

**NC STATE NATURAL  
RESOURCES FOUNDATION, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2021 and 2020**

**NC State Natural Resources Foundation, Inc.**

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

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
NC State Natural Resources Foundation, Inc.

We have audited the accompanying financial statements of NC State Natural Resources 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 NC State Natural Resources 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 14 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 24, 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 Overman Pierce, LLP*

Greensboro, North Carolina  
December 10, 2021

**NC State Natural Resources Foundation, Inc.**

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

	2021	2020
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 2,794,495	\$ 3,740,942
Intermediate investments (Note 1)	2,054,556	1,239,578
Long-term investments (Notes 1 and 3)	48,309,809	34,204,231
Pledges receivable, net (Notes 1 and 6)	930,948	331,294
Land and timber (Note 1)	764,673	764,673
Land improvements, net of accumulated depreciation of \$86,748 and \$78,487 as of June 30, 2021 and 2020, respectively (Note 1)	78,487	86,748
Equipment, net of accumulated depreciation of \$356,759 and \$351,880 as of June 30, 2021 and 2020, respectively (Note 1)	-	4,879
Other assets (Note 1)	213,071	193,800
<b>Total Assets</b>	<b>\$ 55,146,039</b>	<b>\$ 40,566,145</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - North Carolina State University (Note 1)	\$ 49,279	\$ 20,758
Life income funds payable (Note 7)	962,042	751,557
<b>Total Liabilities</b>	<b>1,011,321</b>	<b>772,315</b>
<b>Net Assets</b>		
Without Donor Restrictions:		
Undesignated	363,299	748,171
Board-designated endowments (Note 2)	6,142,475	4,442,406
With Donor Restrictions:		
Perpetual in nature (Note 10)	22,506,805	20,347,910
Purpose restricted (Note 10)	25,122,139	14,255,343
<b>Total Net Assets</b>	<b>54,134,718</b>	<b>39,793,830</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 55,146,039</b>	<b>\$ 40,566,145</b>

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 129,537	\$ 2,698,099	\$ 2,827,636
Change in pledges receivable, net (Note 6)	-	599,654	599,654
Donated salaries and facilities (Note 9)	536,000	-	536,000
Net investment income	1,947,645	11,743,035	13,690,680
Change in value of split interest agreements	-	(296,087)	(296,087)
Hofmann Forest operations (Note 8)	32,644	-	32,644
Other income	-	205,896	205,896
Net assets released from restrictions (Note 11)	1,938,755	(1,938,755)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>4,584,581</b>	<b>13,011,842</b>	<b>17,596,423</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	1,317,413	-	1,317,413
Faculty support and professorships	613,278	-	613,278
Departmental support	520,021	-	520,021
<b>Total Program Support</b>	<b>2,450,712</b>	<b>-</b>	<b>2,450,712</b>
Administrative	113,679	-	113,679
Fundraising	691,144	-	691,144
<b>Total Other Support</b>	<b>804,823</b>	<b>-</b>	<b>804,823</b>
<b>Total Support (Note 12)</b>	<b>3,255,535</b>	<b>-</b>	<b>3,255,535</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>1,329,046</b>	<b>13,011,842</b>	<b>14,340,888</b>
<b>Net Transfers</b>			
Among funds	(13,849)	13,849	-
<b>Total Net Transfers</b>	<b>(13,849)</b>	<b>13,849</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>1,315,197</b>	<b>13,025,691</b>	<b>14,340,888</b>
<b>Net Assets</b>			
Beginning of year	5,190,577	34,603,253	39,793,830
End of year	\$ 6,505,774	\$ 47,628,944	\$ 54,134,718

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

Statement of Activities

Year Ended June 30, 2020 (As Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 92,646	\$ 1,377,787	\$ 1,470,433
Change in pledges receivable, net (Note 6)	-	(31,000)	(31,000)
Donated salaries and facilities (Note 9)	517,000	-	517,000
Net investment income	195,404	518,775	714,179
Change in value of split interest agreements	-	81,028	81,028
Hofmann Forest operations (Note 8)	392,092	-	392,092
Other income	-	141,028	141,028
Net assets released from restrictions (Note 11)	1,735,109	(1,735,109)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>2,932,251</b>	<b>352,509</b>	<b>3,284,760</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	1,139,226	-	1,139,226
Faculty support and professorships	747,736	-	747,736
Departmental support	765,181	-	765,181
Hofmann Forest operations (Note 8)	69,784	-	69,784
<b>Total Program Support</b>	<b>2,721,927</b>	<b>-</b>	<b>2,721,927</b>
Administrative	117,009	-	117,009
Fundraising	721,014	-	721,014
<b>Total Other Support</b>	<b>838,023</b>	<b>-</b>	<b>838,023</b>
<b>Total Support (Note 12)</b>	<b>3,559,950</b>	<b>-</b>	<b>3,559,950</b>
<b>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(627,699)</b>	<b>352,509</b>	<b>(275,190)</b>
<b>Net Transfers</b>			
Among funds	8,777	(8,777)	-
<b>Total Net Transfers</b>	<b>8,777</b>	<b>(8,777)</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(618,922)</b>	<b>343,732</b>	<b>(275,190)</b>
<b>Net Assets</b>			
Beginning of year	5,809,499	34,259,521	40,069,020
End of year	\$ 5,190,577	\$ 34,603,253	\$ 39,793,830

See notes to financial statements.

**NC State Natural Resources Foundation, Inc.**

**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020 (As Restated)**

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 14,340,888	\$ (275,190)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for permanent endowment	(1,882,705)	(597,337)
Net investment income	(13,690,680)	(714,179)
Change in value of split interest agreements	296,087	(81,028)
Depreciation	13,140	20,918
Decrease (increase) in:		
Pledges receivable, net	(599,654)	31,000
Other assets	(19,271)	(13,761)
Increase (decrease) in:		
Accounts payable - North Carolina State University	28,521	4,316
<b>Net Cash Used in Operating Activities</b>	<b>(1,513,674)</b>	<b>(1,625,261)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	1,659,551	1,856,410
Purchases of investments	(2,908,296)	(822,117)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(1,248,745)</b>	<b>1,034,293</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	1,882,705	597,337
Investment income restricted for split interest agreements	18,869	27,488
Payments on life income fund obligations	(85,602)	(79,535)
<b>Net Cash Provided by Financing Activities</b>	<b>1,815,972</b>	<b>545,290</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(946,447)</b>	<b>(45,678)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	3,740,942	3,786,620
End of year	<b>\$ 2,794,495</b>	<b>\$ 3,740,942</b>
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated salaries and facilities	<b>\$ 536,000</b>	<b>\$ 517,000</b>

See notes to financial statements.



## NC State Natural Resources Foundation, Inc.

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

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

Nature of activities: NC State Natural Resources Foundation, Inc., (the “Foundation”) is one of a group of foundations that provides financial support exclusively to one or more of the colleges at North Carolina State University (the “University”). The Foundation was formed July 1, 2008 with the merger of The North Carolina Forestry Foundation, Inc. and the Pulp and Paper Foundation, Inc. The Foundation promotes education and research in the College of Natural Resources of North Carolina State University through tutorial services, faculty development programs, assistance in constructing needed facilities, and various other means as well as aids and promotes, by financial assistance and otherwise, all types of education, research, and extension in the College of Natural Resources.

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

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

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

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

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

Cash and cash equivalents 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 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 \$2,054,556 and \$1,239,578 at June 30, 2021 and 2020, respectively. The cost of these investments was \$2,025,840 and \$1,294,882 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 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.

**NC State Natural Resources Foundation, Inc.**

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

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

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.

Land and timber: Land and timber are recorded at appraised value at the date of contribution and are to be used for research, public recreation, and education in the natural sciences. Certain land and timber contributions are restricted and cannot be sold by the Foundation.

Land improvements: Land improvements are stated at cost, net of accumulated depreciation. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets, which is typically twenty years.

Equipment: Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets, which is typically five years.

Other assets: Other assets include beneficiary interest in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender values. Cash surrender values of these policies were \$211,331 and \$191,895 at June 30, 2021 and 2020, respectively. Other assets also include sales tax receivable.

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

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 \$178,000 and \$176,000 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.

**NC State Natural Resources Foundation, Inc.**

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

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

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.

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service ("IRS") 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 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the 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.

## NC State Natural Resources Foundation, Inc.

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

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#### Note 2. Endowment

The Foundation's endowment consists of approximately 260 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's Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. The Foundation has interpreted UPMIFA as requiring 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 permanent 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 to 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 (\$7,286) 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% MCSI ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end proceeding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation's policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$1,120,270 and \$1,143,880 for fiscal years 2021 and 2022, respectively.

**NC State Natural Resources Foundation, Inc.**

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

**Note 2. Endowment (continued)**

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

The LTIP is diversified both by asset class (e.g. common stocks and fixed income securities) and within asset classes (e.g., within common stocks by economic sector, geographic area, industry, quality, and size). In addition, the LTIP seeks to diversify exposure to all asset classes by hiring 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	\$ 4,442,406	\$ 30,070,149	\$ 34,512,555
Total investment return	1,871,034	11,743,388	13,614,422
Contributions, including change in accrued pledges and other income	-	2,259,673	2,259,673
Appropriations of endowment assets for expenditure	(170,965)	(1,270,540)	(1,441,505)
Change in value of split interest agreements	-	(296,087)	(296,087)
Other changes:			
Transfers	-	133,807	133,807
Endowment net assets, end of year	<u>\$ 6,142,475</u>	<u>\$ 42,640,390</u>	<u>\$ 48,782,865</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>
Donor-designated endowment funds:			
Corpus	\$ -	\$ 22,506,805	\$ 22,506,805
Appreciation	-	20,133,585	20,133,585
Board-designated endowment funds	6,142,475	-	6,142,475
Total funds	<u>\$ 6,142,475</u>	<u>\$ 42,640,390</u>	<u>\$ 48,782,865</u>

**NC State Natural Resources Foundation, Inc.**

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

**Note 2. Endowment (continued)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,744,138	\$ 29,985,416	\$ 34,729,554
Total investment return	95,813	518,776	614,589
Contributions, including change in accrued pledges and other income	-	594,047	594,047
Appropriations of endowment assets for expenditure	(397,545)	(1,243,465)	(1,641,010)
Change in value of split interest agreements	-	81,028	81,028
Other changes:			
Transfers	-	134,347	134,347
Endowment net assets, end of year	<u>\$ 4,442,406</u>	<u>\$ 30,070,149</u>	<u>\$ 34,512,555</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 20,347,910	\$ 20,347,910
Appreciation	-	9,729,525	9,729,525
Underwater	-	(7,286)	(7,286)
Board-designated endowment funds	4,442,406	-	4,442,406
Total funds	<u>\$ 4,442,406</u>	<u>\$ 30,070,149</u>	<u>\$ 34,512,555</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 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	\$ 438	\$ 438	\$ 27,431	\$ 27,431
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	18,689,975	46,634,663	17,420,570	32,806,331
Life Income Funds	1,355,879	1,674,708	1,377,439	1,370,469
	<u>\$ 20,046,292</u>	<u>\$ 48,309,809</u>	<u>\$ 18,825,440</u>	<u>\$ 34,204,231</u>

**NC State Natural Resources Foundation, Inc.**

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

**Note 4. Fair Value Measurement**

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

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

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

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

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

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

	2021			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 438	\$ -	\$ -	\$ 438
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	2,054,556	2,054,556
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	46,634,663	46,634,663
Life Income Funds	-	1,674,708	-	1,674,708
Beneficial Interest in Life Insurance Policies	-	-	211,331	211,331
	<b>\$ 438</b>	<b>\$ 1,674,708</b>	<b>\$ 48,900,550</b>	<b>\$ 50,575,696</b>

	2020			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 27,431	\$ -	\$ -	\$ 27,431
commonfund Intermediate Term Fund	-	1,239,578	-	1,239,578
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	32,806,331	32,806,331
Life Income Funds	-	1,370,469	-	1,370,469
Beneficial Interest in Life Insurance Policies	-	-	191,895	191,895
	<b>\$ 27,431</b>	<b>\$ 2,610,047</b>	<b>\$ 32,998,226</b>	<b>\$ 35,635,704</b>

**NC State Natural Resources Foundation, Inc.**

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

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

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

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

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

NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF") – This investment is a combination of publicly traded mutual funds valued at quoted market price and an investment in LTIP, valued as described below. The fair value classification of the ITF is considered Level 3 due to an investment in the LTIP, which is valued using significant unobservable inputs.

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 ("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	\$ -	\$ 32,806,331	\$ 191,895
Participant additions	2,000,000	2,044,820	-
Investment income	26,101	21,422	-
Realized gains	3,921	820,282	-
Unrealized appreciation	28,717	12,558,927	19,436
Participant withdrawals	(2,668)	(1,441,505)	-
Expenses	(1,515)	(175,614)	-
Ending balance	<u>\$ 2,054,556</u>	<u>\$ 46,634,663</u>	<u>\$ 211,331</u>



**NC State Natural Resources Foundation, Inc.**

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

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

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	\$ 33,105,873	\$ 172,914
Participant additions	715,000	-
Investment income	29,107	-
Realized gains	696,984	-
Unrealized appreciation	74,480	18,981
Participant withdrawals	(1,641,010)	-
Expenses	(174,103)	-
Ending balance	<u>\$ 32,806,331</u>	<u>\$ 191,895</u>

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

**Note 5. Financial Assets and Liquidity Resources**

The Foundation endowment funds consist of donor-designated endowments and board-designated endowments. Income from most donor-designated endowments is restricted for specific purposes and, therefore, is not available for general expenditures. 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 excess cash in short-term investments and money market funds.

The Foundation has board-designated endowments of approximately \$6.1 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$143,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$173,000 of appropriations from the board-designated endowments will be available within the next 12 months.

**NC State Natural Resources Foundation, Inc.**

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

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

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

Total assets, less nonfinancial assets	\$ 54,302,879
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(21,742,132)
Subject to appropriation and satisfaction of donor restrictions	(24,979,279)
Board-designated endowments	(5,971,510)
Total liabilities	<u>(1,011,321)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 598,637</u></u>

**Note 6. Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	2021	2020
Receivable in less than one year	\$ 378,798	\$ 135,227
Receivable in one to five years	608,800	215,559
Total pledges receivable, gross	<u>987,598</u>	<u>350,786</u>
Less allowance for uncollectible pledges	(50,000)	(18,000)
Less unamortized discount (discount rate of 0.07% to .84%)	(6,650)	(1,492)
Pledges receivable, net	<u><u>\$ 930,948</u></u>	<u><u>\$ 331,294</u></u>

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 represent \$500,000 and \$208,000 of the total undiscounted pledges receivable at June 30, 2021 and 2020, respectively.

**Note 7. Life Income Funds**

The financial statements include assets and liabilities of unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their deaths. 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 \$1,674,708 and \$1,370,469, respectively.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreement, and the life expectancy of the beneficiaries, and totaled \$962,042 and \$751,557 at June 30, 2021 and 2020, respectively. Payments from these funds were \$85,602 and \$79,535 during the years ended June 30, 2021 and 2020, respectively.

NC State Natural Resources Foundation, Inc.

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

**Note 8. Hofmann Forest Operations**

The Foundation manages the operations of the Hofmann Forest (the "Forest") on behalf of The Endowment Fund of North Carolina State University (the "Endowment Fund") under a 1987 agreement with no terms. The operations of the Forest consist primarily of land use leases and other forest management activities. All rights, title and interest in and to timber and timber byproducts were relinquished effective June 30, 2016 upon the signing of a timber deed. Any income from Forest operations is used at the Foundation's discretion to maintain the Forest and to support programs in the College of Natural Resources. The Foundation's board periodically approves amounts of unrestricted net assets to be designated for future Forest expenditures.

**Note 9. Donated Salaries and Facilities**

Donated salaries and facilities provided by the University for college development personnel in the amount of \$536,000 and \$517,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements.

**Note 10. 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	\$ 1,712,704	\$ 1,518,626
Faculty support and professorships	476,816	772,951
Pledges receivable	429,674	199,990
Other	2,327,180	2,181,373
	<u>4,946,374</u>	<u>4,672,940</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	211,331	191,895
Assets held under split-interest agreements, net	712,666	618,912
	<u>923,997</u>	<u>810,807</u>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	29,661,436	21,295,940
Faculty support and professorships	6,333,738	3,821,051
Pledges receivable	501,274	131,304
Other	5,262,125	3,871,211
	<u>41,758,573</u>	<u>29,119,506</u>
Total Net Assets With Donor Restrictions	<u>\$ 47,628,944</u>	<u>\$ 34,603,253</u>

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

NC State Natural Resources Foundation, Inc.

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

**Note 11. Net Assets Released From Donor Restrictions**

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

	2021	2020
Scholarships and fellowships	\$ 1,210,116	\$ 1,034,154
Faculty support and professorships	501,138	371,013
Departmental support	75,751	186,806
Administrative and fundraising	151,750	143,136
	<u>\$ 1,938,755</u>	<u>\$ 1,735,109</u>

**Note 12. Functional Expense**

The Foundation's primary program is to provide financial support to the College of Natural Resources. 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	\$ 1,939,688	\$ -	\$ 142,527	\$ 2,082,215
Legal	-	-	4,371	4,371
Accounting	-	88,000	-	88,000
Advertising	4,507	-	-	4,507
Office Expenses	10,897	-	1,997	12,894
Occupancy	3,240	-	-	3,240
Travel	7,168	-	59	7,227
Conferences and Meetings	4,538	-	-	4,538
Depreciation	13,140	-	-	13,140
Insurance	19,078	7,679	6,425	33,182
Departmental Equipment	48,820	-	-	48,820
Equipment Rental and Maintenance	51,644	-	-	51,644
Contracted Services	17,631	-	-	17,631
Miscellaneous Services and Fees	242,670	18,000	535,233	795,903
Printing and Binding	2,441	-	67	2,508
Dues and Subscriptions	4,948	-	26	4,974
Supplies	80,302	-	439	80,741
Total	<u>\$ 2,450,712</u>	<u>\$ 113,679</u>	<u>\$ 691,144</u>	<u>\$ 3,255,535</u>

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

**NC State Natural Resources Foundation, Inc.**

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

**Note 12. Functional Expense (continued)**

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

	<b>Total Program Support</b>	<b>Supporting Activities</b>		<b>Total Support</b>
		<b>Administrative Support</b>	<b>Fundraising Support</b>	
Grants	\$ 1,899,430	\$ -	\$ 137,705	\$ 2,037,135
Legal	-	-	10,135	10,135
Accounting	-	88,000	-	88,000
Advertising	4,092	-	-	4,092
Office Expenses	20,933	-	3,638	24,571
Occupancy	9,055	-	-	9,055
Travel	92,319	-	9,788	102,107
Conferences and Meetings	12,460	-	4,248	16,708
Depreciation	20,918	-	-	20,918
Insurance	37,162	7,009	6,687	50,858
Departmental Equipment	88,156	-	1,753	89,909
Equipment Rental and Maintenance	93,830	-	1,561	95,391
Contracted Services	19,389	-	18,525	37,914
Miscellaneous Services and Fees	283,720	22,000	514,993	820,713
Printing and Binding	13,683	-	6,050	19,733
Dues and Subscriptions	9,354	-	2,156	11,510
Supplies	117,426	-	3,775	121,201
<b>Total</b>	<b>\$ 2,721,927</b>	<b>\$ 117,009</b>	<b>\$ 721,014</b>	<b>\$ 3,559,950</b>

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

**Note 13. COVID-19**

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

**NC State Natural Resources Foundation, Inc.**

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

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**Note 14. Restatement of 2020 Financial Statements**

As a result of an internal review of the Foundation's net asset classifications as of June 30, 2020, it was discovered that the Net Assets without Donor Restrictions was overstated and Net Assets with Donor Restrictions was 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.

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets, as previously presented:			
Without donor restrictions:			
Undesignated	\$ 1,043,289	\$ -	\$ 1,043,289
Board-designated endowments	4,502,830	-	4,502,830
With donor restrictions:			
Perpetual in nature	-	20,322,910	20,322,910
Purpose restricted	-	13,924,801	13,924,801
Total net assets	5,546,119	34,247,711	39,793,830
Restatements:			
Net assets, July 1, 2019	(346,996)	346,996	-
Net investment income	(21,217)	21,217	-
Net assets released from restrictions	11,211	(11,211)	-
Net transfers among funds	1,460	(1,460)	-
Net assets, as restated	\$ 5,190,577	\$ 34,603,253	\$ 39,793,830

**Note 15. Subsequent Events**

The Foundation has evaluated events through December 10, 2021, the date which the financial statements were available to be issued, and there were none to report.

**SUPPLEMENTARY INFORMATION**

NC State Natural Resources Foundation, Inc.

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

	Approved Budget	Actual	Variance (Under)/Over
<b>Income</b>			
Hofmann income	\$ 300,000	\$ 32,644	\$ (267,356)
Investment income	60,000	48,000	(12,000)
CNR Enhancement Fund	90,000	120,451	30,451
Contributions	-	19	19
Endowment Spending Budget from Quasi	172,545	172,545	-
<b>Total Income</b>	<b>622,545</b>	<b>373,659</b>	<b>(248,886)</b>
<b>Expenses</b>			
Executive director - salary, benefits, operating	300,000	113,685	(186,315)
Natural Resources scholarships	40,000	40,000	-
College enhancement	50,000	27,123	(22,877)
College initiatives	120,000	82,893	(37,107)
Registration for solicitation	7,500	4,371	(3,129)
Auto expense	50,000	4,031	(45,969)
Meeting expenses	20,000	10,701	(9,299)
Audit and tax preparation expenses	19,500	19,500	-
Legal	5,000	-	(5,000)
Directors and officers insurance	7,250	7,679	429
Treasurer's Division support	68,500	68,500	-
<b>Total Expenses</b>	<b>687,750</b>	<b>378,483</b>	<b>(309,267)</b>
<b>Income Less Expenses</b>	<b>(65,205)</b>	<b>(4,824)</b>	<b>60,381</b>
Net change in market value on quasi endowment	-	1,544,381	1,544,381
<b>General Fund Balance - Beginning of Year</b>			
Cash	84,420	84,420	-
CNR Endowment	4,326,915	4,326,915	-
<b>Total Beginning General Fund Balance</b>	<b>4,411,335</b>	<b>4,411,335</b>	<b>-</b>
<b>General Fund Balance - End of Year</b>			
Cash	19,215	79,596	60,381
CNR Endowment	4,326,915	5,871,296	1,544,381
<b>Total Ending General Fund Balance</b>	<b>\$ 4,346,130</b>	<b>\$ 5,950,892</b>	<b>\$ 1,604,762</b>

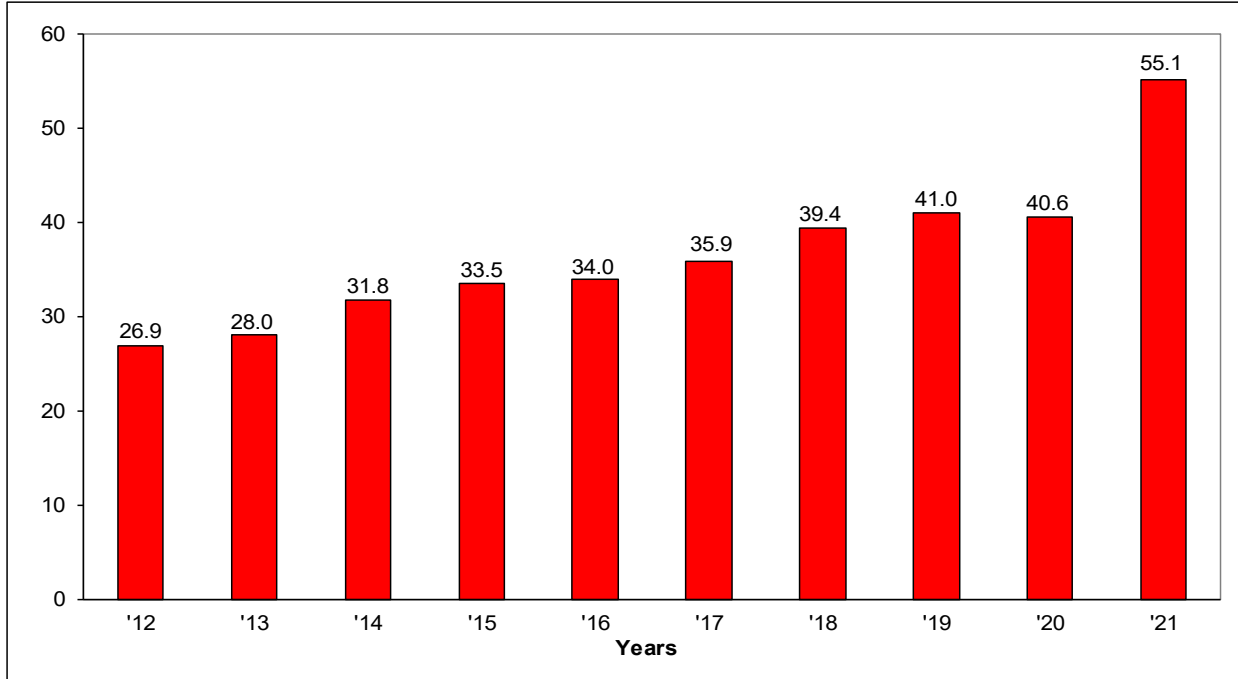


**NC State Natural Resources Foundation, Inc.**

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

**Total Assets**

(Dollars in Millions)

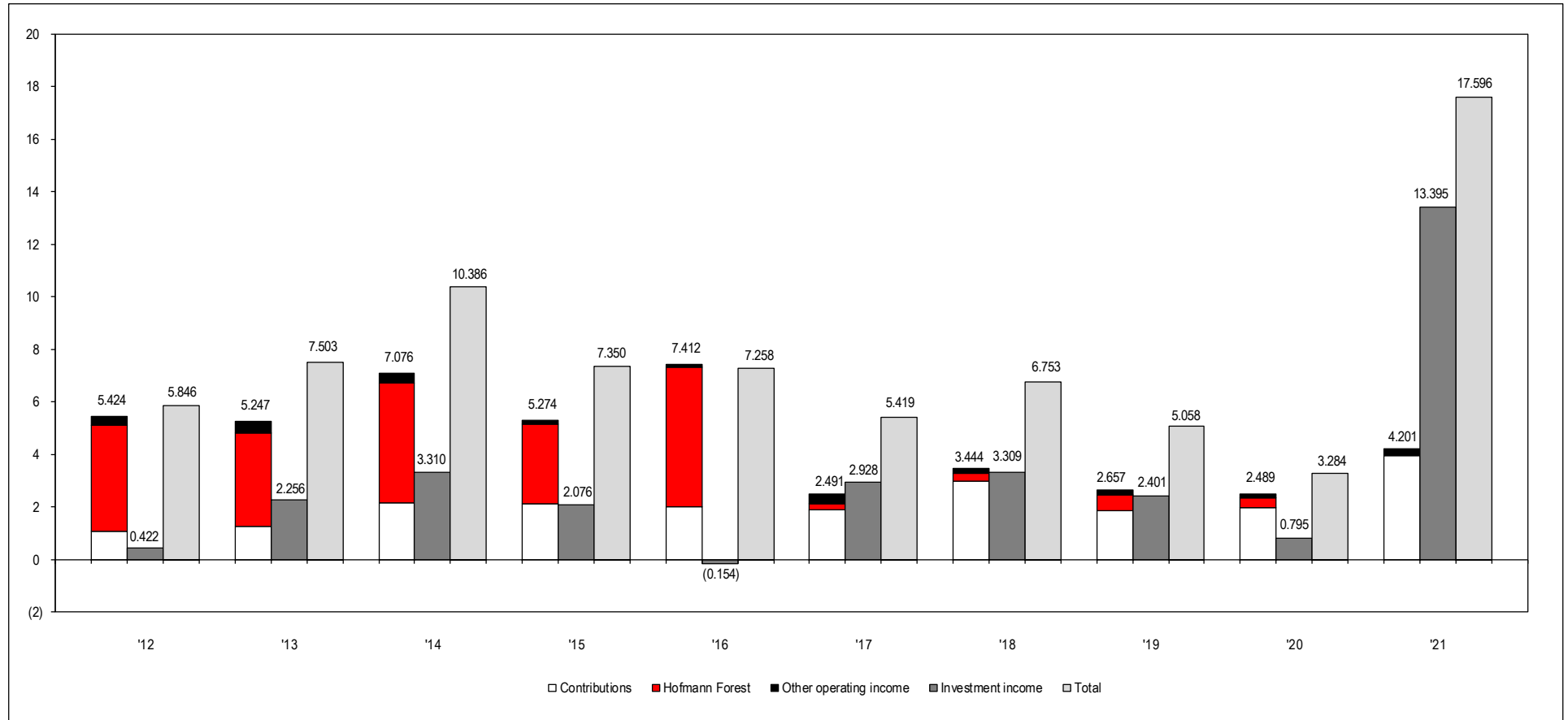


**NC State Natural Resources Foundation, Inc.**

**Ten Year Summary of Revenues - Unaudited  
Years Ended June 30**

**Total Revenues, Gains, and Other Income**

(Dollars in Millions)

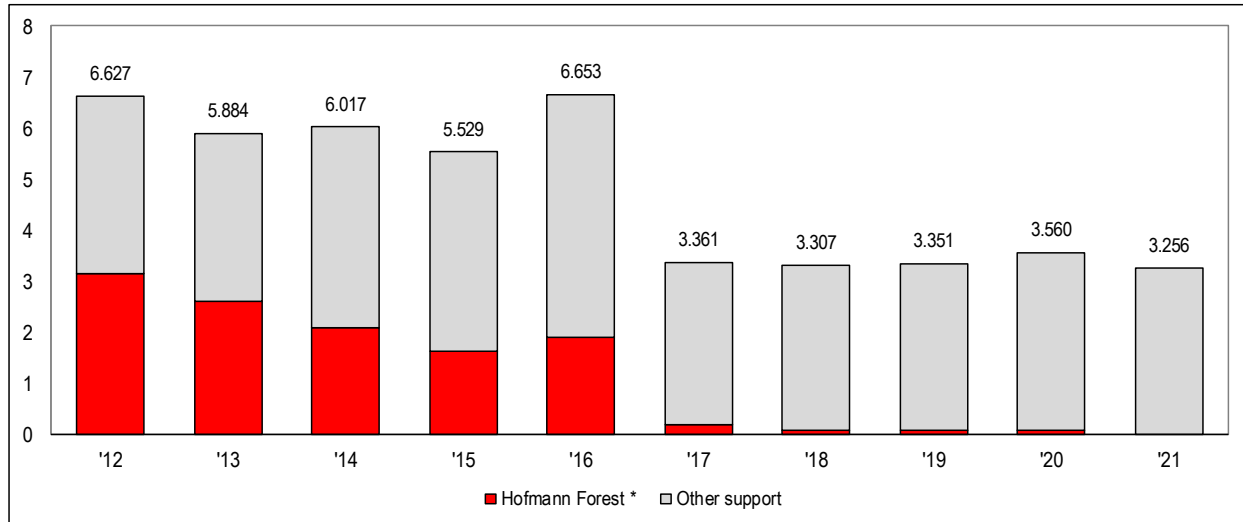


# NC State Natural Resources Foundation, Inc.

## Ten Year Summary of Support - Unaudited Years Ended June 30

### Total Support

(Dollars in Millions)



\*Effective June 30, 2016, The Endowment Fund entered into a timber deed, receiving approximately \$78 million in exchange for all rights, title and interest in and to all timber and timber byproducts until June 30, 2066. Proceeds from the timber deed were endowed in the Endowment Fund and future spending from this endowment will benefit the College of Natural Resources.