

**NORTH CAROLINA
TOBACCO FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2021 and 2020

North Carolina Tobacco 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
North Carolina Tobacco Foundation, Inc.

We have audited the accompanying financial statements of North Carolina Tobacco Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Tobacco Foundation, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of 2020 Financial Statements

As discussed in Note 13 to the financial statements, during the year ended June 30, 2021, it was discovered that previously reported pledges receivable were understated as of June 30, 2020. Accordingly, amounts reported for pledges receivable, net 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 understatement. 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 20 through 22, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Dverman Pierce, LLP

Greensboro, North Carolina
October 27, 2021

North Carolina Tobacco Foundation, Inc.

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

	2021	2020
Assets		
Cash and cash equivalents (Note 1)	\$ 1,075,172	\$ 1,342,134
Intermediate investments (Note 1)	2,257,041	2,085,212
Long-term investments (Notes 1 and 3)	10,758,313	7,953,432
Pledges receivable, net (Notes 1 and 7)	185,024	532,853
Total Assets	\$ 14,275,550	\$ 11,913,631
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 1,145	\$ 2,714
Agency funds held in custody for others (Note 6)	226,554	217,880
Total Liabilities	227,699	220,594
Net Assets		
Without Donor Restrictions:		
Undesignated	281,375	246,754
With Donor Restrictions:		
Perpetual in nature (Note 9)	5,946,744	5,929,766
Purpose restricted (Note 9)	7,819,732	5,516,517
Total Net Assets	14,047,851	11,693,037
Total Liabilities and Net Assets	\$ 14,275,550	\$ 11,913,631

See notes to financial statements.

North Carolina Tobacco Foundation, Inc.

Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 250	\$ 651,270	\$ 651,520
Changes in pledges receivable, net (Note 7)	-	(347,829)	(347,829)
Donated salaries and facilities (Note 8)	51,000	-	51,000
Net investment income	101,542	3,101,654	3,203,196
Net assets released from restrictions (Note 10)	1,104,979	(1,104,979)	-
Total Revenues, Gains, and Other Income	1,257,771	2,300,116	3,557,887
Grants to Support the University			
Program:			
Scholarships and fellowships	228,613	-	228,613
Faculty support and professorships	598,544	-	598,544
Tobacco program support	14,964	-	14,964
Departmental support	277,778	-	277,778
Total Program Support	1,119,899	-	1,119,899
Administrative	31,300	-	31,300
Fundraising	51,874	-	51,874
Total Other Support	83,174	-	83,174
Total Support (Note 11)	1,203,073	-	1,203,073
Excess of Revenues, Gains, and Other Income Over Total Support	54,698	2,300,116	2,354,814
Net Transfers			
Among funds	(20,077)	20,077	-
Total Net Transfers	(20,077)	20,077	-
Change in Net Assets	34,621	2,320,193	2,354,814
Net Assets			
Beginning of year	246,754	11,446,283	11,693,037
End of year	\$ 281,375	\$ 13,766,476	\$ 14,047,851

See notes to financial statements.

North Carolina Tobacco Foundation, Inc.

Statement of Activities

Year Ended June 30, 2020 (As Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 3,750	\$ 1,655,816	\$ 1,659,566
Changes in pledges receivable, net (Note 7)	-	250,485	250,485
Donated salaries and facilities (Note 8)	53,000	-	53,000
Net investment income	91,419	156,284	247,703
Net assets released from restrictions (Note 10)	1,536,087	(1,536,087)	-
Total Revenues, Gains, and Other Income	1,684,256	526,498	2,210,754
Grants to Support the University Program:			
Scholarships and fellowships	328,623	-	328,623
Faculty support and professorships	723,845	-	723,845
Tobacco program support	101,294	-	101,294
Departmental support	484,274	-	484,274
Total Program Support	1,638,036	-	1,638,036
Administrative	30,000	-	30,000
Fundraising	53,148	-	53,148
Total Other Support	83,148	-	83,148
Total Support (Note 11)	1,721,184	-	1,721,184
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(36,928)	526,498	489,570
Net Transfers			
Among funds	(1,248)	1,248	-
Total Net Transfers	(1,248)	1,248	-
Change in Net Assets	(38,176)	527,746	489,570
Net Assets			
Beginning of year	284,930	10,918,537	11,203,467
End of year	\$ 246,754	\$ 11,446,283	\$ 11,693,037

See notes to financial statements.

North Carolina Tobacco Foundation, Inc.

Statements of Cash Flows

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

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 2,354,814	\$ 489,570
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for permanent endowment	(45,351)	(311,051)
Net investment income	(3,203,196)	(247,703)
(Increase) decrease in:		
Pledges receivable, net	347,829	(250,485)
(Decrease) increase in:		
Accounts payable - North Carolina State University	(1,569)	(20,986)
Agency funds held in custody for others	8,674	(159,169)
Net Cash Used in Operating Activities	<u>(538,799)</u>	<u>(499,824)</u>
Cash Flows From Investing Activities		
Net proceeds from sales of investments	399,705	375,229
Net purchases of investments	(173,219)	(277,593)
Net Cash Provided by Investing Activities	<u>226,486</u>	<u>97,636</u>
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	45,351	311,051
Net Cash Provided by Financing Activities	<u>45,351</u>	<u>311,051</u>
Net Decrease in Cash and Cash Equivalents	(266,962)	(91,137)
Cash and Cash Equivalents		
Beginning of year	1,342,134	1,433,271
End of year	<u>\$ 1,075,172</u>	<u>\$ 1,342,134</u>
Supplemental Disclosures of Noncash Activities		
Donated salaries and facilities	<u>\$ 51,000</u>	<u>\$ 53,000</u>

See notes to financial statements.

North Carolina Tobacco Foundation, Inc.

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

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina Tobacco Foundation, Inc. (the “Foundation”) is one of a group of foundations which provide financial support exclusively to one or more of the colleges at North Carolina State University (“University”). The Foundation, established in 1975, provides aid and support for all types of extension and research pertaining to the production, manufacturing, and use of tobacco and tobacco products.

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 (“STIF”) and TowneBank. The STIF account maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Intermediate investments: Intermediate investments consist of the NC State Investment Fund, Inc. Intermediate Term Fund (the “ITF”) and an account with the commonfund Intermediate Term Fund for funds that can be invested for longer periods, but which are available in the event of short-term needs. These investments are reported at readily determinable fair values of \$2,257,041 and \$2,085,212 at June 30, 2021 and 2020, respectively. The cost of these investments was \$2,224,044 and \$2,168,855 as of June 30, 2021 and 2020, respectively.

Long-term investments: Long-term investments are stated at fair value based on readily determinable fair values, when available. Investments for which readily determinable fair values are not available are carried at estimated fair values as provided by the respective fund managers of the investments. The Foundation, in accordance with investment policies promulgated by its Board of Directors, invests with the NC State Investment Fund, Inc. Long-Term Investment Pool (the “LTIP”).

Pledges receivable: Unconditional pledges receivable are recognized as revenue and assets in the period received. Conditional pledges are recognized when the conditions on which they depend are substantially met.

North Carolina Tobacco Foundation, Inc.

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

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

Accounts payable – North Carolina State University: Accounts payable to the University include amounts disbursed by the University on behalf of the Foundation for payment of various normal operating expenses.

Contributions: Restricted contributions are segregated for income and expense reporting purposes; however, the assets are commingled. When a donor or grantor restriction expires because the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statements of activities.

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

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 net assets with or without donor restrictions, as appropriate. Earnings from investments are net of investment fees of approximately \$44,000 and \$43,000 for the years ended June 30, 2021 and 2020, respectively. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

As part of the University’s gift assessment program, an annual fee is assessed on the average twenty-quarter market value of assets held in the endowment investment portfolio. For the years ended June 30, 2021 and 2020, the annual fee was 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts.

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: 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.

Management evaluates tax positions taken by the organization and recognizes 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.

North Carolina Tobacco Foundation, Inc.

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

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

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

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement ("Topic 820"). The amendments in this ASU modify the disclosure requirements for fair value measurements. Selective disclosure requirements were removed from Topic 820 while other disclosure requirements were modified, and some disclosure requirements were added. Certain disclosures that are required by the amendments in this ASU are not required for nonpublic entities. The provisions of ASU 2018-13 became effective for the Foundation on July 1, 2020. The adoption of this standard did not have a material impact on the accompanying financial statements of the Foundation for the year ended June 30, 2021.

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

Note 2. Endowment

The Foundation's endowment consists of nine 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. All 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 endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-designated 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.

North Carolina Tobacco Foundation, Inc.

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

Note 2. Endowment (continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance with the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. There were no such deficiencies as of June 30, 2021 and 2020.

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 4.0% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, endowments may not be able to fund spending at the 4.0% level. Unless the gift instrument specifies otherwise, it is the Foundation's policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowments. Spending budgets were calculated at \$266,220 and \$284,890 for fiscal years 2021 and 2022, respectively.

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

North Carolina Tobacco 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 20,109	\$ 7,990,155	\$ 8,010,264
Total investment return	-	3,101,654	3,101,654
Contributions, including change in accrued pledges and other income	-	16,979	16,979
Appropriations of endowment assets for expenditure	-	(358,360)	(358,360)
Other changes:			
Transfers	(20,109)	36,346	16,237
Endowment net assets, end of year	\$ -	\$ 10,786,774	\$ 10,786,774

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	\$ -	\$ 5,946,744	\$ 5,946,744
Appreciation	-	4,840,030	4,840,030
Total funds	\$ -	\$ 10,786,774	\$ 10,786,774

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	\$ 20,818	\$ 7,869,726	\$ 7,890,544
Total investment return	581	156,180	156,761
Contributions, including change in accrued pledges and other income	-	297,369	297,369
Appropriations of endowment assets for expenditure	(1,290)	(333,120)	(334,410)
Endowment net assets, end of year	\$ 20,109	\$ 7,990,155	\$ 8,010,264

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	\$ -	\$ 5,929,766	\$ 5,929,766
Appreciation	20,109	2,060,389	2,080,498
Total funds	\$ 20,109	\$ 7,990,155	\$ 8,010,264

North Carolina Tobacco Foundation, Inc.

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

Note 3. Long-Term Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 10,000	\$ 10,000	\$ 3,789	\$ 3,789
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	5,376,796	10,748,313	5,526,008	7,949,643
	<u>\$ 5,386,796</u>	<u>\$ 10,758,313</u>	<u>\$ 5,529,797</u>	<u>\$ 7,953,432</u>

Note 4. Fair Value Measurement

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

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

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

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

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

North Carolina Tobacco Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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

	2021			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 10,000	\$ -	\$ -	\$ 10,000
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	2,257,041	2,257,041
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	10,748,313	10,748,313
	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 13,005,354</u>	<u>\$ 13,015,354</u>

	2020			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 3,789	\$ -	\$ -	\$ 3,789
commonfund Intermediate Term Fund	-	752,142	-	752,142
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	1,333,070	-	1,333,070
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	7,949,643	7,949,643
	<u>\$ 3,789</u>	<u>\$ 2,085,212</u>	<u>\$ 7,949,643</u>	<u>\$ 10,038,644</u>

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

	2021		2020
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	NC State Investment Fund, Inc. LTIP
Beginning balance	\$ -	\$ 7,949,643	\$ 7,817,291
Transfer into Level 3	1,333,070	-	-
Participant additions	850,000	55,376	310,000
Investment income	44,749	5,084	6,796
Realized gains	4,307	190,033	161,577
Unrealized appreciation	49,061	2,947,882	29,208
Participant withdrawals	(22,079)	(358,360)	(334,410)
Expenses	(2,067)	(41,345)	(40,819)
Ending balance	<u>\$ 2,257,041</u>	<u>\$ 10,748,313</u>	<u>\$ 7,949,643</u>

North Carolina Tobacco Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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

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

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

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

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.

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

Note 5. Financial Assets and Liquidity Resources

The Foundation’s endowment funds consist of donor-designated endowments. Income from all donor-designated endowments is restricted for specific purposes and, therefore, is not available for general expenditures. As part of the Foundation’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The LTIP is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the Fund’s longer-term return objectives. However, donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$35,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. The Foundation does not have any endowments that support the general operations of the Foundation.

North Carolina Tobacco Foundation, Inc.

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

Note 5. Financial Assets and Liquidity Resources (continued)

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

Total financial assets	\$ 14,275,550
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(5,946,744)
Subject to appropriation and satisfaction of donor restrictions	(7,784,466)
Total liabilities	<u>(227,699)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 316,641</u>

Note 6. Agency Funds

The Foundation has a directed fund agreement with the Tobacco Education and Research Council, Inc. to maintain proceeds of a settlement agreement with Philip Morris USA. Under this agreement, the funds are held by the Foundation and used for land grant university tobacco programs, continuing support of tobacco farmer projects to improve the quality of leaf tobacco, and to reduce Tobacco Specific Nitrosamines and/or suspected harmful substances in the tobacco leaf. At June 30, 2021 and 2020, agency funds were \$226,554 and \$217,880, respectively.

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2021	2020
Receivable in less than one year	\$ 74,570	\$ 231,270
Receivable in one to five years	121,270	332,540
Total pledges receivable, gross	<u>195,840</u>	563,810
Less allowance for uncollectible pledges	(10,000)	(29,000)
Less unamortized discount (discount rates of 0.07% to .84%)	(816)	(1,957)
Pledges receivable, net	<u>\$ 185,024</u>	<u>\$ 532,853</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.

Four donors represented total undiscounted pledges receivable at June 30, 2021 and June 30, 2020.

North Carolina Tobacco Foundation, Inc.

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

Note 8. Donated Salaries and Facilities

Donated salaries and facilities provided by the University for college development in the amount of \$51,000 and \$53,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements.

Note 9. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 115,329	\$ 115,757
Faculty support and professorships	515,716	597,580
Pledges receivable, net	156,563	476,020
Other	2,192,094	2,266,771
	<u>2,979,702</u>	<u>3,456,128</u>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	1,155,832	849,642
Faculty support and professorships	9,514,150	7,044,079
Pledges receivable, net	28,461	56,833
Other	88,331	39,601
	<u>10,786,774</u>	<u>7,990,155</u>
Total Net Assets With Donor Restrictions	<u>\$ 13,766,476</u>	<u>\$ 11,446,283</u>

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

North Carolina Tobacco Foundation, Inc.

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

Note 10. Net Assets Released From Donor Restrictions

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

	2021	2020
Scholarships and fellowships	\$ 228,613	\$ 322,787
Faculty support and professorships	597,623	723,845
Tobacco program support	14,964	101,294
Departmental support	262,796	387,516
Administrative and fundraising	983	645
	<u>\$ 1,104,979</u>	<u>\$ 1,536,087</u>

Note 11. Functional Expense

The Foundation's primary program is to provide financial support to the various colleges within the University. Expenses by functional classification for the year ended June 30, 2021 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 850,424	\$ -	\$ -	\$ 850,424
Accounting	-	26,300	-	26,300
Office Expenses	7,776	-	192	7,968
Travel	22,695	-	1,750	24,445
Conferences and Meetings	3,166	-	-	3,166
Insurance	-	-	3,932	3,932
Departmental Equipment	16,921	-	-	16,921
Equip Rental and Maintenance	12,624	-	-	12,624
Miscellaneous Services and Fees	136,080	5,000	46,000	187,080
Printing and Binding	15,873	-	-	15,873
Dues and Subscriptions	2,689	-	-	2,689
Supplies	51,651	-	-	51,651
Total	<u>\$ 1,119,899</u>	<u>\$ 31,300</u>	<u>\$ 51,874</u>	<u>\$ 1,203,073</u>

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

North Carolina Tobacco Foundation, Inc.

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

Note 11. Functional Expense (continued)

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

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 1,110,517	\$ -	\$ 585	\$ 1,111,102
Accounting	-	26,000	-	26,000
Office Expenses	5,038	-	197	5,235
Occupancy	5,750	-	-	5,750
Travel	64,061	-	140	64,201
Conferences and Meetings	17,567	-	-	17,567
Insurance	482	-	3,028	3,510
Departmental Equipment	25,507	-	-	25,507
Equip Rental and Maintenance	25,678	-	-	25,678
Contracted Services	31,061	-	-	31,061
Miscellaneous Services and Fees	228,475	4,000	48,999	281,474
Printing and Binding	17,143	-	-	17,143
Dues and Subscriptions	6,243	-	60	6,303
Supplies	100,514	-	139	100,653
Total	\$ 1,638,036	\$ 30,000	\$ 53,148	\$ 1,721,184

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

Note 12. COVID-19

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

North Carolina Tobacco Foundation, Inc.

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

Note 13. Restatement of 2020 Financial Statements

It was discovered during the course of the June 30, 2021 audit that pledges receivable were understated as of June 30, 2020. Accordingly, the Foundation restated its results as of and for the year ended June 30, 2020. Pledges receivable were \$246,274 prior to restatement and increased by \$286,579 as a result of the restatement. The effect of the restatement on net assets was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, as previously presented:			
Without donor restrictions:			
Undesignated	\$ 246,754	\$ -	\$ 246,754
With donor restrictions:			
Perpetual in nature	-	5,929,766	5,929,766
Purpose restricted	-	5,229,938	5,229,938
Total Net Assets	246,754	11,159,704	11,406,458
Restatements:			
Changes in pledges receivable, net	-	286,579	286,579
Net assets, as restated	\$ 246,754	\$ 11,446,283	\$ 11,693,037

Note 14. Subsequent Events

The Foundation has evaluated subsequent events through October 27, 2021, the date which the financial statements were available to be issued. Effective July 1, 2021, the North Carolina Tobacco Foundation, Inc. merged with The North Carolina Agricultural Foundation, Inc. The North Carolina Tobacco Foundation, Inc. shares a common mission of supporting one or more colleges at the University by providing financial assistance for tobacco specific programs in the College of Agriculture and Life Sciences. Through the merger, the entities seek to further their common mission by achieving economies of scale and other synergies. No other subsequent events were noted.

SUPPLEMENTARY INFORMATION

North Carolina Tobacco Foundation, Inc.

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

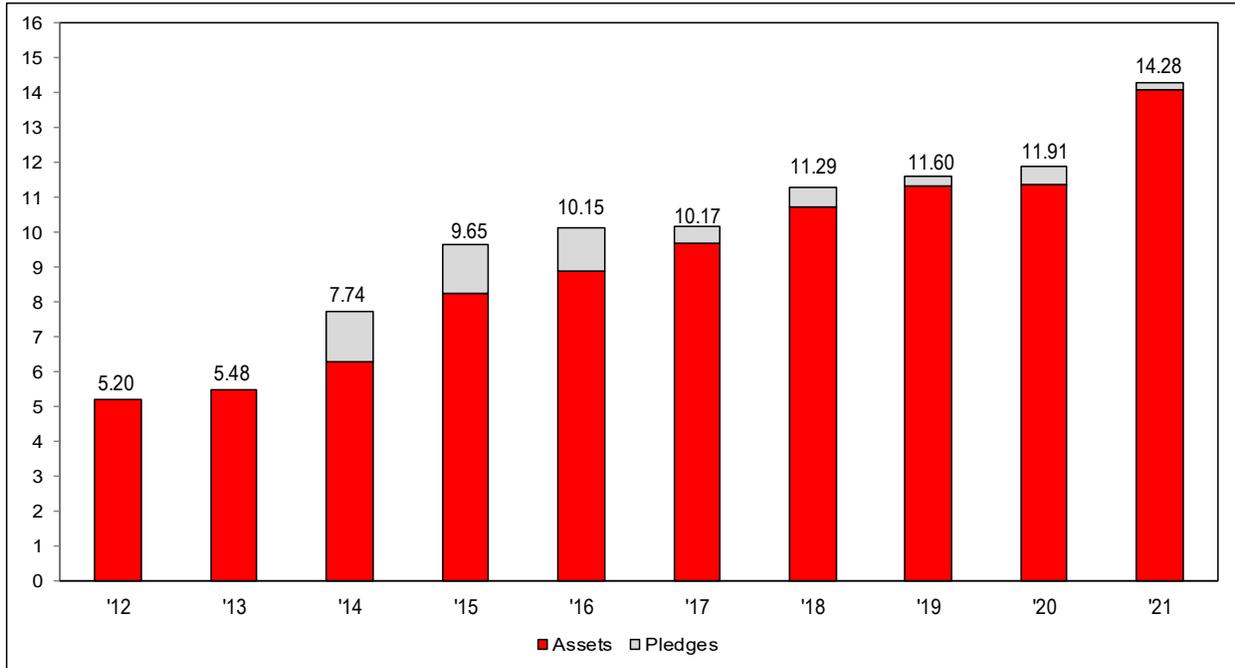
	Budget	Actual	(Under) Over Variance
Income			
Contributions	\$ 7,000	\$ 233	\$ (6,767)
Interest and dividends	48,000	41,906	(6,094)
Other	-	49	49
Total Income	55,000	42,188	(12,812)
Support			
Tobacco program support	15,000	15,000	-
Administrative and fundraising	39,000	32,174	(6,826)
Total Support	54,000	47,174	(6,826)
Income Less Support	1,000	(4,986)	(5,986)
General Fund Balance			
Beginning of year	207,372	207,372	-
End of year	\$ 208,372	\$ 202,386	\$ (5,986)

North Carolina Tobacco Foundation, Inc.

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

Total Assets

(Dollars in Millions)



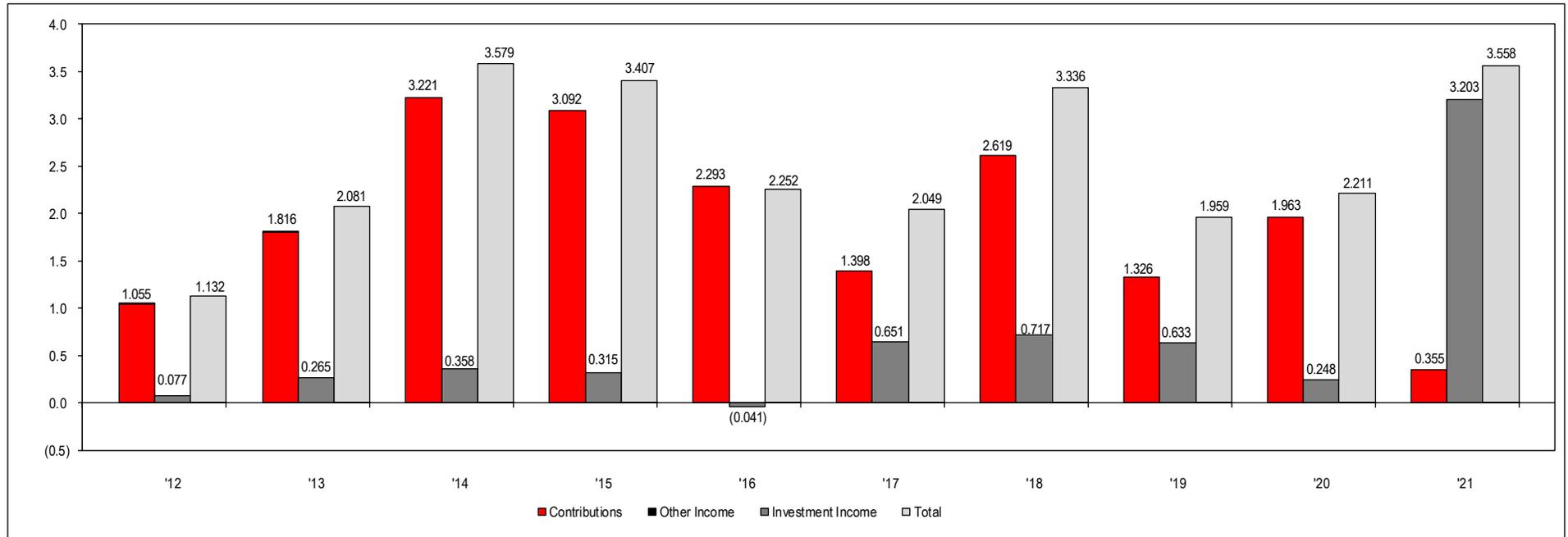
Fiscal years 2014 - 2021 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

North Carolina Tobacco Foundation, Inc.

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

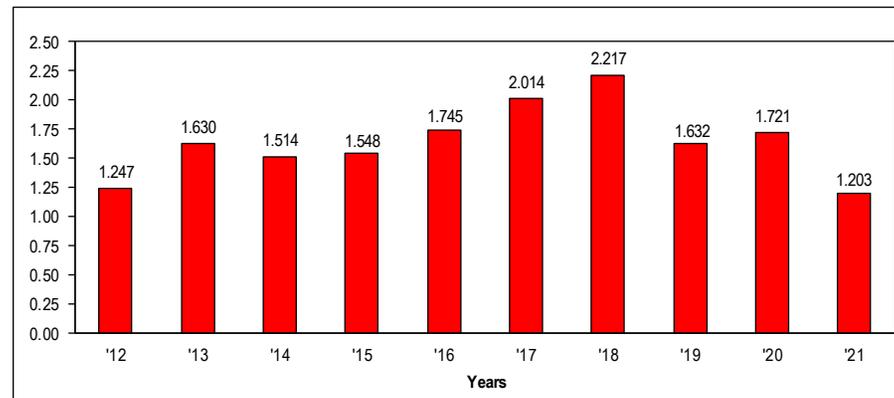
Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)



Fiscal years 2014 - 2021 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.