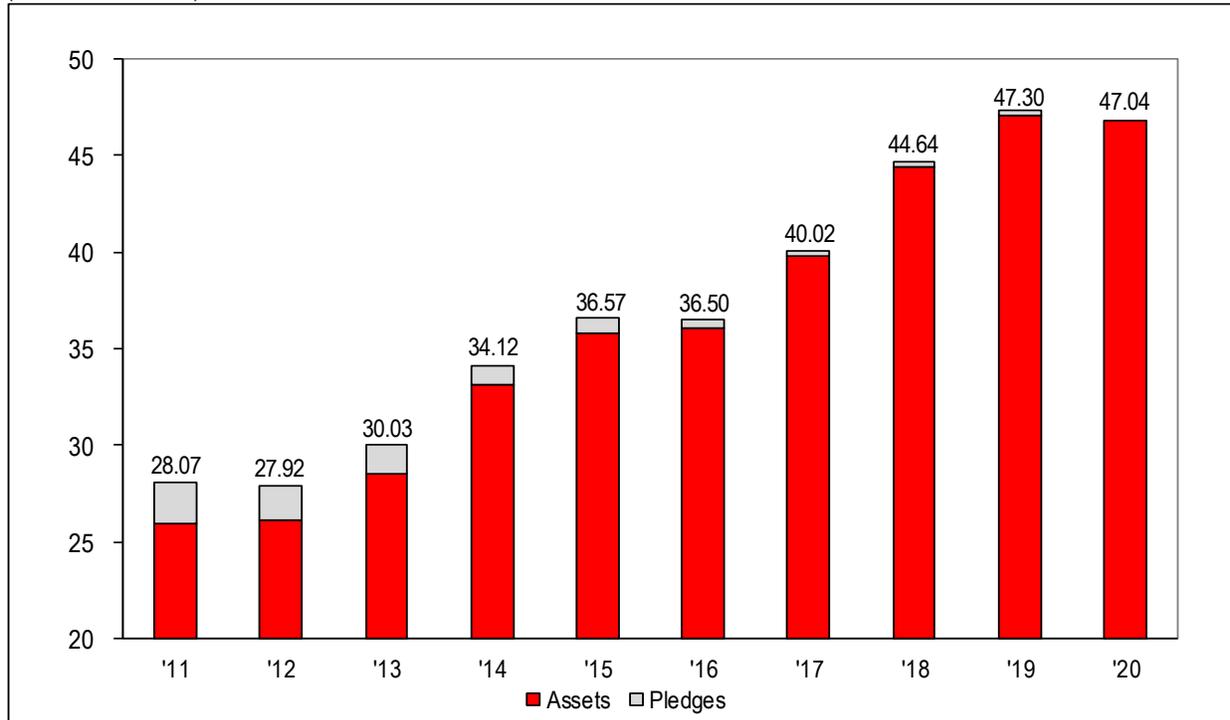
* These items represent support from the University.

North Carolina State University Alumni Association, Inc.

Ten Year Summary of Asset Growth - Unaudited As of June 30

Total Assets

(Dollars in Millions)

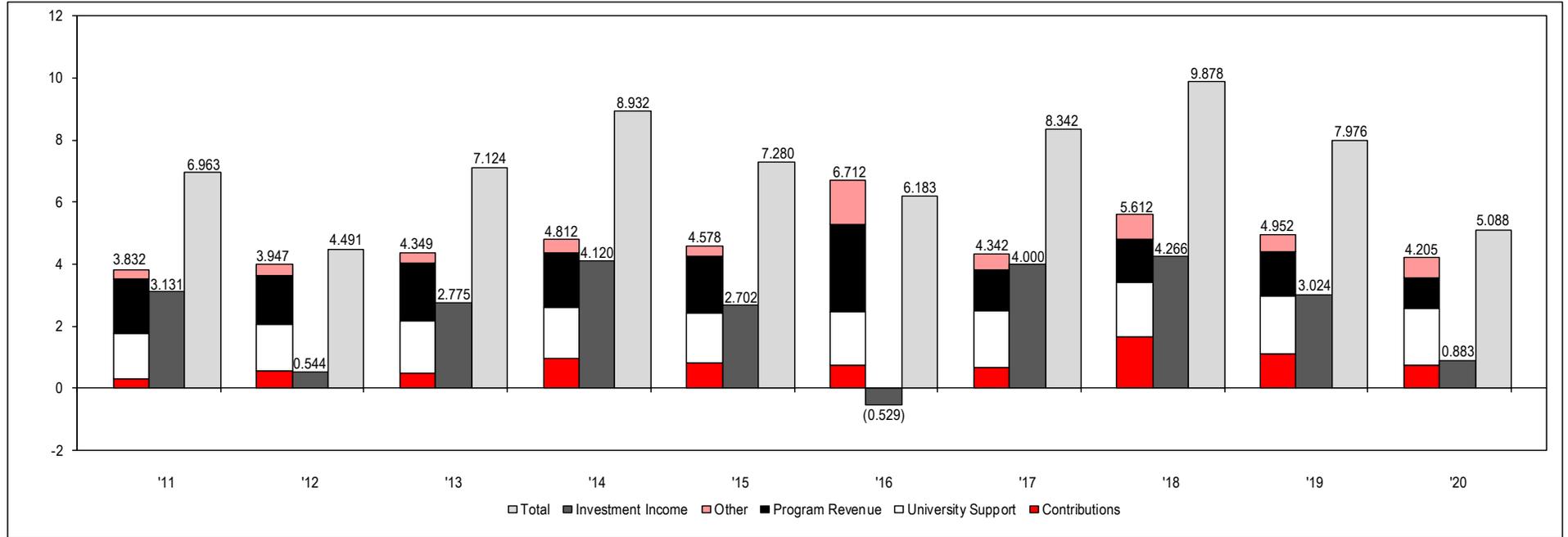


North Carolina State University Alumni Association, Inc.

**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)

