

**NORTH CAROLINA TEXTILE  
FOUNDATION, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2021 and 2020**

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

**Contents**

---

<b>Independent Auditors' Report</b>	1 - 2
-------------------------------------	-------

---

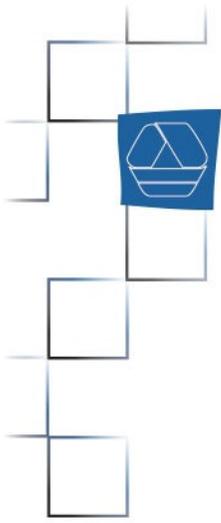
**Financial Statements**

Statements of Assets, Liabilities and Net Assets – Modified Cash Basis	3
Statements of Revenues, Gains and Other Income, Support and Change in Net Assets – Modified Cash Basis	4 - 5
Statements of Cash Flows – Modified Cash Basis	6
Notes to Financial Statements – Modified Cash Basis	7 - 17

---

**Supplementary Information**

Ten Year Summary of Asset Growth – Unaudited	18
Ten Year Summary of Revenues – Unaudited	19
Ten Year Summary of Support – Unaudited	20



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
North Carolina Textile Foundation, Inc.

We have audited the accompanying financial statements of North Carolina Textile Foundation, Inc. (the "Foundation"), which comprise the statements of assets, liabilities and net assets – modified cash basis as of June 30, 2021 and 2020, and the related statements of revenues, gains and other income, support and change in net assets – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements – modified cash basis.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities and net assets of North Carolina Textile Foundation, Inc., as of June 30, 2021 and 2020, and its revenue, gains and other income and support for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this 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 18 through 20, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
November 5, 2021

**North Carolina Textile Foundation, Inc.**

**Statements of Assets, Liabilities and Net Assets - Modified Cash Basis  
June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 1,695,658	\$ 175,881
Intermediate investments (Note 1)	2,026,352	2,006,566
Long-term investments (Notes 1 and 3)	85,871,218	66,058,100
Annuity contract (Notes 1 and 4)	115,162	130,162
Equipment, net of accumulated depreciation of \$25,246 and \$22,237 as of June 30, 2021 and 2020, respectively (Note 1)	7,659	10,668
Other assets (Note 1)	50,241	45,166
<b>Total Assets</b>	<b>\$ 89,766,290</b>	<b>\$ 68,426,543</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - North Carolina State University (Note 1)	\$ 6,153	\$ -
Life income funds payable (Note 6)	461,099	483,732
<b>Total Liabilities</b>	<b>467,252</b>	<b>483,732</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	6,539,783	5,348,697
With donor restrictions:		
Perpetual in nature (Note 8)	40,761,671	35,371,226
Purpose restricted (Note 8)	41,997,584	27,222,888
<b>Total Net Assets</b>	<b>89,299,038</b>	<b>67,942,811</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 89,766,290</b>	<b>\$ 68,426,543</b>

See notes to financial statements.

North Carolina Textile Foundation, Inc.

Statement of Revenues, Gains and Other Income, Support and Change in Net Assets – Modified Cash Basis  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ -	\$ 6,515,876	\$ 6,515,876
Donated salaries, services and facilities (Note 7)	71,000	-	71,000
Net investment income	1,585,127	16,200,398	17,785,525
Change in value of split interest agreements	-	(34,267)	(34,267)
Other income	245	96,774	97,019
Net assets released from restrictions (Note 9)	2,937,303	(2,937,303)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>4,593,675</b>	<b>19,841,478</b>	<b>24,435,153</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	965,137	-	965,137
Faculty support and professorships	219,483	-	219,483
Departmental support	1,021,004	-	1,021,004
<b>Total Program Support</b>	<b>2,205,624</b>	<b>-</b>	<b>2,205,624</b>
Administrative	485,888	-	485,888
Fundraising	387,414	-	387,414
<b>Total Other Support</b>	<b>873,302</b>	<b>-</b>	<b>873,302</b>
<b>Total Support (Note 10)</b>	<b>3,078,926</b>	<b>-</b>	<b>3,078,926</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>1,514,749</b>	<b>19,841,478</b>	<b>21,356,227</b>
<b>Net Transfers</b>			
Among funds	(323,663)	323,663	-
<b>Total Net Transfers</b>	<b>(323,663)</b>	<b>323,663</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>1,191,086</b>	<b>20,165,141</b>	<b>21,356,227</b>
<b>Net Assets</b>			
Beginning of year	5,348,697	62,594,114	67,942,811
End of year	\$ 6,539,783	\$ 82,759,255	\$ 89,299,038

See notes to financial statements.

North Carolina Textile Foundation, Inc.

Statement of Revenues, Gains and Other Income, Support and Change in Net Assets – Modified Cash Basis  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 34,807	\$ 6,137,036	\$ 6,171,843
Donated salaries, services and facilities (Note 7)	593,000	-	593,000
Net investment income	234,059	2,157,472	2,391,531
Change in value of split interest agreements	5,433	(4,529)	904
Other income	22,075	900	22,975
Net assets released from restrictions (Note 9)	2,994,225	(2,994,225)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>3,883,599</b>	<b>5,296,654</b>	<b>9,180,253</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	1,017,227	-	1,017,227
Faculty support and professorships	158,214	-	158,214
Departmental support	1,254,514	-	1,254,514
Capital support	152,204	-	152,204
<b>Total Program Support</b>	<b>2,582,159</b>	<b>-</b>	<b>2,582,159</b>
Administrative	937,350	-	937,350
Fundraising	636,602	-	636,602
<b>Total Other Support</b>	<b>1,573,952</b>	<b>-</b>	<b>1,573,952</b>
<b>Total Support (Note 10)</b>	<b>4,156,111</b>	<b>-</b>	<b>4,156,111</b>
<b>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(272,512)</b>	<b>5,296,654</b>	<b>5,024,142</b>
<b>Net Transfers</b>			
Among funds	30,487	(30,487)	-
<b>Total Net Transfers</b>	<b>30,487</b>	<b>(30,487)</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(242,025)</b>	<b>5,266,167</b>	<b>5,024,142</b>
<b>Net Assets</b>			
Beginning of year	5,590,722	57,327,947	62,918,669
End of year	<b>\$ 5,348,697</b>	<b>\$ 62,594,114</b>	<b>\$ 67,942,811</b>

See notes to financial statements.

**North Carolina Textile Foundation, Inc.**

**Statements of Cash Flows - Modified Cash Basis  
Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 21,356,227	\$ 5,024,142
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,009	3,461
Net investment income	(17,785,525)	(2,391,531)
Change in value of split interest agreements	34,267	(904)
Contributions restricted for permanent endowment	(5,332,025)	(3,723,964)
Decrease (increase) in:		
Annuity contract	15,000	(130,162)
Other assets	(5,075)	369
Increase (decrease) in:		
Accounts payable - North Carolina State University	6,153	-
<b>Net Cash Used in Operating Activities</b>	<u>(1,707,969)</u>	<u>(1,218,589)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	19,054,668	9,813,149
Purchases of investments	(21,108,085)	(12,145,755)
<b>Net Cash Used in Investing Activities</b>	<u>(2,053,417)</u>	<u>(2,332,606)</u>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	5,332,025	3,723,964
Investment income restricted for split interest agreements	6,038	8,755
Payments on life income fund obligations	(56,900)	(56,899)
<b>Net Cash Provided by Financing Activities</b>	<u>5,281,163</u>	<u>3,675,820</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,519,777	124,625
<b>Cash and Cash Equivalents</b>		
Beginning of year	175,881	51,256
End of year	<u>\$ 1,695,658</u>	<u>\$ 175,881</u>
<b>Supplemental Disclosure of Noncash Activities:</b>		
Donated salaries, services and facilities	<u>\$ 71,000</u>	<u>\$ 593,000</u>

See notes to financial statements.

## North Carolina Textile Foundation, Inc.

### Notes to Financial Statements – Modified Cash Basis For the Years Ended June 30, 2021 and 2020

---

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

Nature of activities: North Carolina Textile Foundation, Inc. (the “Foundation”) is a not-for-profit corporation organized in 1942 to promote the welfare, future development and reputation of the College of Textiles (the “College”) at North Carolina State University (the “University”). The Foundation supports the College by providing funds for scholarships to deserving undergraduate and graduate students, recruitment and retention of highly qualified educators and researchers and the acquisition and maintenance of state-of-the-art equipment and facilities for research and education.

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 modified cash basis of accounting. As the Foundation applied this basis, contributions are recognized when collected, rather than when rights to receive accrue to the Foundation. Expenses are recognized when paid rather than when incurred. Therefore, pledges receivable and accrued vendor payables are not included in the financial statements. The significant modifications to the cash basis are the recognition of accrued investment income, unrealized gains and losses on investments, the recording of the cash surrender value of life insurance policies, the recording of beneficial interest in charitable remainder trust and the recording of donated salaries, services and facilities. Therefore, the accompanying financial statements are not intended to present financial position or changes in net assets in conformity 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 of 90 days or less to be cash equivalents. Cash designated or restricted for long-term purposes is included with long-term investments. At times, the Foundation places deposits with a high-quality financial institution that may be in excess of federal insurance limits.

Cash and cash equivalents consisted of accounts with the State Treasurer’s Short Term Investment Fund (“STIF”), TowneBank and First Horizon Bank. 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 cash and short term bond funds. These investments are reported at readily determinable fair values of \$2,026,352 and \$2,006,566 at June 30, 2021 and 2020, respectively. The cost of these investments was \$2,020,986 and \$2,009,495 as of June 30, 2021 and 2020, respectively.

Long-term investments: Long-term investments consist of marketable equity securities, fixed income securities and mutual funds and are stated at fair value based on readily determinable fair values and are held at Brown Brothers Harriman (“BBH”). In addition, the Foundation has planned giving instruments invested with TIAA Kaspick.

**North Carolina Textile Foundation, Inc.**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended June 30, 2021 and 2020**

---

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

Annuity contract: An annuity contract was purchased to cover the estimated payments on a large charitable gift annuity.

Equipment: Equipment is stated at cost. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets, which is typically 5 to 7 years.

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 values. Cash surrender values of these policies were \$50,241 and \$45,166 at June 30, 2021 and 2020, respectively.

Accounts payable – North Carolina State University: Accounts payable to the University includes 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 revenues, gains and other income, support and change in net assets.

The Foundation has a gift assessment program that supports Central Development and college-level fundraising efforts. For the years ended June 30, 2021 and 2020, a one-time fee of 7% was assessed on gifts that support current operations and facilities, with 4% designated for Central Development and 3% designated to the fundraising entity receiving the gift.

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. 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 Foundation’s gift assessment program, an annual fee is assessed on the average three year ending market value of assets held in the endowment investment portfolio. For the years ended June 30, 2021 and 2020, the annual fee was 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts. An additional assessment for operations may be applied annually at the Foundation’s Board of Directors’ (the “Board”) discretion.

Estimates: The preparation of financial statements 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 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.

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended June 30, 2021 and 2020**

---

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

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 August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported change in net assets.

**Note 2. Endowment**

The Foundation’s endowment consists of approximately 120 individual funds established for a variety of purposes related to the mission of the University. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation’s signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets perpetual in nature (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment funds that is not classified in net assets perpetual in nature is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation’s endowment spending policy.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance to the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. We have 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 (\$558) 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 Foundation must hold in perpetuity or for donor-specified periods.

North Carolina Textile Foundation, Inc.

Notes to Financial Statements – Modified Cash Basis  
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 endowment assets and to meet the spending needs of the University. To meet this investment objective, the Foundation has employed the investment strategy of diversifying within a modeled asset allocation range and reviewing the investment policy and performance regularly. The composition at any given time is dependent upon a number of factors, including the amount available for investment and current market conditions.

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of a three year rolling average of the market value of the Foundation's endowments at year-end, less contributions received that year. 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 5% 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. Spending budgets were calculated at approximately \$2.05 million and \$2.50 million for fiscal years 2021 and 2022, respectively.

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	\$ 5,263,402	\$ 60,123,031	\$ 65,386,433
Total investment return	1,555,411	16,216,166	17,771,577
Contributions, including other income	-	5,602,025	5,602,025
Appropriations of endowment assets for expenditure	(375,114)	(2,874,857)	(3,249,971)
Change in value of split interest agreements	-	(34,267)	(34,267)
Other changes:			
Transfers	(9,120)	55,885	46,765
Endowment net assets, end of year	<u>\$ 6,434,579</u>	<u>\$ 79,087,983</u>	<u>\$ 85,522,562</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds			
Corpus	\$ -	\$ 40,761,671	\$ 40,761,671
Appreciation	6,434,579	38,326,312	44,760,891
Total funds	<u>\$ 6,434,579</u>	<u>\$ 79,087,983</u>	<u>\$ 85,522,562</u>

North Carolina Textile Foundation, Inc.

Notes to Financial Statements – Modified Cash Basis  
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	\$ 5,501,392	\$ 56,184,721	\$ 61,686,113
Total investment return	228,705	2,172,071	2,400,776
Contributions, including other income	-	3,723,964	3,723,964
Appropriations of endowment assets for expenditure	(457,697)	(1,967,694)	(2,425,391)
Change in value of split interest agreements	-	(37,150)	(37,150)
Other changes:			
Transfers	(691)	47,119	46,428
SIA	(8,307)	-	(8,307)
Endowment net assets, end of year	<u>\$ 5,263,402</u>	<u>\$ 60,123,031</u>	<u>\$ 65,386,433</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	\$ -	\$ 35,371,226	\$ 35,371,226
Appreciation	5,263,402	24,752,363	30,015,765
Underwater endowments	-	(558)	(558)
Total funds	<u>\$ 5,263,402</u>	<u>\$ 60,123,031</u>	<u>\$ 65,386,433</u>

**Note 3. Long-Term Investments**

The Foundation invests in a combination of stocks, fixed income securities, money market funds and other 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 assets, liabilities and net assets – modified cash basis.

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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
BBH Long-Term Investments	\$ 61,959,456	\$ 85,382,888	\$ 52,388,460	\$ 65,620,604
Life Income Funds	418,533	488,330	436,331	437,496
	<u>\$ 62,377,989</u>	<u>\$ 85,871,218</u>	<u>\$ 52,824,791</u>	<u>\$ 66,058,100</u>

**North Carolina Textile Foundation, Inc.**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended June 30, 2021 and 2020**

**Note 4. Fair Value Measurement**

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

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

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

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

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

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

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
BBH Intermediate Investments	\$ 2,026,352	\$ -	\$ -	\$ 2,026,352
BBH Long-Term Investments	17,981,140	14,963,228	52,438,520	85,382,888
Life Income Funds	-	488,330	-	488,330
Annuity Contract	-	-	115,162	115,162
Beneficial Interest in Life Insurance Policies	-	-	50,241	50,241
	<b>\$ 20,007,492</b>	<b>\$ 15,451,558</b>	<b>\$ 52,603,923</b>	<b>\$ 88,062,973</b>

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
BBH Intermediate Investments	\$ 1,509,496	\$ 497,070	\$ -	\$ 2,006,566
BBH Long-Term Investments	19,156,626	8,269,115	38,194,863	65,620,604
Life Income Funds	-	437,496	-	437,496
Annuity Contract	-	-	130,162	130,162
Beneficial Interest in Life Insurance Policies	-	-	45,166	45,166
	<b>\$ 20,666,122</b>	<b>\$ 9,203,681</b>	<b>\$ 38,370,191</b>	<b>\$ 68,239,994</b>

**North Carolina Textile Foundation, Inc.**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended June 30, 2021 and 2020**

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

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

	2021		
	BBH Long-Term Investments	Annuity Contract	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 38,194,863	\$ 130,162	\$ 45,166
Contributions	10,575,152	-	-
Realized gain	3,767,852	-	-
Unrealized gain/(loss)	9,753,987	-	5,075
Distributions	(9,853,334)	(15,000)	-
Ending balance	<u>\$ 52,438,520</u>	<u>\$ 115,162</u>	<u>\$ 50,241</u>
	2020		
	BBH Long-Term Investments	Annuity Contract	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 39,019,846	\$ -	\$ 45,535
Contributions	7,033,251	130,162	-
Realized gain	1,757,418	-	-
Unrealized gain/(loss)	423,659	-	(369)
Distributions	(10,039,311)	-	-
Ending balance	<u>\$ 38,194,863</u>	<u>\$ 130,162</u>	<u>\$ 45,166</u>

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

BBH Intermediate Investments – A combination of cash and short term bonds valued at quoted market prices.

BBH Long-Term Investments – A combination of cash, fixed income securities, exchange-traded equity and mutual funds valued at quoted at market prices as well as alternative investments measured by the Net Asset Value provided by the investment company.

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

Annuity Contract – Valued using cash purchase price of contract less payments to date.

Beneficial Interest in Life Insurance Policies – Valued based on the cash surrender value of the policies. Because these values are based on significant unobservable inputs, they are categorized in Level 3 of the fair value hierarchy.

## North Carolina Textile Foundation, Inc.

### Notes to Financial Statements – Modified Cash Basis 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; income of which 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.

As described in Note 2, the endowments have a spending rate of 4%. Approximately \$240,000 from unrestricted donor-designated endowments and approximately \$944,000 from assessment fees will be available within the next 12 months.

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

Total assets, less nonfinancial assets	\$ 89,758,631
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(40,761,671)
Subject to appropriation and satisfaction of donor restrictions	(47,248,048)
Total liabilities	<u>(467,252)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,281,660</u>

#### Note 6. Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities for which the Foundation is the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2021 and 2020 have asset balances of \$488,330 and \$437,496, respectively.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$461,099 and \$483,732 at June 30, 2021 and 2020, respectively. Payments from these funds were \$56,900 and \$56,899 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 in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2021 and 2020, the CGA reserve balance was \$9,121 and \$9,120, respectively.

#### Note 7. Donated Salaries, Services and Facilities

Donated services in the amount of \$15,000 and \$0 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements for services provided by the University Finance Division. In addition, donated salaries and facilities provided by the University for college development in the amount of \$56,000 and \$593,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements.

**North Carolina Textile Foundation, Inc.**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended June 30, 2021 and 2020**

**Note 8. Net Assets With Donor Restrictions**

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

	<b>2021</b>	<b>2020</b>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	<b>\$ 1,239,038</b>	\$ 908,050
Faculty support and professorships	<b>249,049</b>	23,484
Other	<b>2,132,944</b>	1,502,648
	<b>3,621,031</b>	2,434,182
Subject to passage of time:		
Beneficial interest in life insurance policies	<b>50,241</b>	-
Assets held under split-interest agreements, net	<b>27,231</b>	(55,357)
Annuity contract	<b>115,162</b>	130,162
	<b>192,634</b>	74,805
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	<b>35,121,202</b>	27,673,197
Faculty support and professorships	<b>9,251,328</b>	7,659,604
Wilson College of Textiles Endowment	<b>24,686,654</b>	16,596,873
Other	<b>9,886,406</b>	8,155,453
	<b>78,945,590</b>	60,085,127
Total Net Assets With Donor Restrictions	<b>\$ 82,759,255</b>	\$ 62,594,114

The "Other" grouping includes amounts designated for general college support, general University support and funds with multiple purposes.

**Note 9. 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:

	<b>2021</b>	<b>2020</b>
Scholarships and fellowships	<b>\$ 965,137</b>	\$ 1,017,227
Faculty support and professorships	<b>219,483</b>	158,214
Departmental support	<b>1,017,992</b>	910,766
Capital support	<b>-</b>	152,204
Administrative and fundraising	<b>734,691</b>	755,814
	<b>\$ 2,937,303</b>	\$ 2,994,225

North Carolina Textile Foundation, Inc.

Notes to Financial Statements – Modified Cash Basis  
For the Years Ended June 30, 2021 and 2020

**Note 10. Functional Expense**

The Foundation's primary program is to provide financial support to the various colleges within the University, the libraries, and other University-related functions at NC State University. Expenses by functional classification for the year ended June 30, 2021 were as follows:

	<b>Supporting Activities</b>			
	<b>Total</b>			
	<b>Program Support</b>	<b>Administrative Support</b>	<b>Fundraising Support</b>	<b>Total Support</b>
Grants	\$ 1,194,652	\$ 285,041	\$ 332,371	\$ 1,812,064
Legal	-	1,825	-	1,825
Accounting	-	89,325	-	89,325
Advertising	3,839	-	4,600	8,439
Office Expenses	124,157	6,712	4,886	135,755
Occupancy	22,537	-	-	22,537
Travel	2,324	-	7,652	9,976
Conferences and Meetings	7,708	-	8,520	16,228
Depreciation	3,009	-	-	3,009
Insurance	25,462	7,518	-	32,980
Departmental Equipment	104,134	2,126	-	106,260
Equipment Rental and Maintenance	66,715	-	-	66,715
Contracted Services	17,073	6,000	1,500	24,573
Miscellaneous Services and Fees	563,440	84,597	15,467	663,504
Printing and Binding	11,542	-	5,046	16,588
Dues and Subscriptions	5,128	2,110	564	7,802
Supplies	53,904	634	6,808	61,346
Total	<u>\$ 2,205,624</u>	<u>\$ 485,888</u>	<u>\$ 387,414</u>	<u>\$ 3,078,926</u>

Grants include scholarships, fellowships and salary support. Miscellaneous Services and Fees include University Advancement's portion of gift assessments.

North Carolina Textile Foundation, Inc.

Notes to Financial Statements – Modified Cash Basis  
For the Years Ended June 30, 2021 and 2020

**Note 10. 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	\$ 2,289,073	\$ 558,981	\$ 225,105	\$ 3,073,159
Accounting	-	45,257	-	45,257
Office Expenses	-	6,185	16,358	22,543
Travel	-	4,583	76,848	81,431
Conferences and Meetings	-	2,152	7,236	9,388
Depreciation	3,461	-	-	3,461
Insurance	-	6,274	-	6,274
Miscellaneous Services and Fees	137,421	303,019	311,055	751,495
Dues and Subscriptions	-	2,700	-	2,700
Supplies	-	8,199	-	8,199
Capital Transfers	152,204	-	-	152,204
Total	\$ 2,582,159	\$ 937,350	\$ 636,602	\$ 4,156,111

Grants include scholarships, fellowships and salary support. Miscellaneous Services and Fees include University Advancement's portion of gift assessments.

**Note 11. 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.

**Note 12. Subsequent Events**

The Foundation has evaluated subsequent events through November 5, 2021, the date which the financial statements were available to be issued, and there were none to report.

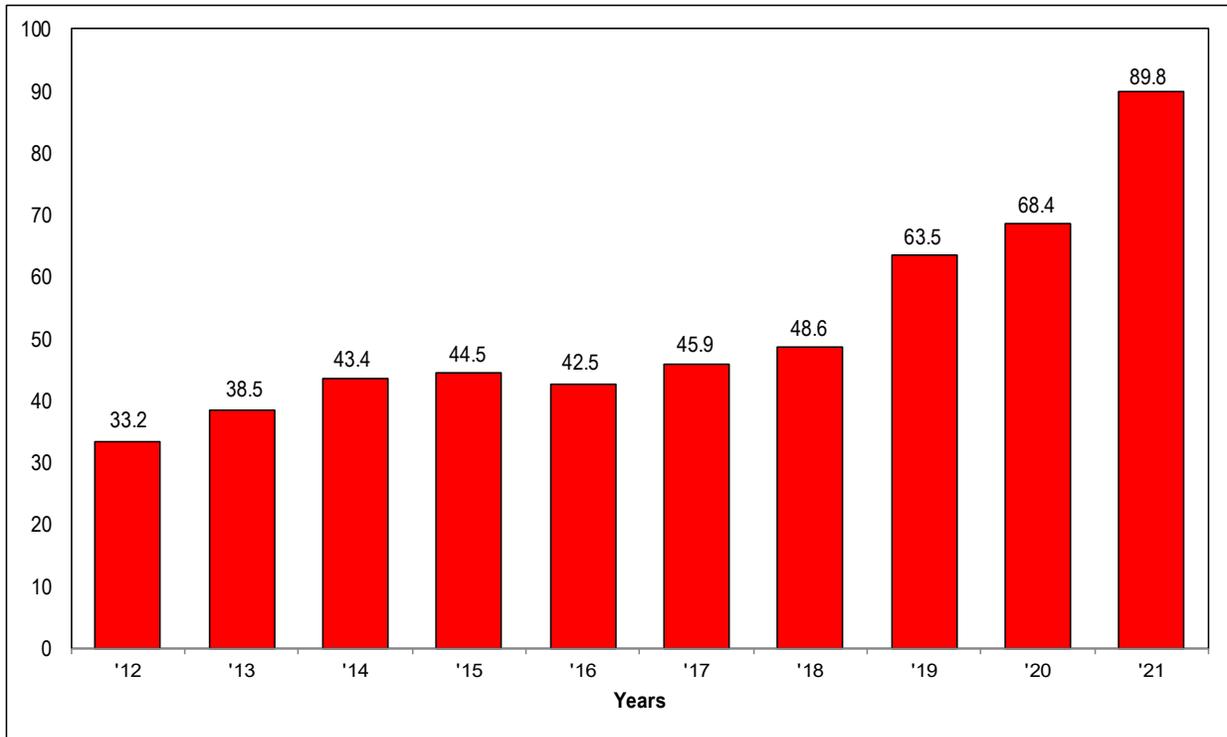
## **SUPPLEMENTARY INFORMATION**

**North Carolina Textile Foundation, Inc.**

**Ten Year Summary of Asset Growth - Unaudited  
Years Ended June 30**

**Total Assets**

(Dollars in Millions)

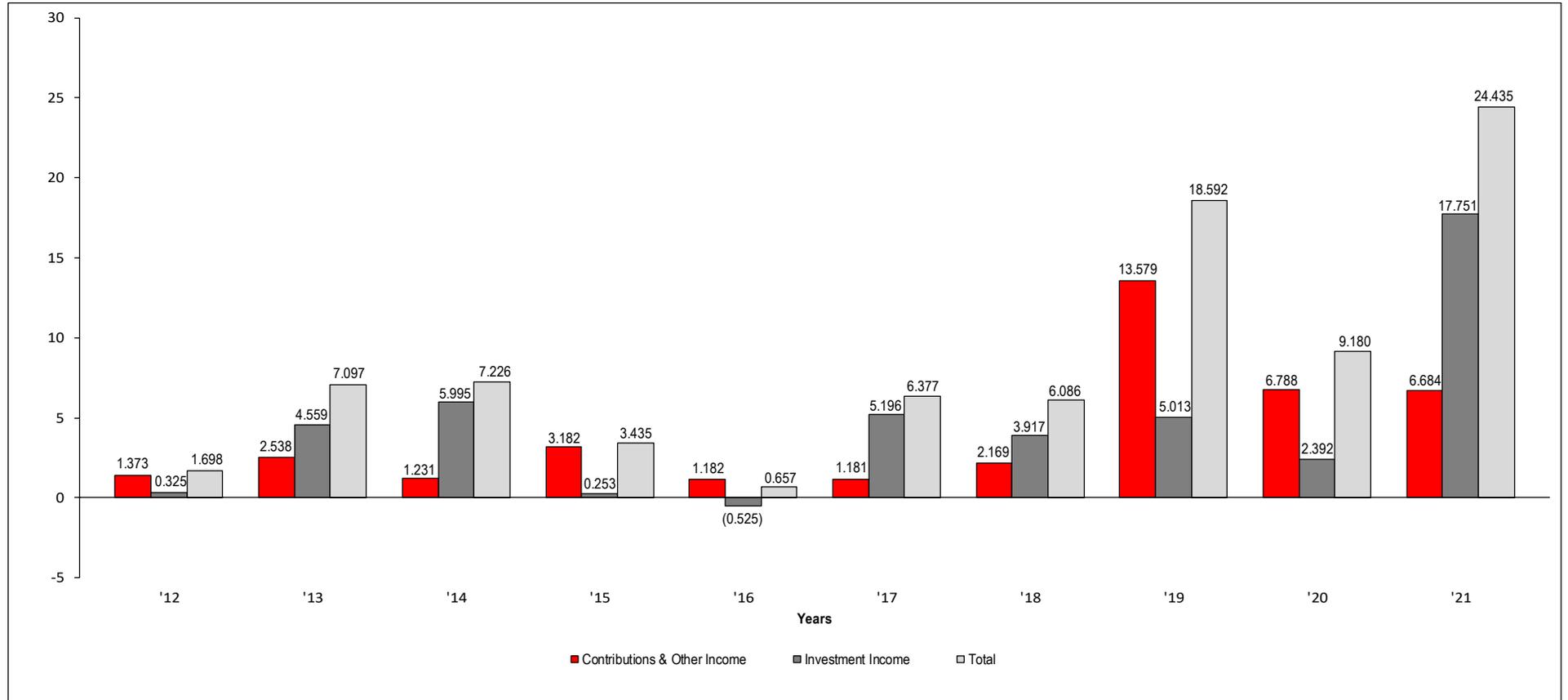


North Carolina Textile Foundation, Inc.

Ten Year Summary of Revenues - Unaudited  
Years Ended June 30

Total Revenues, Gains, and Other Income

(Dollars in Millions)



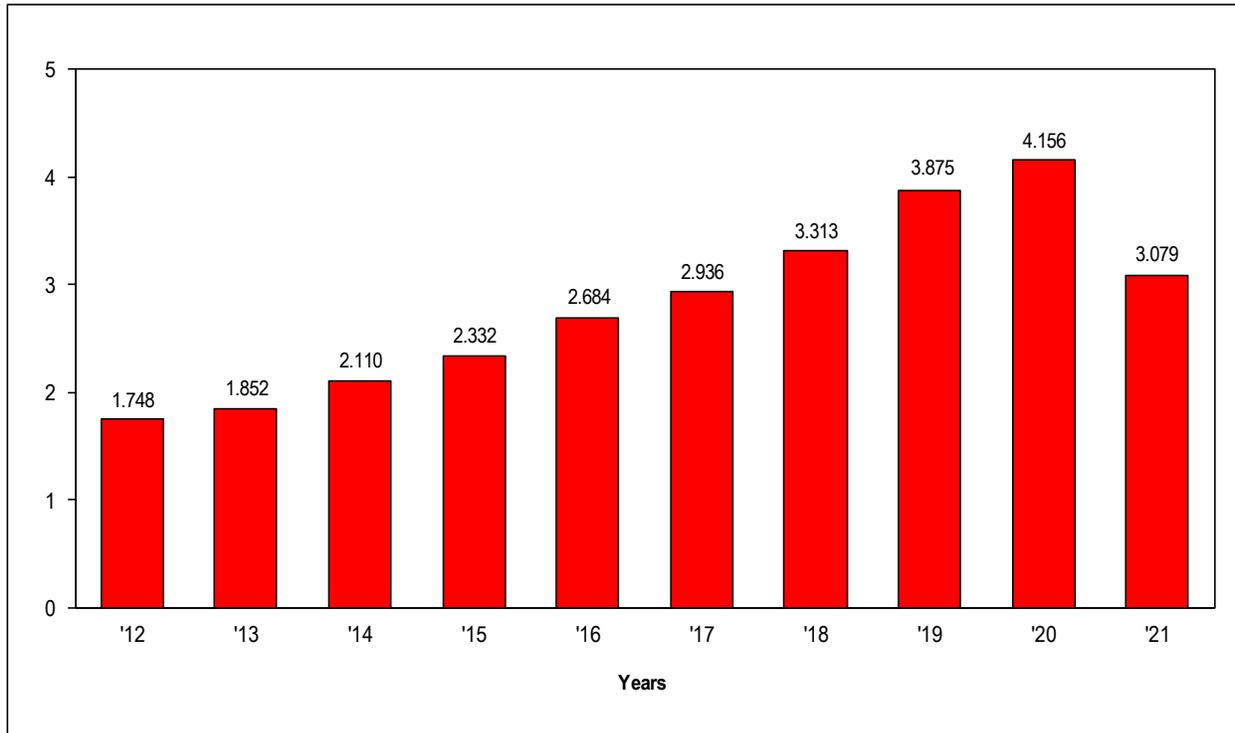
FY 20 and forward includes donated services, salaries and facilities.

**North Carolina Textile Foundation, Inc.**

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

**Total Support**

(Dollars in Millions)



FY 20 and forward includes donated services, salaries and facilities.