

**THE NORTH CAROLINA  
AGRICULTURAL FOUNDATION, INC.  
FINANCIAL REPORT  
JUNE 30, 2021 and 2020**

**The North Carolina Agricultural Foundation, Inc.  
Financial Report  
For the Years Ended June 30, 2021 and 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The North Carolina Agricultural Foundation, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The North Carolina Agricultural Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The North Carolina Agricultural Foundation, Inc., as of June 30, 2021 and 2020, 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.

### ***Other Matters***

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of state awards, as required by the State Single Audit Implementation Act and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Disclaimer of Opinion on Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information on pages 31 through 33, 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 audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
September 30, 2021

**The North Carolina Agricultural Foundation, Inc.**

**Statements of Financial Position  
June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 28,718,844	\$ 22,780,653
Intermediate investments (Note 1)	21,724,314	19,222,670
Long-term investments (Notes 1 and 3)	142,540,682	102,407,518
Accounts receivable (Note 1)	3,892,055	3,678,084
Pledges receivable, net (Notes 1 and 7)	4,769,460	5,579,389
Externally managed irrevocable trust (Note 6)	-	686,684
Donated property and land (Note 1)	32,007,495	32,068,277
Vehicles, net of accumulated depreciation of \$172,560 and \$157,978 at June 30, 2021 and 2020, respectively (Note 1)	40,870	55,452
Other assets (Note 1)	33,044	18,243
<b>Total Assets</b>	<b>\$ 233,726,764</b>	<b>\$ 186,496,970</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - North Carolina State University (Note 1)	\$ 3,802,750	\$ 3,673,931
Accounts payable (Note 1)	3,250	1,025
Due to others (Note 1)	68,534	51,048
Deferred revenue (Note 1)	183,524	10,254
Life income funds payable (Note 6)	5,678,005	3,790,509
Life income funds payable - externally managed irrevocable trust (Note 6)	-	419,525
<b>Total Liabilities</b>	<b>9,736,063</b>	<b>7,946,292</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	2,907,697	2,612,853
Board-designated (Note 2)	3,105,098	1,421,832
With donor restrictions:		
Perpetual in Nature	92,832,722	90,886,386
Purpose Restricted	125,145,184	83,629,607
<b>Total Net Assets</b>	<b>223,990,701</b>	<b>178,550,678</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 233,726,764</b>	<b>\$ 186,496,970</b>

See notes to financial statements.

The North Carolina Agricultural Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 144,875	\$ 15,795,448	\$ 15,940,323
Change in pledges receivable (Note 7)	-	(809,929)	(809,929)
Grant revenue (Note 1)	-	690,958	690,958
Donated services, salaries, and facilities (Note 8)	1,495,000	-	1,495,000
Donated property and land (Note 1)	-	125,478	125,478
Donated other assets (Note 1)	-	780,711	780,711
Net investment income	2,447,833	37,611,351	40,059,184
Interest and dividends	58,868	676,764	735,632
Change in value of split interest agreements	-	(1,215,576)	(1,215,576)
Gain on disposal of donated property and land	-	88,592	88,592
Royalties	-	447,227	447,227
Other income	-	23,625,339	23,625,339
Net assets released from restrictions (Note 10)	34,408,583	(34,408,583)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>38,555,159</b>	<b>43,407,780</b>	<b>81,962,939</b>
<b>Grants to Support the University Program:</b>			
Scholarships and fellowships	2,197,679	-	2,197,679
Faculty support and professorships	1,944,172	-	1,944,172
Nickels for Know How	1,145,458	-	1,145,458
Departmental support	4,598,041	-	4,598,041
Capital support	24,418,312	-	24,418,312
<b>Total Program Support</b>	<b>34,303,662</b>	<b>-</b>	<b>34,303,662</b>
Administrative	319,600	-	319,600
Fundraising	1,901,022	-	1,901,022
<b>Total Other Support</b>	<b>2,220,622</b>	<b>-</b>	<b>2,220,622</b>
<b>Total Support (Note 11)</b>	<b>36,524,284</b>	<b>-</b>	<b>36,524,284</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>2,030,875</b>	<b>43,407,780</b>	<b>45,438,655</b>
<b>Net Transfers</b>			
From other University-affiliated entities	-	1,368	1,368
Among funds	(52,765)	52,765	-
<b>Total Net Transfers</b>	<b>(52,765)</b>	<b>54,133</b>	<b>1,368</b>
<b>Change in Net Assets</b>	<b>1,978,110</b>	<b>43,461,913</b>	<b>45,440,023</b>
<b>Net Assets</b>			
Beginning of year	4,034,685	174,515,993	178,550,678
End of year	\$ 6,012,795	\$ 217,977,906	\$ 223,990,701

See notes to financial statements.

**The North Carolina Agricultural Foundation, Inc.**

**Statement of Activities  
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 121,053	\$ 13,861,897	\$ 13,982,950
Change in pledges receivable (Note 7)	-	(423,002)	(423,002)
Grant revenue (Note 1)	-	745,680	745,680
Donated services, salaries, and facilities (Note 8)	1,374,000	-	1,374,000
Donated property and land (Note 1)	-	9,296	9,296
Net investment income	143,779	1,750,278	1,894,057
Interest and dividends	708,942	400,558	1,109,500
Change in value of split interest agreements	-	1,505,444	1,505,444
Loss on disposal of donated property and land	-	(1,785,244)	(1,785,244)
Loss on disposal of donated other asset	-	(49,960)	(49,960)
Gain on disposal of vehicle	-	6,563	6,563
Royalties	-	441,007	441,007
Other income	-	10,820,400	10,820,400
Net assets released from restrictions (Note 10)	24,212,631	(24,212,631)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>26,560,405</b>	<b>3,070,286</b>	<b>29,630,691</b>
<b>Grants to Support the University</b>			
Program:			
Scholarships and fellowships	2,466,889	-	2,466,889
Faculty support and professorships	2,314,672	-	2,314,672
Nickels for Know How	1,061,735	-	1,061,735
Departmental support	6,107,080	-	6,107,080
Capital support	11,977,366	-	11,977,366
<b>Total Program Support</b>	<b>23,927,742</b>	<b>-</b>	<b>23,927,742</b>
Administrative	317,000	-	317,000
Fundraising	2,087,895	-	2,087,895
<b>Total Other Support</b>	<b>2,404,895</b>	<b>-</b>	<b>2,404,895</b>
<b>Total Support (Note 11)</b>	<b>26,332,637</b>	<b>-</b>	<b>26,332,637</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>227,768</b>	<b>3,070,286</b>	<b>3,298,054</b>
<b>Net Transfers</b>			
From other University-affiliated entities	-	1,319	1,319
Among funds	47,001	(47,001)	-
<b>Total Net Transfers</b>	<b>47,001</b>	<b>(45,682)</b>	<b>1,319</b>
<b>Change in Net Assets</b>	<b>274,769</b>	<b>3,024,604</b>	<b>3,299,373</b>
<b>Net Assets</b>			
Beginning of year	3,759,916	171,491,389	175,251,305
End of year	\$ 4,034,685	\$ 174,515,993	\$ 178,550,678

See notes to financial statements.

The North Carolina Agricultural Foundation, Inc.

Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets:	\$ 45,440,023	\$ 3,299,373
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,582	18,293
Contributions and grants restricted for permanent endowment	(2,498,611)	(2,299,578)
Donated property and land	-	(9,296)
Net investment income	(40,059,184)	(1,894,057)
Investment income restricted for split interest agreements	(119,823)	(148,106)
Change in value of split interest agreements	1,617,615	(1,456,379)
Change in value of split interest agreements due to others	17,486	(59,595)
Change in value of externally managed irrevocable trust	(419,525)	10,530
Loss on disposal of land held by split interest agreement	-	1,785,244
(Gain) loss on disposal of donated property and land	(88,592)	49,960
Gain on disposal of vehicle	-	(6,563)
(Increase) decrease in:		
Accounts receivable - North Carolina State University	-	25,000
Accounts receivable	(213,971)	(2,909,793)
Pledges receivable	809,929	423,002
Other assets	(14,801)	(1,132)
Increase (decrease) in:		
Accounts payable - North Carolina State University	128,819	2,684,138
Accounts payable	2,225	(170,458)
Deferred revenue	173,270	(45,829)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>4,789,442</b>	<b>(705,246)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of donated property	149,374	26,539
Proceeds from sales of investments	4,850,125	4,624,012
Purchases of vehicles	-	(32,991)
Purchases of investments	(6,739,065)	(3,620,169)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(1,739,566)</b>	<b>997,391</b>
<b>Cash Flows From Financing Activities</b>		
Contributions and grants restricted for permanent endowment	2,498,611	2,299,578
Investment income restricted for split interest agreements	119,823	148,106
Payments on life income fund obligations	(588,739)	(516,373)
Proceeds from life income fund obligations	858,620	128,793
<b>Net Cash Provided by Financing Activities</b>	<b>2,888,315</b>	<b>2,060,104</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>5,938,191</b>	<b>2,352,249</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	22,780,653	20,428,404
End of year	<b>\$ 28,718,844</b>	<b>\$ 22,780,653</b>
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated services, salaries, and facilities	\$ 1,495,000	\$ 1,374,000
Donated property and land	<b>\$ 125,478</b>	<b>\$ 9,296</b>

See notes to financial statements.

## The North Carolina Agricultural Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The North Carolina Agricultural Foundation, Inc., (the "Foundation") is one of a group of foundations which provide financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, founded in 1944, aids and promotes, by financial assistance and otherwise, all types of education, research and extension in the College of Agriculture and Life Sciences.

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

Basis of accounting and presentation: The 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 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.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation 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 Foundation places deposits with a high quality financial institution that may be in excess of federal insurance limits.

Cash and cash equivalents consisted of accounts with the State Treasurer's Short-Term Investment Fund (the "STIF") and TowneBank. The STIF 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"), taxable municipal bonds, and an account with the commonfund Intermediate Term Fund for funds that can be invested for longer periods, but which are available in the event of short-term cash needs. These investments are reported at readily determinable fair values of \$21,724,314 and \$19,222,670 at June 30, 2021 and 2020, respectively. The cost of these investments was \$21,269,780 and \$19,637,170 as of June 30, 2021 and 2020, 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 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.

Accounts receivable: Accounts receivable consists of sales tax receivable, accrued interest on municipal bonds, rent receivable, a note receivable, and grant expenditures not yet reimbursed.

Pledges receivable: 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.

## The North Carolina Agricultural Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

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

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

Vehicles: It is the Foundation's policy to capitalize vehicles costing greater than \$5,000. Vehicles are stated at depreciated value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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 values less any loans outstanding on the policies. Cash surrender values of these policies were \$15,196 and \$14,852 at June 30, 2021 and 2020, respectively. Other assets also includes closely held stock and donated equipment.

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.

Due to others: Due to others includes amounts due to remainder beneficiaries of life income funds.

Deferred revenue: Deferred revenue consists of the unspent balance of grants whose obligations have not yet been met.

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, 2021 and 2020, 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.

Grant revenue: Grant revenue consists of amounts awarded to the Foundation by various state agencies.

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 \$522,000 and \$517,000 for the years ended June 30, 2021 and 2020, 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 the assets held in the endowment investment portfolio. For the years ended June 30, 2021 and 2020, the annual fee was 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts.

## The North Carolina Agricultural Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

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

Other income: Other income consists of income earned from a variety of sources, including from private organizations as well as state agencies.

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 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.

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 2021 and 2020. 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 Foundation, and has concluded that as of June 30, 2021, 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 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 2017.

Change in accounting principles: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("Topic 606"), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date of ASU 2014-09 was amended by ASUs 2015-14 and 2020-05. Further ASUs (ASUs 2016-08, 2016-10) have been issued to clarify ASC Topic 606 for principal and agent considerations and performance obligations and licensing implementation guidance. The Foundation adopted ASU 2014-09 on July 1, 2020. The ASU has been applied retrospectively with no change in previously reported net assets. As part of such adoption, the new standard was applied only to those contracts which were not completed as of the date of adoption.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement ("Topic 820"). The amendments in this ASU modify the disclosure requirements for fair value measurements. Selective disclosure requirements were removed from Topic 820 while other disclosure requirements were modified, and some disclosure requirements were added. Certain disclosures that are required by the amendments in this ASU are not required for nonpublic entities. The provisions of ASU No. 2018-13 became effective for the Foundation on July 1, 2020. The adoption of this standard did not have a material impact on the accompanying financial statements of the Foundation for the year ended June 30, 2021.

Reclassification: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported change in net assets.

## The North Carolina Agricultural Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 2. Endowment

The Foundation's endowment consists of approximately 750 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 with the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation 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 \$0 and (\$19,460) as of June 30, 2021 and 2020, 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 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.

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 preceding 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 \$3,185,440 and \$3,362,060 for fiscal years 2021 and 2022, respectively.

**The North Carolina Agricultural Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 2. Endowment (continued)**

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, 2021:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,421,832	\$ 124,324,505	\$125,746,337
Total investment return	1,741,846	38,100,785	39,842,631
Contributions, including change in accrued pledges and other income	-	2,546,598	2,546,598
Appropriations of endowment assets for expenditure	(158,580)	(4,191,130)	(4,349,710)
Change in value of split interest agreements	-	(1,215,576)	(1,215,576)
Other changes:			
Transfers	100,000	675,251	775,251
Endowment net assets, end of year	<u>\$ 3,105,098</u>	<u>\$ 160,240,433</u>	<u>\$163,345,531</u>

The following represents endowment net asset composition by type of fund, as of June 30, 2021:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 3,105,098	\$ -	\$ 3,105,098
Donor-designated endowment funds:			
Corpus	-	92,832,722	92,832,722
Appreciation	-	67,407,711	67,407,711
Total funds	<u>\$ 3,105,098</u>	<u>\$ 160,240,433</u>	<u>\$163,345,531</u>

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020

**Note 2. Endowment (continued)**

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	\$ 1,487,204	\$ 123,483,803	\$124,971,007
Total investment return	87,333	1,766,194	1,853,527
Contributions, including change in accrued pledges and other income	-	2,315,894	2,315,894
Appropriations of endowment assets for expenditure	(152,705)	(3,974,510)	(4,127,215)
Change in value of split interest agreements	-	1,505,444	1,505,444
Loss on land held by split interest agreement	-	(1,785,244)	(1,785,244)
Other changes:			
Transfers	-	1,012,924	1,012,924
Endowment net assets, end of year	<u>\$ 1,421,832</u>	<u>\$ 124,324,505</u>	<u>\$125,746,337</u>

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	\$ 1,421,832	\$ -	\$ 1,421,832
Donor-designated endowment funds:			
Corpus	-	90,886,386	90,886,386
Appreciation	-	33,457,579	33,457,579
Underwater endowments	-	(19,460)	(19,460)
Total funds	<u>\$ 1,421,832</u>	<u>\$ 124,324,505</u>	<u>\$125,746,337</u>

**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 statements of financial position.

Investments consisted of the following at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 121,725	\$ 121,725	\$ 57,820	\$ 57,820
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	57,025,903	131,854,696	55,960,500	95,118,900
Life Income Funds	8,856,972	10,564,261	7,351,145	7,230,798
	<u>\$ 66,004,600</u>	<u>\$ 142,540,682</u>	<u>\$ 63,369,465</u>	<u>\$ 102,407,518</u>

**The North Carolina Agricultural Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 4. Fair Value Measurement**

The Fair Value Measurements and Disclosures Topic of the FASB 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)

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

	2021			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 121,725	\$ -	\$ -	\$ 121,725
Municipal Bonds	-	1,780,646	-	1,780,646
commonfund Intermediate Term Fund	-	-	-	-
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	19,943,668	19,943,668
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	131,854,696	131,854,696
Life Income Funds	-	10,564,261	-	10,564,261
Beneficial Interest in Life Insurance Policies	-	-	15,196	15,196
	<b>\$ 121,725</b>	<b>\$ 12,344,907</b>	<b>\$ 151,813,560</b>	<b>\$ 164,280,192</b>

	2020			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 57,820	\$ -	\$ -	\$ 57,820
Municipal Bonds	-	2,148,459	-	2,148,459
commonfund Intermediate Term Fund	-	4,294,696	-	4,294,696
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	12,779,515	-	12,779,515
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	95,118,900	95,118,900
Life Income Funds	-	7,230,798	-	7,230,798
Externally Managed Irrevocable Trust	-	686,684	-	686,684
Beneficial Interest in Life Insurance Policies	-	-	14,852	14,852
	<b>\$ 57,820</b>	<b>\$ 27,140,152</b>	<b>\$ 95,133,752</b>	<b>\$ 122,331,724</b>

**The North Carolina Agricultural Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020**

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**Note 4. Fair Value Measurement (continued)**

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.

commonfund 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.

NC State Investment Fund, Inc. Intermediate Term Fund (the “ITF”) – This investment is a combination of publicly traded mutual funds valued at quoted market price and an investment in LTIP, valued as described below. The fair value classification of the ITF was transferred from Level 2 to Level 3 during the year ended June 30, 2021 due to an investment in the LTIP, which is valued using significant unobservable inputs.

The 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.

Externally Managed Irrevocable Trust – Determined by the custodian on a trade date basis and based on projected settled balances for cash, deposits, and money market funds.

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.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020

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:

	2021		
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ -	\$ 95,118,900	\$ 14,852
Transfer into Level 3	12,779,515	-	-
Participant additions	6,500,000	3,534,220	-
Investment income	407,470	61,443	-
Realized gains	38,061	2,319,865	-
Unrealized appreciation	446,651	35,670,393	344
Participant withdrawals	(209,465)	(4,349,710)	-
Expenses	(18,564)	(500,415)	-
Ending balance	\$ 19,943,668	\$ 131,854,696	\$ 15,196

	2020	
	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 93,445,092	\$ 13,720
Participant additions	3,995,000	-
Investment income	82,827	-
Realized gains	1,991,244	-
Unrealized appreciation	227,634	1,132
Participant withdrawals	(4,127,215)	-
Expenses	(495,682)	-
Ending balance	\$ 95,118,900	\$ 14,852

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/>.

## The North Carolina Agricultural Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

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#### 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 NC State Investment Fund, Inc. (the "Fund") is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the Fund's longer-term return objectives. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The Foundation has a board-designated endowment of approximately \$3.11 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. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. \$474,072 of endowment assessments will be available within the next 12 months. As described in Note 2, the board-designated endowment has a spending rate of 4%. \$158,580 of appropriations from the board-designated endowment will be available within the next 12 months.

As of June 30, 2021, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, are as follows:

Total assets, less nonfinancial assets	\$ 201,679,649
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(67,082,661)
Subject to appropriation and satisfaction of donor restrictions	(118,414,928)
Board-designated endowments	(2,946,518)
Total liabilities	<u>(9,736,063)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,499,479</u>

#### Note 6. Life Income Funds

The 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 and marked to market thereafter. Life income funds at June 30, 2021 and 2020 have asset balances of \$10,564,261 and \$7,230,798, respectively.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancies of the beneficiaries, and totaled \$5,678,005 and \$3,790,509 at June 30, 2021 and 2020, respectively. Payments from these funds were \$588,739 and \$516,373 during the years ended June 30, 2021 and 2020, 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 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, 2021 and 2020, the CGA reserve balance was \$93,543 and \$90,334, respectively.

## The North Carolina Agricultural Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 6. Life Income Funds (continued)

In addition to the above life income funds, the Foundation was named the recipient of an externally managed irrevocable trust in 2019 which represented an irrevocable life income fund with a market value of \$686,684 and life income funds payable of \$419,525 as of June 30, 2020. As of June 30, 2020, the Foundation was not serving as trustee for the fund. The life income fund has been reflected in the accompanying financial statements at fair value. During the fiscal year ended June 30, 2021, the Foundation became the trustee for the fund. Estimated future distributions to the beneficiaries have been reflected in the accompanying financial statements and were computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreement, and the life expectancy of the beneficiaries.

#### Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2021	2020
Receivable in less than one year	\$ 2,111,728	\$ 3,440,732
Receivable in one to five years	2,763,448	2,453,557
Receivable in greater than five years	200,000	-
Total gross pledges receivable	5,075,176	5,894,289
Less allowance for uncollectible pledges	(254,000)	(295,000)
Less unamortized discount (discount rate of 0.07% to 1.23%)	(51,716)	(19,900)
Pledges receivable, net	\$ 4,769,460	\$ 5,579,389

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation'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.

One donor represented approximately \$1.25 million of total undiscounted pledges receivable at June 30, 2021. There were no similar concentrations at June 30, 2020.

#### Note 8. Donated Services, Salaries, and Facilities

Donated services in the amount of approximately \$141,000 and \$142,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements for services provided by the University Finance Division. In addition, donated salaries and facilities provided by the University for college development in the amount of approximately \$1,354,000 and \$1,232,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020

**Note 9. Net Assets With Donor Restrictions**

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

	<b>2021</b>	2020
Subject to expenditure for specified purpose:		
Scholarships and fellowships	<b>\$ 3,636,109</b>	\$ 3,225,768
Faculty support and professorships	<b>184,405</b>	166,257
Nickels for Know How	<b>1,828,204</b>	1,463,513
Plant Sciences Building Development Fund	<b>5,230,587</b>	3,158,438
North Carolina aquaculture support	<b>3,389,197</b>	4,926,518
FFA support	<b>2,070,384</b>	1,913,300
4-H programs	<b>2,944,462</b>	2,575,570
Pledges receivable	<b>4,049,620</b>	4,573,790
Other	<b>34,389,309</b>	28,173,482
	<b>57,722,277</b>	50,176,636
Subject to passage of time:		
Beneficial interest in life insurance policies	<b>15,196</b>	14,852
Assets held under split-interest agreements, net	<b>4,817,722</b>	3,656,400
	<b>4,832,918</b>	3,671,252
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	<b>50,532,867</b>	36,210,382
Faculty support and professorships	<b>3,509,764</b>	2,613,408
Prestage Poultry Science	<b>13,992,608</b>	10,422,616
NC Tobacco Trust Commission Agricultural Leadership Development Program	<b>8,944,295</b>	6,662,120
Directly held assets	<b>25,735,626</b>	25,907,618
Pledges receivable	<b>719,840</b>	1,005,599
Other	<b>51,987,711</b>	37,846,362
	<b>155,422,711</b>	120,668,105
Total Net Assets With Donor Restrictions	<b>\$ 217,977,906</b>	\$ 174,515,993

Donor restricted net asset grouping "Other" includes amounts designated for research and extension, facility support, general college support and general Dairy support.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020

**Note 10. 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 year ended June 30:

	2021	2020
Scholarships and fellowships	\$ 2,197,679	\$ 2,466,889
Faculty support and professorships	1,944,172	2,314,672
Nickels for Know How	1,145,458	1,061,735
Departmental support	4,370,034	5,787,007
Capital support	24,418,312	11,977,366
Administrative and fundraising	332,928	604,962
	<u>\$ 34,408,583</u>	<u>\$ 24,212,631</u>

**Note 11. Functional Expense**

The Foundation's primary program is to provide financial support for education, research, and extension in the College of Agriculture and Life Sciences at NC State University. Expenses by functional classification for the year ended June 30, 2021 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 5,976,960	\$ -	\$ 367,929	\$ 6,344,889
Legal	-	-	16,771	16,771
Accounting	-	102,600	-	102,600
Advertising	19,071	-	9,547	28,618
Office Expenses	75,247	-	37,005	112,252
Occupancy	72,942	-	472	73,414
Travel	127,449	-	11,893	139,342
Conferences and Meetings	52,791	-	7,095	59,886
Depreciation	14,582	-	-	14,582
Insurance	15,542	-	22,480	38,022
Departmental Equipment	1,017,489	-	5,724	1,023,213
Equip Rental and Maintenance	456,310	-	5,912	462,222
Contracted Services	183,952	-	18,918	202,870
Miscellaneous Services and Fees	799,419	217,000	1,320,957	2,337,376
Printing and Binding	119,524	-	23,126	142,650
Dues and Subscriptions	72,997	-	13,937	86,934
Supplies	596,901	-	39,256	636,157
Capital Transfers	24,418,312	-	-	24,418,312
Interest	284,174	-	-	284,174
Total	<u>\$ 34,303,662</u>	<u>\$ 319,600</u>	<u>\$ 1,901,022</u>	<u>\$ 36,524,284</u>

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, maintenance agreements and honorariums. Miscellaneous Services and Fees include donated salaries, services and facilities as well as University Advancement's portion of gift assessment fees.

**The North Carolina Agricultural Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 11. Functional Expense (continued)**

Expenses by functional classification for the year ended June 30, 2020 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 6,961,579	\$ -	\$ 518,238	\$ 7,479,817
Legal	5,135	-	5,500	10,635
Accounting	-	101,000	-	101,000
Advertising	90,755	-	13,084	103,839
Office Expenses	69,418	-	18,656	88,074
Occupancy	2,263	-	459	2,722
Travel	641,650	-	39,701	681,351
Conferences and Meetings	188,021	-	45,765	233,786
Depreciation	18,293	-	-	18,293
Insurance	20,701	-	21,614	42,315
Departmental Equipment	130,646	-	5,096	135,742
Equip Rental and Maintenance	573,877	-	16,951	590,828
Contracted Services	391,246	-	42,041	433,287
Miscellaneous Services and Fees	2,066,489	216,000	1,276,958	3,559,447
Printing and Binding	94,071	-	22,932	117,003
Dues and Subscriptions	54,050	-	8,427	62,477
Supplies	642,182	-	52,473	694,655
Capital Transfers	11,977,366	-	-	11,977,366
<b>Total</b>	<b>\$ 23,927,742</b>	<b>\$ 317,000</b>	<b>\$ 2,087,895</b>	<b>\$ 26,332,637</b>

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, maintenance agreements and honorariums. Miscellaneous Services and Fees include donated salaries, services and facilities as well as University Advancement's portion of gift assessment fees.

**Note 12. Commitments**

The Foundation holds conservation easements for which it may have future commitments for an undeterminable amount. The purpose of these conservation easements is to maintain wetland and/or riparian resources and other natural values and prevent the use or development for any purpose or in any manner that would conflict with the maintenance of the properties in their natural conditions.

**Note 13. 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.

**The North Carolina Agricultural Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2021 and 2020**

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**Note 14. Subsequent Events**

The Foundation has evaluated events through September 30, 2021, the date which the financial statements were available to be issued. Effective July 1, 2021, the North Carolina Tobacco Foundation, Inc. merged with The North Carolina Agricultural Foundation, Inc. The North Carolina Tobacco Foundation, Inc. shares a common mission of supporting one or more colleges at the University by providing financial assistance for tobacco specific programs in the College of Agriculture and Life Sciences. Through the merger, the entities seek to further their common mission by achieving economies of scale and other synergies. No other subsequent events were noted.

**REPORTS AND SCHEDULES RELATED TO THE STATE SINGLE AUDIT  
IMPLEMENTATION ACT AND THE UNIFORM GUIDANCE**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The North Carolina Agricultural Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The North Carolina Agricultural Foundation, Inc. (the "Foundation"), which are comprised of the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
September 30, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT IMPLEMENTATION  
ACT AND THE UNIFORM GUIDANCE**

To the Board of Directors  
The North Carolina Agricultural Foundation, Inc.

**Report on Compliance for Each Major State Program**

We have audited The North Carolina Agricultural Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *North Carolina State Compliance Supplement* and the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major state programs for the year ended June 30, 2021. The Foundation's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Foundation's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of the State Single Audit Implementation Act and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards, the State Single Audit Implementation Act and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Foundation's compliance.



### ***Opinion on Each Major State Program***

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Implementation Act and the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Implementation Act and the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
September 30, 2021

**The North Carolina Agricultural Foundation, Inc.**

**Schedule of Expenditures of State Awards  
Year Ended June 30, 2021**

<b>State Grantor / Project Title</b>	<b>Subrecipient</b>	<b>Passed Through to Subrecipient</b>	<b>Total State Expenditures</b>
State Programs			
North Carolina Department of Agriculture			
Direct Projects:			
FFA Center State	FFA	\$ 100,000	\$ 100,000
Total Awards from North Carolina Department of Agriculture		<u>100,000</u>	<u>100,000</u>
North Carolina Tobacco Trust Fund Commission			
Direct Projects:			
AG Education Program	University	86,378	86,378
NC Ag Ventures	University	335,984	336,099
Workforce & Career Preparedness	University	14,808	19,131
Ag Leadership Evaluation	University	14,912	16,905
Reducing Tobacco Equipment Injuries	University	29,524	29,524
Heirs Guide to Farm/Forest Land	University	9,262	9,262
Sustainable Hemp Production Using Microbes	University	19,992	19,992
Total Awards from North Carolina Tobacco Trust Fund Commission		<u>510,860</u>	<u>517,291</u>
<b>Total Expenditures of State Awards</b>		<u>\$ 610,860</u>	<u>\$ 617,291</u>

See notes to schedule of expenditures of state awards.

**The North Carolina Agricultural Foundation, Inc.**

**Notes to Schedule of Expenditures of State Awards  
Year Ended June 30, 2021**

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**Note 1. Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of state awards (the "Schedule") includes the state grant activity of The North Carolina Agricultural Foundation, Inc. (the "Foundation") under State of North Carolina programs for the year ended June 30, 2021. The information in this Schedule is presented on the cash basis of accounting and in accordance with the requirements of North Carolina General Statute 143-6.1 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation. Therefore, some amounts presented in the Schedule may differ from amounts presented in the Foundation's financial statements.

All of the Foundation's state awards were in the form of cash assistance for the year ended June 30, 2021.

THE NORTH CAROLINA AGRICULTURAL FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

Section I. SUMMARY OF AUDITORS' RESULTS:

1. The auditors' report expresses an unmodified opinion on the financial statements of The North Carolina Agricultural Foundation, Inc.
2. No significant deficiencies or material weaknesses in internal control were identified relating to the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of The North Carolina Agricultural Foundation, Inc., which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses were identified related to the audit of the major state award programs.
5. The auditors' report on compliance for the major state award programs for The North Carolina Agricultural Foundation, Inc. expresses an unmodified opinion on all major state programs.
6. No audit findings were disclosed that are required to be reported in accordance with the State Single Audit Implementation Act and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.
7. The program(s) tested as major program(s): NC Ag Ventures
8. The North Carolina Agricultural Foundation, Inc. qualified as a low-risk auditee.

Section II. FINDINGS – FINANCIAL STATEMENT AUDIT

This section should identify significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

No financial statement findings noted.

Section III. FINDINGS AND QUESTIONED COSTS – MAJOR STATE AWARD PROGRAMS AUDIT

This section should identify the audit findings required to be reported by the State Single Audit Implementation Act and the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Where practical, findings should be organized by state agency or pass-through entity.

No findings or questioned costs identified.

Section IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

No prior year audit findings noted.

**SUPPLEMENTARY INFORMATION**

The North Carolina Agricultural Foundation, Inc.

General Fund Budget vs. Actual - Unaudited  
Year Ended June 30, 2021

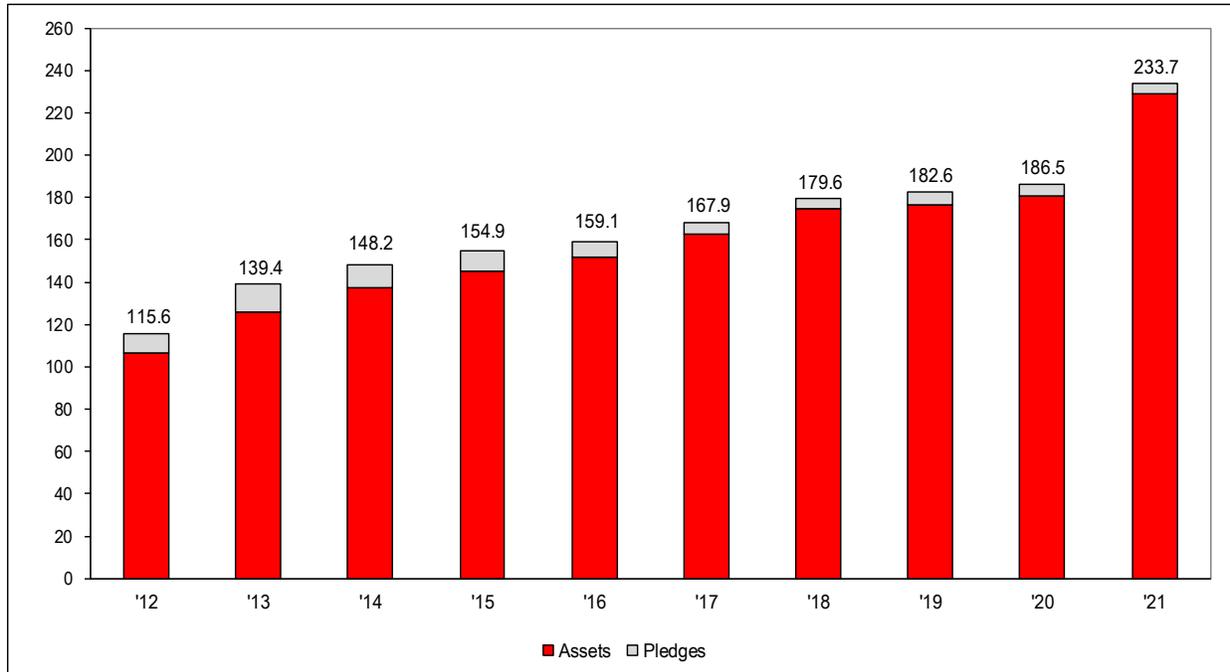
	Budget	Actual	Variance
<b>Income</b>			
Annual fund campaign	\$ 145,000	\$ 134,430	\$ (10,570)
CALS Dean's Fund for Excellence	7,500	315	(7,185)
Endowment spending budget	152,705	152,705	-
Interest and dividends	510,000	400,000	(110,000)
Grant administrator fee	-	4,200	4,200
<b>Total Income</b>	<b>815,205</b>	<b>691,650</b>	<b>(123,555)</b>
<b>Support</b>			
Program support	327,651	308,511	(19,140)
Foundation administration and development support	525,150	420,453	(104,697)
<b>Total Support</b>	<b>852,801</b>	<b>728,964</b>	<b>(123,837)</b>
<b>Income Less Support</b>	<b>(37,596)</b>	<b>(37,314)</b>	<b>282</b>
Transfer to cover programmatic deficits	-	(82,624)	(82,624)
Transfer to Quasi Endowment	(100,000)	(100,000)	-
<b>General Fund Balance</b>			
Beginning of year	1,940,682	1,940,682	-
End of year	\$ 1,803,086	\$ 1,720,744	\$ (82,342)

**The North Carolina Agricultural Foundation, Inc.**

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

**Total Assets\***

(Dollars in Millions)



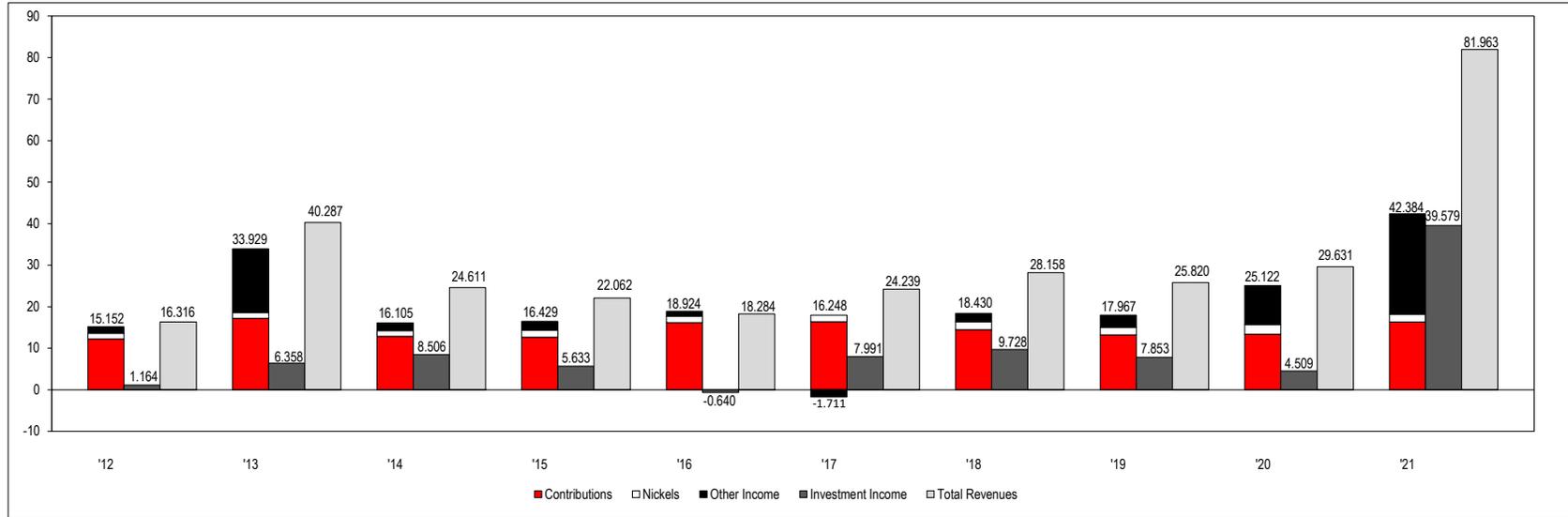
\* Not reflected above for FY21 are gifts-in-kind of approximately \$1.59 million which benefit the College of Agricultural and Life Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

**The North Carolina Agricultural 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)

