

**NORTH CAROLINA STATE UNIVERSITY
COLLEGE OF SCIENCES FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2021 and 2020

North Carolina State University College of Sciences Foundation, Inc.

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

Contents

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

Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 20

Supplementary Information	
General Fund Budget vs. Actual - Unaudited	21
Ten Year Summary of Asset Growth - Unaudited	22
Ten Year Summary of Revenues and Support - Unaudited	23



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of North Carolina State University College of Sciences 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. 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 College of Sciences 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.

Restatement of 2020 Financial Statements

As discussed in Note 13 to the financial statements, during the year ended June 30, 2021, it was discovered that previously reported net assets without donor restrictions and net investment income without donor restrictions were overstated as of and for the year ended June 30, 2020. Accordingly, amounts reported for net assets without donor restrictions and net investment income without donor restrictions have been restated in the 2020 financial statements now presented, and adjustments have been made to net assets as of June 30, 2020, to correct the overstatement. Our opinion is not modified with respect to that matter.

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
October 21, 2021

North Carolina State University College of Sciences Foundation, Inc.

Statements of Financial Position
June 30, 2021 and 2020 (As Restated)

	2021	2020
Assets		
Cash and cash equivalents (Note 1)	\$ 3,627,858	\$ 3,312,635
Intermediate investments (Note 1)	2,971,280	2,480,928
Long-term investments (Notes 1 and 3)	31,751,524	22,819,995
Pledges receivable, net (Notes 1 and 7)	610,588	563,837
Donated property (Note 1)	-	963,900
Other assets (Note 1)	29,792	28,713
Total Assets	\$ 38,991,042	\$ 30,170,008
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 8,495	\$ 6,739
Life income funds payable (Note 6)	832,037	653,478
Total Liabilities	840,532	660,217
Net Assets		
Without donor restrictions:		
Undesignated	1,604,351	1,286,062
Board-designated - endowments (Note 2)	642,162	212,880
With donor restrictions:		
Perpetual in nature (Note 9)	14,236,056	13,702,917
Purpose restricted (Note 9)	21,667,941	14,307,932
Total Net Assets	38,150,510	29,509,791
Total Liabilities and Net Assets	\$ 38,991,042	\$ 30,170,008

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income:			
Contributions (Note 1)	\$ 538,286	\$ 1,586,691	\$ 2,124,977
Change in pledges receivable, net (Note 7)	-	46,751	46,751
Donated services, salaries, and facilities (Note 8)	273,000	-	273,000
Net investment income	572,954	8,503,488	9,076,442
Change in value of split interest agreements	-	(227,751)	(227,751)
Royalties	-	314,124	314,124
Other income	-	5,292	5,292
Net assets released from restrictions (Note 10)	2,398,130	(2,398,130)	-
Total Revenues, Gains, and Other Income	3,782,370	7,830,465	11,612,835
Grants to Support the University Program:			
Scholarships and fellowships	826,116	-	826,116
Faculty support & professorships	135,153	-	135,153
Departmental support	1,383,553	-	1,383,553
Total Program Support	2,344,822	-	2,344,822
Administrative	86,375	-	86,375
Fundraising	540,919	-	540,919
Total Other Support	627,294	-	627,294
Total Support (Note 11)	2,972,116	-	2,972,116
Excess of Revenues, Gains, and Other Income Over Total Support	810,254	7,830,465	8,640,719
Net Transfers			
Among funds	(62,683)	62,683	-
Total Net Transfers	(62,683)	62,683	-
Change in Net Assets	747,571	7,893,148	8,640,719
Net Assets			
Beginning of year	1,498,942	28,010,849	29,509,791
End of year	\$ 2,246,513	\$ 35,903,997	\$ 38,150,510

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities
Year Ended June 30, 2020 (As Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income:			
Contributions (Note 1)	\$ 367,345	\$ 1,497,205	\$ 1,864,550
Change in pledges receivable, net (Note 7)	-	127,586	127,586
Donated services, salaries, and facilities (Note 8)	319,000	-	319,000
Donated property	-	963,900	963,900
Net investment income	152,499	383,612	536,111
Change in value of split interest agreements	-	69,213	69,213
Royalties	-	306,447	306,447
Other income	-	5,986	5,986
Net assets released from restrictions (Note 10)	1,112,077	(1,112,077)	-
Total Revenues, Gains, and Other Income	1,950,921	2,241,872	4,192,793
Grants to Support the University Program:			
Scholarships and fellowships	501,203	-	501,203
Faculty support & professorships	106,641	-	106,641
Departmental support	430,423	-	430,423
Total Program Support	1,038,267	-	1,038,267
Administrative	85,642	-	85,642
Fundraising	680,274	-	680,274
Total Other Support	765,916	-	765,916
Total Support (Note 11)	1,804,183	-	1,804,183
Excess of Revenues, Gains, and Other Income Over Total Support	146,738	2,241,872	2,388,610
Net Transfers			
To other University-associated entities	-	(1,198)	(1,198)
Among funds	(50,715)	50,715	-
Total Net Transfers	(50,715)	49,517	(1,198)
Change in Net Assets	96,023	2,291,389	2,387,412
Net Assets			
Beginning of year	1,402,919	25,719,460	27,122,379
End of year	\$ 1,498,942	\$ 28,010,849	\$ 29,509,791

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020 (As Restated)

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 8,640,719	\$ 2,387,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for permanent endowment	(81,286)	(377,278)
Distribution (contribution) of donated property	963,900	(963,900)
Net investment income	(9,076,442)	(536,111)
Change in value of split interest agreements	227,751	(69,213)
(Increase) decrease in:		
Pledges receivable, net	(46,751)	(127,586)
Other assets	(1,079)	(1,092)
Increase (decrease) in:		
Accounts payable - North Carolina State University	1,756	(5,923)
Net Cash Provided by Operating Activities	628,568	306,309
Cash Flows From Investing Activities		
Proceeds from sales of investments	1,106,697	1,056,422
Purchases of investments	(1,463,515)	(1,439,641)
Net Cash Used in Investing Activities	(356,818)	(383,219)
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	81,286	377,278
Investment income restricted for split interest agreements	11,379	16,566
Payments on life income fund obligations	(49,192)	(45,893)
Net Cash Provided by Financing Activities	43,473	347,951
Net Increase in Cash and Cash Equivalents	315,223	271,041
Cash and Cash Equivalents		
Beginning of year	3,312,635	3,041,594
End of year	\$ 3,627,858	\$ 3,312,635
Supplemental Disclosures of Noncash Activities		
Donated services, salaries, and facilities	\$ 273,000	\$ 319,000
Donated property	\$ (963,900)	\$ 963,900

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina State University College of Sciences 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, established July 1, 1983, provides financial support for all types of education and research in physical, mathematical, and biological sciences in the College of Sciences at the University.

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

Basis of accounting and presentation: The Foundation's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. In preparing its financial statements, the Foundation's 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 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") 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 \$2,971,280 and \$2,480,928 as of June 30, 2021 and 2020, respectively. The cost of these investments was \$2,928,820 and \$2,678,145 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.

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 College of Sciences Foundation, Inc.

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

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

Software license: A donated software license is recorded net of accumulated amortization totaling \$536,352 as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, the software license was fully amortized.

Copyright: A donated copyright is recorded net of accumulated amortization totaling \$828,099 as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, the copyright was fully amortized.

Donated property: Donated property includes contributions of gifts in kind.

Other assets: Other assets include beneficiary interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender value, less any loans outstanding on the policies. Cash surrender values of these policies were \$29,792 and \$28,713 at June 30, 2021 and 2020, respectively.

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.

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 fund-raising efforts. For years ended June 30, 2021 and 2020, a one-time fee of 7% is assessed on gifts that support current operations and facilities, with 4% designated for Central Development and 3% designated to the fundraising entity receiving the gift.

Investment income: Investment income is allocated on the basis of average fund balances for net assets with and without donor restrictions. For endowments, investment income is allocated on the “unit value” method of valuing interest in an investment portfolio and the investment earnings are recorded as with or without donor restrictions, as appropriate. Earnings from investments are net of investment fees of approximately \$120,000 and \$117,000 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 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.

Royalties: Royalties are generated by the software license and copyright owned by the Foundation.

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 College of Sciences Foundation, Inc.

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

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

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 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.

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.

Note 2. Endowment

The Foundation's endowment consists of approximately 170 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.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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 as 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 (\$14,681) 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/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 endowments. Spending budgets were calculated at \$708,500 and \$764,115 for fiscal years 2021 and 2022, respectively.

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

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 212,880	\$ 22,292,088	\$ 22,504,968
Total investment return	472,802	8,484,636	8,957,438
Contributions, including change in accrued pledges, royalties and other income	-	745,656	745,656
Appropriations of endowment assets for expenditure	(43,520)	(924,722)	(968,242)
Change in value of split interest agreements	-	(227,751)	(227,751)
Other changes:			
Transfers	-	286,769	286,769
Endowment net assets, end of year	<u>\$ 642,162</u>	<u>\$ 30,656,676</u>	<u>\$ 31,298,838</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 642,162	-	\$ 642,162
Donor-designated endowment funds			
Corpus	-	14,236,056	14,236,056
Appreciation	-	16,420,620	16,420,620
Total funds	<u>\$ 642,162</u>	<u>\$ 30,656,676</u>	<u>\$ 31,298,838</u>

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	\$ 231,666	\$ 21,158,289	\$ 21,389,955
Total investment return	23,129	366,459	389,588
Contributions, including change in accrued pledges, royalties and other income	-	1,093,820	1,093,820
Appropriations of endowment assets for expenditure	(41,915)	(873,433)	(915,348)
Change in value of split interest agreements	-	69,213	69,213
Other changes:			
Transfers	-	477,740	477,740
Endowment net assets, end of year	<u>\$ 212,880</u>	<u>\$ 22,292,088</u>	<u>\$ 22,504,968</u>

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 212,880	\$ -	\$ 212,880
Donor-designated endowment funds			
Corpus	-	13,702,917	13,702,917
Appreciation	-	8,603,852	8,603,852
Underwater endowments	-	(14,681)	(14,681)
Total funds	<u>\$ 212,880</u>	<u>\$ 22,292,088</u>	<u>\$ 22,504,968</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.

Long-term investments consisted of the following at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 200	\$ 200	\$ 4,206	\$ 4,206
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	14,436,388	30,730,589	13,968,380	21,979,178
Life Income Funds	825,129	1,020,735	835,126	836,611
	<u>\$ 15,261,717</u>	<u>\$ 31,751,524</u>	<u>\$ 14,807,712</u>	<u>\$ 22,819,995</u>

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)

North Carolina State University College of Sciences Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

The Foundation'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
ST IF	\$ 200	\$ -	\$ -	\$ 200
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	2,971,280	2,971,280
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	30,730,589	30,730,589
Life Income Funds	-	1,020,735	-	1,020,735
Beneficial Interest in Life Insurance Policies	-	-	29,792	29,792
	<u>\$ 200</u>	<u>\$ 1,020,735</u>	<u>\$ 33,731,661</u>	<u>\$ 34,752,596</u>

	2020			
	Level 1	Level 2	Level 3	Total Fair Value
ST IF	\$ 4,206	\$ -	\$ -	\$ 4,206
commonfund Intermediate Term Fund	-	2,092,636	-	2,092,636
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	388,292	-	388,292
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	21,979,178	21,979,178
Life Income Funds	-	836,611	-	836,611
Beneficial Interest in Life Insurance Policies	-	-	28,713	28,713
	<u>\$ 4,206</u>	<u>\$ 3,317,539</u>	<u>\$ 22,007,891</u>	<u>\$ 25,329,636</u>

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			2020	
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ -	\$ 21,979,178	\$ 28,713	\$ 21,067,045	\$ 27,621
Transfer into Level 3	388,292	-	-	-	-
Participant additions	2,500,000	995,634	-	1,430,000	-
Investment income	42,430	14,250	-	18,968	-
Realized gains	5,670	541,214	-	460,358	-
Unrealized appreciation	46,631	8,283,402	1,079	30,002	1,092
Participant withdrawals	(9,435)	(966,860)	-	(913,965)	-
Expenses	(2,308)	(116,229)	-	(113,230)	-
Ending balance	<u>\$ 2,971,280</u>	<u>\$ 30,730,589</u>	<u>\$ 29,792</u>	<u>\$ 21,979,178</u>	<u>\$ 28,713</u>

North Carolina State University College of Sciences Foundation, 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.

commonfund Intermediate Term Fund – Valued using the net asset value (“NAV”) per share of the fund provided by the 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 (“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.

The NC State Investment Fund, Inc. Long-Term Investment Pool (“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 (the “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.

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/>.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 5. Financial Assets and Liquidity Resources

The Foundation'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 Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The LTIP is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the Fund's longer-term return objectives. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The Foundation has a board-designated endowment of approximately \$642,000. Although the Foundation 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 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$96,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$44,000 of appropriations from board-designated endowments will be available within 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 financial assets	\$ 38,991,042
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(14,236,056)
Subject to appropriation and satisfaction of donor restrictions	(21,571,447)
Board-designated endowments	(598,642)
Total liabilities	<u>(840,532)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,744,365</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 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 had asset balances of \$1,020,735 and \$836,611, 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 expectancies of the beneficiaries, and totaled \$832,037 and \$653,478 at June 30, 2021 and 2020, respectively. Payments from these funds to beneficiaries were \$49,192 and \$45,893 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, there was a zero balance in this reserve.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2021	2020
Receivable in less than one year	\$ 305,868	\$ 206,694
Receivable in one to five years	341,387	382,847
Receivable in more than five years	-	7,000
Total pledges receivable, gross	647,255	596,541
Less allowance for uncollectible pledges	(33,000)	(30,000)
Less unamortized discount (discount rates of .07% to .84%)	(3,667)	(2,704)
Pledges receivable, net	\$ 610,588	\$ 563,837

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.

Two donors represented approximately \$263,000 of total undiscounted pledges receivable at June 30, 2021. One donor represented approximately \$200,000 of the total undiscounted pledges receivable at June 30, 2020.

Note 8. Donated Services, Salaries, and Facilities

Donated services and facilities in the amount of \$34,000 for the years ended June 30, 2021 and 2020, have been reflected in the accompanying financial statements for facilities and accounting services provided by the University Finance Division. In addition, donated salaries paid by the University for Foundation personnel in the amount of \$239,000 and \$285,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements.

North Carolina State University College of Sciences Foundation, 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:

	2021	2020
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 1,923,704	\$ 2,161,248
Faculty support and professorships	91,133	76,664
Essentials Building fund	342,766	342,766
Pledges receivable, net	261,029	254,099
Other	2,628,689	2,883,984
	<u>5,247,321</u>	<u>5,718,761</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	29,792	28,713
Assets held under split-interest agreements, net	188,698	183,133
	<u>218,490</u>	<u>211,846</u>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	18,677,473	13,406,895
Faculty support and professorships	773,398	515,434
Wertz Chemistry Endowment	2,372,537	1,573,998
Pledges receivable, net	349,559	309,738
Other	8,265,219	6,274,177
	<u>30,438,186</u>	<u>22,080,242</u>
Total Net Assets With Donor Restrictions	<u>\$ 35,903,997</u>	<u>\$ 28,010,849</u>

Donor restricted net asset grouping "Other" includes amounts designated for research, general college support and funds with multiple purposes.

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	\$ 796,909	\$ 474,660
Faculty support and professorships	109,706	59,846
Departmental support	1,360,718	430,219
Administrative and fundraising	130,797	147,352
	<u>\$ 2,398,130</u>	<u>\$ 1,112,077</u>

North Carolina State University College of Sciences Foundation, Inc.

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

Note 11. Functional Expense

The Foundation's primary program is to provide financial support for education and research in the College of 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	\$ 962,421	\$ -	\$ 268,816	\$ 1,231,237
Legal	-	6,831	-	6,831
Accounting	1,750	45,100	-	46,850
Advertising	5,847	-	1,991	7,838
Office Expenses	9,205	16	2,457	11,678
Travel	1,377	-	375	1,752
Conferences and Meetings	3,290	-	1,120	4,410
Insurance	1,383	-	12	1,395
Departmental Equipment	996,240	-	-	996,240
Equipment Rental and Maintenance	15,852	-	-	15,852
Contracted Services	68,143	-	-	68,143
Miscellaneous Services and Fees	171,052	34,428	261,287	466,767
Printing and Binding	6,792	-	2,454	9,246
Dues and Subscriptions	34,169	-	-	34,169
Supplies	67,301	-	2,407	69,708
Total	\$ 2,344,822	\$ 86,375	\$ 540,919	\$ 2,972,116

Grants includes scholarships, fellowships, and salary support. Miscellaneous Services and Fees includes donated salaries, services and facilities as well as University Advancement's portion of gift assessment fees.

North Carolina State University College of Sciences 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	\$ 590,605	\$ -	\$ 304,362	\$ 894,967
Legal	-	78	-	78
Accounting	-	44,500	-	44,500
Advertising	9,276	-	71	9,347
Office Expenses	11,646	8	3,539	15,193
Travel	39,406	-	11,276	50,682
Conferences and Meetings	7,071	-	1,650	8,721
Insurance	1,515	-	11	1,526
Departmental Equipment	45,752	-	129	45,881
Equipment Rental and Maintenance	5,937	-	22,500	28,437
Contracted Services	9,815	-	1,100	10,915
Miscellaneous Services and Fees	226,814	41,056	321,277	589,147
Printing and Binding	10,753	-	3,168	13,921
Dues and Subscriptions	30,365	-	432	30,797
Supplies	49,312	-	10,759	60,071
Total	\$ 1,038,267	\$ 85,642	\$ 680,274	\$ 1,804,183

Grants includes scholarships, fellowships, and salary support. Miscellaneous Services and Fees includes donated salaries, services and facilities as well as University Advancement's portion of gift assessment fees.

Note 12. COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19's effects on the Foundation's operational performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Foundation's operations. However, the pandemic could have a material adverse effect on the Foundation's results of operations, financial condition and cash flows.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 13. Restatement

As a result of an internal review of the Foundation's net asset classifications as of June 30, 2021, it was discovered that the Net Assets without Donor Restrictions was overstated and Net Assets with Donor Restrictions as understated by an equal and opposite amount. Accordingly, the Foundation restated its results for the year ended June 30, 2020. The effect of the restatement was as follows and had no effect on total net assets.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, as previously presented:			
Without donor restrictions:			
Undesignated	\$ 2,052,747	\$ -	\$ 2,052,747
Board-designated endowments	212,880	-	212,880
With donor restrictions:			
Perpetual in nature	-	13,702,917	13,702,917
Purpose restricted	-	13,541,247	13,541,247
Total Net Assets	<u>2,265,627</u>	<u>27,244,164</u>	<u>29,509,791</u>
Restatements:			
Net assets, July 1, 2019	(784,963)	784,963	-
Net investment income	(18,571)	18,571	-
Net assets released from restrictions	9,971	(9,971)	-
Net transfers among funds	26,878	(26,878)	-
Net assets, as restated	<u>\$ 1,498,942</u>	<u>\$ 28,010,849</u>	<u>\$ 29,509,791</u>

Note 14. Subsequent Events

The Foundation has evaluated subsequent events through October 21, 2021, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University College of Sciences Foundation, Inc.

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

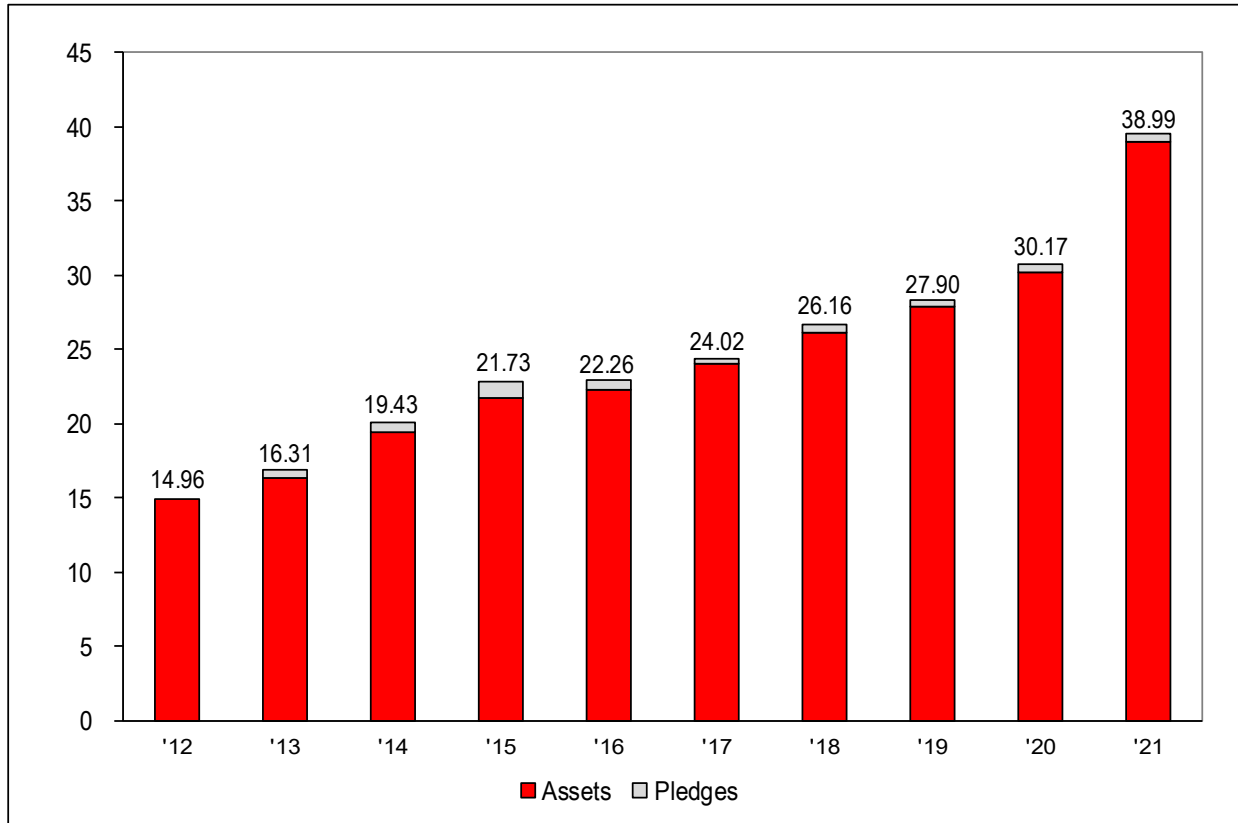
	Approved Budget	Actual	Variance Over/(Under)
Income			
Contributions	\$ 310,000	\$ 500,604	\$ 190,604
Endowment assessments	41,915	41,915	-
Interest income	60,000	60,000	-
Transfer from Essentials Building fund	178,725	-	(178,725)
Total Income	590,640	602,519	11,879
Support			
Program support	149,000	89,776	(59,224)
Foundation administration and development support	441,640	276,120	(165,520)
Total Support	590,640	365,896	(224,744)
Income Less than Support	-	236,623	236,623
General Fund Balance			
Beginning of year	1,318,655	1,318,655	-
End of year	\$ 1,318,655	\$ 1,555,278	\$ 236,623

North Carolina State University College of Sciences Foundation, Inc.

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

TOTAL ASSETS

(Dollars in Millions)



Not reflected above for FY '21 are contributions and gifts-in-kind of approximately \$2,737,000 which benefit the College of Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

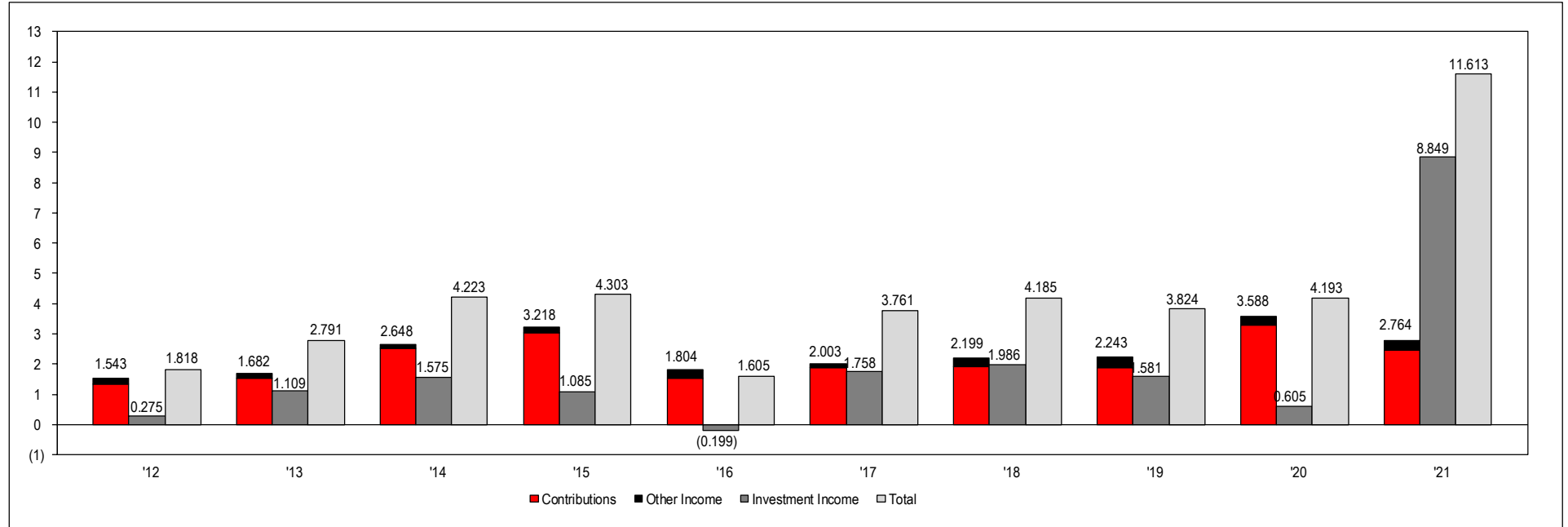
*Fiscal years 2013 - 2021 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

North Carolina State University College of Sciences Foundation, Inc.

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

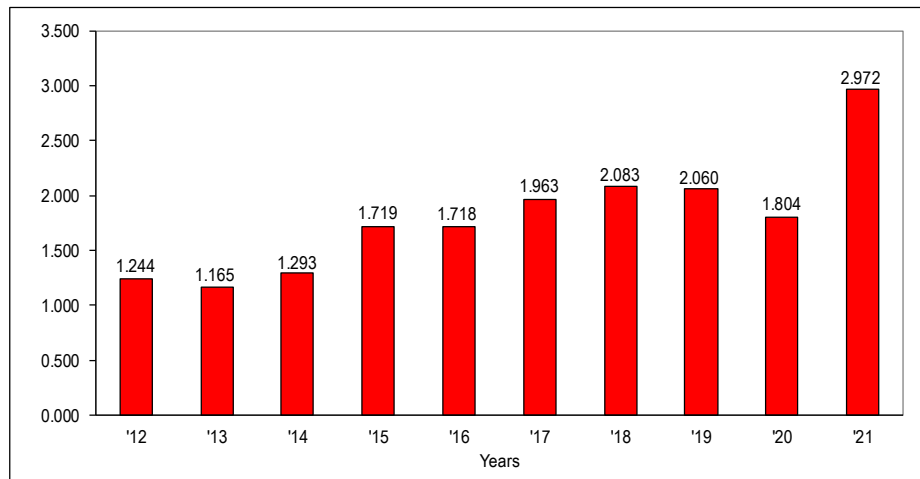
Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)



*Fiscal years 2013 - 2021 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.