

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

**FINANCIAL REPORT**

**JUNE 30, 2021 and 2020**

**North Carolina State University Alumni Association, Inc.**

**Financial Report  
For The Years Ended June 30, 2021 and 2020**

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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, 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. 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, 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.

### ***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 21 through 23, 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.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
November 19, 2021

North Carolina State University Alumni Association, Inc.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 3,010,795	\$ 2,515,974
Intermediate investments (Note 1)	537,658	369,490
Long-term investments (Notes 1 and 3)	59,324,260	43,594,274
Pledges receivable, net (Notes 1 and 7)	148,168	258,816
Receivable - charitable lead trust (Note 1)	25,424	70,345
Other assets (Note 1)	222,981	235,017
<b>Total Assets</b>	<b>\$ 63,269,286</b>	<b>\$ 47,043,916</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable (Note 1)	\$ 36,565	\$ 26,611
Deferred revenue (Note 12)	2,321,172	2,191,211
Life income funds payable (Note 6)	66,412	66,739
<b>Total Liabilities</b>	<b>2,424,149</b>	<b>2,284,561</b>
<b>Net Assets</b>		
Without donor restrictions	14,098,162	9,812,801
With donor restrictions:		
Perpetual in nature (Note 9)	22,303,199	21,808,626
Purpose restricted (Note 9)	24,443,776	13,137,928
<b>Total Net Assets</b>	<b>60,845,137</b>	<b>44,759,355</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 63,269,286</b>	<b>\$ 47,043,916</b>

See notes to financial statements.

North Carolina State University Alumni Association, 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)	\$ 178,455	\$ 812,434	\$ 990,889
Change in pledges receivable, net (Note 7)	-	(110,648)	(110,648)
University Advancement support	175,000	-	175,000
Donated salaries, services and facilities (Note 8)	1,881,000	-	1,881,000
Net investment income (Note 1)	4,639,524	12,425,892	17,065,416
Change in value of split interest agreements	-	(44)	(44)
Change in value of charitable lead trust	-	(44,921)	(44,921)
Membership dues	601,853	-	601,853
Advertising and alumni magazine	40,919	-	40,919
Event revenue	47,529	-	47,529
Affinity program royalties	482,511	-	482,511
The State Club rent	35,000	-	35,000
Other program income	79,779	33,102	112,881
Net assets released from restrictions (Note 10)	1,348,209	(1,348,209)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>9,509,779</b>	<b>11,767,606</b>	<b>21,277,385</b>
<b>Program Support</b>			
Caldwell scholarships and stipends	398,750	-	398,750
Other scholarships	493,121	-	493,121
Program and event support	1,121,580	-	1,121,580
Administrative	278,351	-	278,351
Fundraising	2,957,688	-	2,957,688
<b>Total Program Support (Note 13)</b>	<b>5,249,490</b>	<b>-</b>	<b>5,249,490</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>4,260,289</b>	<b>11,767,606</b>	<b>16,027,895</b>
<b>Net Transfers</b>			
From other University-associated entities	52,350	5,537	57,887
Among funds	(27,278)	27,278	-
<b>Total Net Transfers</b>	<b>25,072</b>	<b>32,815</b>	<b>57,887</b>
<b>Change in Net Assets</b>	<b>4,285,361</b>	<b>11,800,421</b>	<b>16,085,782</b>
<b>Net Assets</b>			
Beginning of year	9,812,801	34,946,554	44,759,355
End of year	\$ 14,098,162	\$ 46,746,975	\$ 60,845,137

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
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 59,867	\$ 615,798	\$ 675,665
Change in pledges receivable, net (Note 7)	-	68,737	68,737
University Advancement support	175,000	-	175,000
Donated salaries, services and facilities (Note 8)	1,815,000	-	1,815,000
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	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)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>4,976,416</b>	<b>112,132</b>	<b>5,088,548</b>
<b>Program Support</b>			
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
<b>Total Program Support (Note 13)</b>	<b>5,370,499</b>	<b>-</b>	<b>5,370,499</b>
<b>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(394,083)</b>	<b>112,132</b>	<b>(281,951)</b>
<b>Net Transfers</b>			
From other University-associated entities	8,200	-	8,200
Among funds	(16,941)	16,941	-
<b>Total Net Transfers</b>	<b>(8,741)</b>	<b>16,941</b>	<b>8,200</b>
<b>Change in Net Assets</b>	<b>(402,824)</b>	<b>129,073</b>	<b>(273,751)</b>
<b>Net Assets</b>			
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.

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

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$16,085,782	\$ (273,751)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net investment income	(17,065,416)	(883,310)
Change in value of split interest agreements	44	(110,147)
Contributions restricted for permanent endowment	(674,467)	(593,140)
Decrease (increase) in:		
Pledges receivable, net	110,648	(68,737)
Receivable - charitable lead trust	44,921	41,473
Other assets	12,036	8,266
(Decrease) increase in:		
Accounts payable	9,954	6,769
Deferred revenue	129,961	106,037
<b>Net Cash Used in Operating Activities</b>	<b>(1,346,537)</b>	<b>(1,766,540)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	2,458,268	2,691,704
Purchases of investments	(1,292,119)	(1,345,039)
<b>Net Cash Provided by Investing Activities</b>	<b>1,166,149</b>	<b>1,346,665</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	674,467	593,140
Investment income restricted for split interest agreements	1,113	866
Payments on life income fund obligations	(371)	(740)
Proceeds from life income funds	-	17,369
<b>Net Cash Provided by Financing Activities</b>	<b>675,209</b>	<b>610,635</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>494,821</b>	<b>190,760</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	2,515,974	2,325,214
End of year	<b>\$ 3,010,795</b>	<b>\$ 2,515,974</b>
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated salaries, services and facilities	<b>\$ 1,881,000</b>	<b>\$ 1,815,000</b>

See notes to financial statements.

## North Carolina State University Alumni Association, 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: 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 \$537,658 and \$369,490 at June 30, 2021 and 2020, respectively. The cost of these investments was \$528,624 and \$372,825 at 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 Association, 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 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, 2021 and 2020**

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**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 \$221,186 and \$233,198 at June 30, 2021 and 2020, 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, 2021 and 2020, 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 \$227,000 and \$229,000 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 assets held in the endowment investment portfolio. For the years ended June 30, 2021 and 2020, the annual fee was 1.25%, designated for University Advancement.

Revenue recognition: Revenues from membership fees are recognized equally over the life of the membership term; lifetime memberships are recognized over thirty years. The timing of revenue recognition may differ from the timing of invoicing. Amounts for such membership dues are billed in accordance with agreed-upon contractual terms, either at periodic intervals, or upon achievement of contractual milestones. Contract assets include unbilled amounts that occur when revenues recognized exceed the amounts invoiced to customers. Such amounts are collectible based upon various measures of performance. No such contract assets were recorded as of June 30, 2021, 2020 or 2019. Contract liabilities arise when amounts invoiced exceed revenues recognized, and are presented as deferred revenue in the statements of financial position. The performance obligation related to member benefits is satisfied throughout the membership period as member benefits are received and consumed.

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, 2021 and 2020**

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**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 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 Association, 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 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 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 Association 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 2018-13 became effective for the Association on July 1, 2020. The adoption of this standard did not have a material impact on the accompanying financial statements of the Association for the year ended June 30, 2021.

Reclassifications: Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation with no effect on previously reported net assets.

## North Carolina State University Alumni Association, Inc.

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

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#### Note 2. Endowment

The Association's endowment consists of approximately 160 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 \$0 and \$11,732 as of June 30, 2021 and 2020, 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.

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 \$1,168,665 and \$1,240,880 for fiscal years 2021 and 2022, respectively.

**North Carolina State University Alumni Association, 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	\$ 11,781,444	\$ 32,034,764	\$ 43,816,208
Total investment return	4,607,881	12,428,013	17,035,894
Contributions including change in accrued pledges and other	235,016	575,159	810,175
Appropriations of endowment assets for expenditure	(748,550)	(1,479,275)	(2,227,825)
Change in value of split interest agreements	-	(44)	(44)
Change in value of charitable lead trust	-	(44,921)	(44,921)
Other changes:			
Transfers	(7,182)	10,638	3,456
Endowment net assets, end of year	<u>\$ 15,868,609</u>	<u>\$ 43,524,334</u>	<u>\$ 59,392,943</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	\$ 15,798,755	\$ -	\$ 15,798,755
Donor-designated endowment funds:			
Corpus	-	22,303,199	22,303,199
Appreciation	69,854	21,221,135	21,290,989
Total funds	<u>\$ 15,868,609</u>	<u>\$ 43,524,334</u>	<u>\$ 59,392,943</u>

North Carolina State University Alumni Association, 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	\$ 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	<u>\$ 11,781,444</u>	<u>\$ 32,034,764</u>	<u>\$ 43,816,208</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	\$ 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>

**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:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 5,514	\$ 5,514	\$ 75,900	\$ 75,900
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	24,271,181	59,223,015	24,657,412	43,436,038
Life Income Funds	83,479	95,731	83,331	82,336
	<u>\$ 24,360,174</u>	<u>\$ 59,324,260</u>	<u>\$ 24,816,643</u>	<u>\$ 43,594,274</u>

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

**North Carolina State University Alumni Association, 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 Association's assets itemized below were measured at fair value on a recurring basis at June 30:

	2021			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 5,514	\$ -	\$ -	\$ 5,514
NC State Investment Fund, Inc. Intermediate				
Term Fund (ITF)	-	-	537,658	537,658
NC State Investment Fund, Inc. Long-Term				
Investment Pool (LTIP)	-	-	59,223,015	59,223,015
Life Income Funds	-	95,731	-	95,731
Beneficial Interest in Life Insurance Policies	-	-	221,186	221,186
	<b>\$ 5,514</b>	<b>\$ 95,731</b>	<b>\$ 59,981,859</b>	<b>\$ 60,083,104</b>

	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
	<b>\$ 75,900</b>	<b>\$ 451,826</b>	<b>\$ 43,669,236</b>	<b>\$ 44,196,962</b>

**North Carolina State University Alumni Association, Inc.**

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

**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.

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

NC State Investment Fund, Inc. Long-Term Investment Pool (the “LTIP”) – The LTIP’s investment with UNC Management Company 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.

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.

	<b>NC State Investment Fund, Inc. ITF</b>	<b>NC State Investment Fund, Inc. LTIP</b>	<b>Beneficial Interest in Life Insurance Policies</b>
Beginning balance	\$ -	\$ 43,436,038	\$ 233,198
Transfer into Level 3	369,490	-	-
Participant additions	150,000	997,988	-
Investment income	11,286	27,934	-
Realized gain	1,026	1,042,645	-
Unrealized appreciation (depreciation)	12,369	16,173,209	(12,012)
Participant withdrawals	(6,006)	(2,227,825)	-
Expenses	(507)	(226,974)	-
Ending balance	<u>\$ 537,658</u>	<u>\$ 59,223,015</u>	<u>\$ 221,186</u>

North Carolina State University Alumni Association, Inc.

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

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**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.

	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 43,622,192	\$ 242,214
Participant additions	1,060,000	-
Investment income	38,252	-
Realized gain	911,556	-
Unrealized appreciation (depreciation)	120,806	(9,016)
Participant withdrawals	(2,087,730)	-
Expenses	(229,038)	-
Ending balance	<u>\$ 43,436,038</u>	<u>\$ 233,198</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 \$16 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 \$422,000 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, 2021 and 2020

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**Note 5. Financial Assets and Liquidity Resources (continued)**

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

Total financial assets	\$ 63,269,286
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(22,303,199)
Subject to appropriation and satisfaction of donor restrictions	(24,507,100)
Board-designated endowments	(15,376,790)
Accrued liabilities	(102,977)
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 979,220</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, 2021 and 2020 have asset balances of \$95,731 and \$82,336, 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 \$66,412 and \$66,739 at June 30, 2021 and 2020, respectively. Payments from these funds were \$371 and \$740 during the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the CGA reserve balance was \$6,127 and \$6,126, respectively.

**North Carolina State University Alumni Association, Inc.**

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

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**Note 7. Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	<b>2021</b>	<b>2020</b>
Receivable in less than one year	<b>\$ 120,622</b>	\$ 157,388
Receivable in one to five years	<b>35,916</b>	116,225
Total pledges receivable, gross	<b>156,538</b>	273,613
Less allowance for uncollectible pledges	<b>(8,000)</b>	(14,000)
Less unamortized discount (discount rate of .07% to .84%)	<b>(370)</b>	(797)
Pledges receivable, net	<b>\$ 148,168</b>	\$ 258,816

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.

Two donors represent approximately \$84,500 of the total undiscounted pledges receivable at June 30, 2021. One donor represents approximately \$133,000 of total undiscounted pledges receivable at June 30, 2020.

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

Donated services in the amount of \$23,000 and \$26,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements for services provided by the University Treasurer's Division. In addition, donated salaries and facilities provided by the University for Alumni Association and Caldwell personnel as well as for use of the Dorothy and Roy Park Alumni Center in the amount of \$1,858,000 and \$1,789,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements.

**North Carolina State University Alumni Association, Inc.**

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

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

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 1,851,531	\$ 1,706,379
Pledges receivable	38,497	35,918
Other	1,111,427	936,295
	<u>3,001,455</u>	<u>2,678,592</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	221,186	233,198
Assets held under split-interest agreements, net	29,318	15,597
	<u>250,504</u>	<u>248,795</u>
Endowments:		
Subject to Association endowment spending policy and appropriation:		
Scholarships and fellowships	39,499,097	30,328,794
Pledges receivable	109,671	222,898
Other	3,886,248	1,467,475
	<u>43,495,016</u>	<u>32,019,167</u>
Total Net Assets With Donor Restrictions	<u>\$ 46,746,975</u>	<u>\$ 34,946,554</u>

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

**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:

	<u>2021</u>	<u>2020</u>
Caldwell scholarships and stipends	\$ 398,750	\$ 374,750
Other scholarships	493,121	429,585
Program and event support	113,606	224,131
Administrative and fundraising	342,732	311,105
	<u>\$ 1,348,209</u>	<u>\$ 1,339,571</u>

North Carolina State University Alumni Association, Inc.

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

**Note 11. Description of Leasing Arrangements**

The Association had operating leases with total payments of \$12,966 and \$13,267 for years ended June 30, 2021 and 2020, respectively. Future minimum rental payments under the operating leases are as follows:

Years ending June 30:	
2022	\$ 12,966
2023	9,769
2024	6,238
Minimum lease payments	<u>\$ 28,973</u>

**Note 12. Deferred Revenue**

Deferred lifetime membership revenue was \$2,116,029, \$1,975,263 and \$1,862,976 at June 30, 2021, 2020 and 2019, respectively. Deferred multi-year membership revenue was \$205,143, \$215,948 and \$222,198 at June 30, 2021, 2020 and 2019, respectively.

**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, 2021 were as follows:

	University Program Support	Supporting Activities		Total Program Support
		Administrative	Fundraising	
Grants	\$ 941,030	\$ 1,000	\$ 677,388	\$ 1,619,418
Legal	-	6,837	-	6,837
Accounting	-	52,100	-	52,100
Advertising	14,947	-	-	14,947
Office Expenses	126,515	720	30,045	157,280
Travel	4,150	112	1,383	5,645
Conferences and Meetings	33,044	-	2,839	35,883
Insurance	4,806	-	18,446	23,252
Departmental Equipment	10,871	11,805	-	22,676
Equipment Rental and Maintenance	2,523	4,261	13,687	20,471
Contracted Services	55,823	250	-	56,073
Miscellaneous Services and Fees	332,474	186,341	2,204,777	2,723,592
Printing and Binding	329,852	3,156	-	333,008
Dues and Subscriptions	66,542	1,500	-	68,042
Supplies	90,874	10,269	9,123	110,266
Total	<u>\$ 2,013,451</u>	<u>\$ 278,351</u>	<u>\$ 2,957,688</u>	<u>\$ 5,249,490</u>

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, 2021 and 2020**

**Note 13. Functional Expense (continued)**

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

	University Program Support	Supporting Activities		Total 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
Equipment 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.

**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 19, 2021, 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, 2021

	Budget	Actual	(Under) Over Variance
<b>Income</b>			
Affinity marketing	\$ 325,000	\$ 482,511	\$ 157,511
Alumni unrestricted gifts	18,500	204,963	186,463
Bricks and pavers	10,000	13,406	3,406
Signature event revenue	27,500	15,985	(11,515)
Outreach event revenue	36,500	395	(36,105)
Career fair	18,000	31,149	13,149
Homecoming sponsorship	5,000	-	(5,000)
Interest and dividends	38,000	30,000	(8,000)
Magazine advertising	85,000	40,919	(44,081)
Membership (annual)	625,000	537,873	(87,127)
Membership (lifetime)	98,285	98,285	-
Merchandise sales	43,000	38,669	(4,331)
Travel program revenue	25,000	5,141	(19,859)
Sponsorships	60,000	28	(59,972)
License plate revenue	6,000	6,047	47
The State Club	35,000	35,000	-
Alumni quasi endowment - spending budget	302,480	302,480	-
Alumni quasi endowment - additional withdrawal	197,520	197,520	-
Alumni magazine quasi endowment	8,335	8,335	-
Magazine support (University Advancement) *	175,000	175,000	-
Salary support (University Advancement) *	1,655,000	1,722,000	67,000
<b>Total Income</b>	<b>3,794,120</b>	<b>3,945,706</b>	<b>151,586</b>
<b>Support</b>			
Salaries	2,295,000	2,397,510	102,510
Operations	1,377,745	1,007,989	(369,756)
Professional services	76,100	76,407	307
Administrative and fundraising	194,350	126,396	(67,954)
<b>Total Support</b>	<b>3,943,195</b>	<b>3,608,302</b>	<b>(334,893)</b>
<b>Income Less Support</b>	<b>(149,075)</b>	<b>337,404</b>	<b>486,479</b>
<b>General Fund Balance</b>			
Beginning of year	171,826	171,826	-
End of year	\$ 22,751	\$ 509,230	\$ 486,479

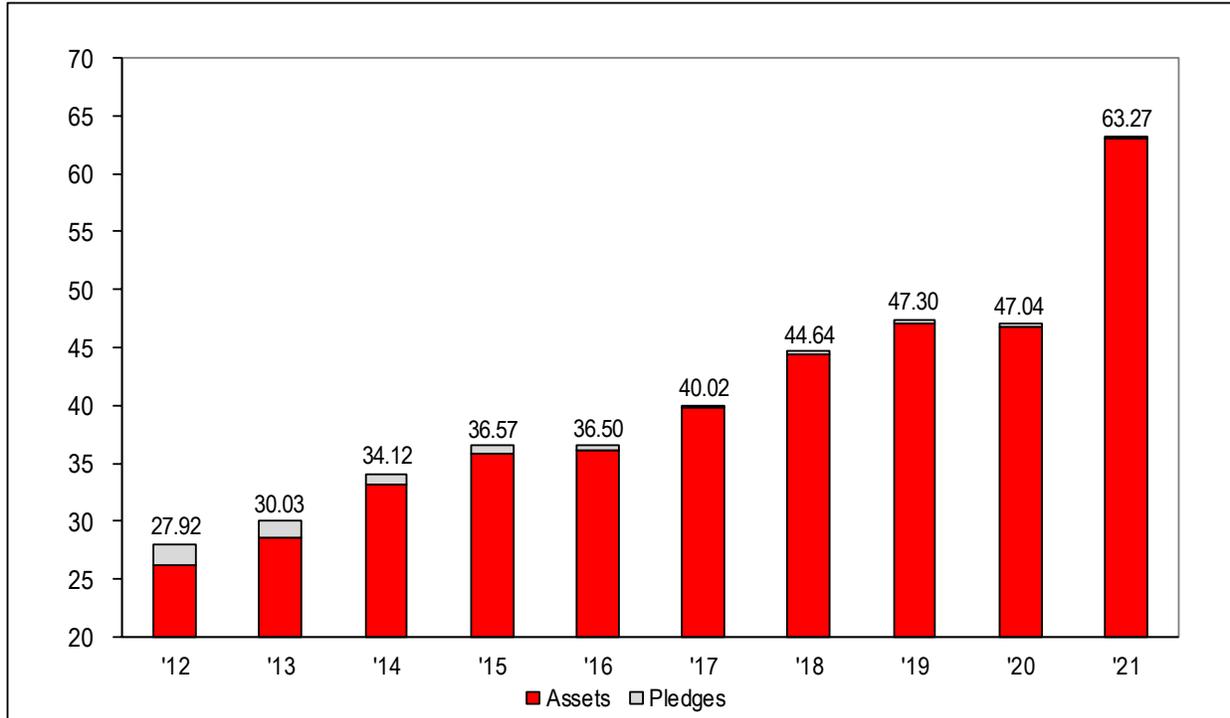
\* These items represent support from the University.

# North Carolina State University Alumni Association, Inc.

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

### Total Assets

(Dollars in Millions)

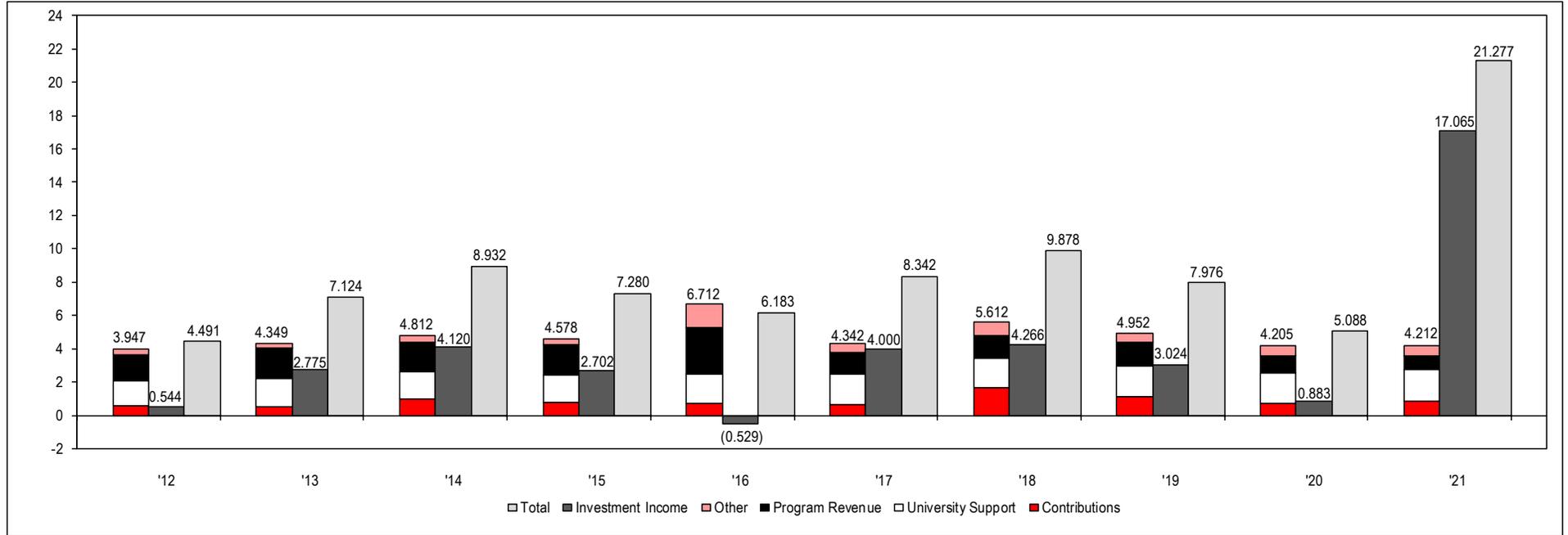


North Carolina State University Alumni Association, Inc.

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)

