

**NORTH CAROLINA VETERINARY MEDICAL
FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2021 and 2020

North Carolina Veterinary Medical 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 Veterinary Medical Foundation, Inc.

We have audited the accompanying financial statements of North Carolina Veterinary Medical 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 Veterinary Medical 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.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information on pages 21 through 23, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Dverman Pierce, LLP

Greensboro, North Carolina
November 11, 2021

North Carolina Veterinary Medical Foundation, Inc.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents (Note 1)	\$ 12,974,882	\$ 12,325,693
Intermediate investments (Note 1)	5,725,157	3,039,164
Long-term investments (Notes 1 and 3)	100,891,140	75,625,560
Pledges receivable, net (Notes 1 and 7)	372,766	260,388
Other assets (Note 1)	110,223	133,432
Total Assets	\$ 120,074,168	\$ 91,384,237
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 286,348	\$ 7,300
Life income funds payable (Note 6)	473,284	500,988
Due to others (Note 1)	33,600	24,378
Total Liabilities	793,232	532,666
Net Assets		
Without Donor Restrictions:		
Undesignated	7,852,827	5,178,055
Board-designated - endowments (Note 2)	46,662,995	34,339,033
With Donor Restrictions:		
Perpetual in nature (Note 9)	31,851,745	32,823,162
Purpose restricted (Note 9)	32,913,369	18,511,321
Total Net Assets	119,280,936	90,851,571
Total Liabilities and Net Assets	\$ 120,074,168	\$ 91,384,237

See notes to financial statements.

North Carolina Veterinary Medical 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)	\$ 4,465,400	\$ 2,840,796	\$ 7,306,196
Change in pledges receivable, net (Note 7)	-	112,378	112,378
Donated services, salaries, and facilities (Note 8)	380,000	-	380,000
Change in value of split interest agreements	-	(33,984)	(33,984)
Net investment income	13,595,031	15,521,060	29,116,091
Other income	-	5,586	5,586
Net assets released from restrictions (Note 10)	3,414,337	(3,414,337)	-
Total Revenues, Gains, and Other Income	21,854,768	15,031,499	36,886,267
Grants to Support the University Program:			
Scholarships and fellowships	1,128,806	-	1,128,806
Faculty support and professorships	222,485	-	222,485
Departmental support	3,130,343	-	3,130,343
Terry Hospital debt service	914,536	-	914,536
Capital support	162,946	-	162,946
Total Program Support	5,559,116	-	5,559,116
Administrative	136,856	-	136,856
Fundraising	760,930	-	760,930
Total Other Support	897,786	-	897,786
Total Support (Note 11)	6,456,902	-	6,456,902
Excess of Revenues, Gains, and Other Income Over Total Support	15,397,866	15,031,499	30,429,365
Net Transfers			
To the Endowment Fund of NC State University	-	(2,000,000)	(2,000,000)
Among funds	(399,132)	399,132	-
Total Net Transfers	(399,132)	(1,600,868)	(2,000,000)
Change in Net Assets	14,998,734	13,430,631	28,429,365
Net Assets			
Beginning of year	39,517,088	51,334,483	90,851,571
End of year	\$ 54,515,822	\$ 64,765,114	\$ 119,280,936

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 4,371,937	\$ 2,660,224	\$ 7,032,161
Change in pledges receivable, net (Note 7)	-	(57,399)	(57,399)
Donated services, salaries, and facilities (Note 8)	373,000	-	373,000
Change in value of split interest agreements	-	(21,105)	(21,105)
Net investment income	944,335	815,763	1,760,098
Other income	50	13,891	13,941
Net assets released from restrictions (Note 10)	2,751,023	(2,751,023)	-
Total Revenues, Gains, and Other Income	8,440,345	660,351	9,100,696
Grants to Support the University			
Program:			
Scholarships and fellowships	997,455	-	997,455
Faculty support and professorships	277,026	-	277,026
Departmental support	1,233,130	-	1,233,130
Terry Hospital debt service	1,003,759	-	1,003,759
Capital support	617,680	-	617,680
Total Program Support	4,129,050	-	4,129,050
Administrative	145,015	-	145,015
Fundraising	813,254	-	813,254
Total Other Support	958,269	-	958,269
Total Support (Note 11)	5,087,319	-	5,087,319
Excess of Revenues, Gains, and Other Income Over Total Support	3,353,026	660,351	4,013,377
Net Transfers			
Among funds	(333,374)	333,374	-
Total Net Transfers	(333,374)	333,374	-
Change in Net Assets	3,019,652	993,725	4,013,377
Net Assets			
Beginning of year	36,497,436	50,340,758	86,838,194
End of year	\$ 39,517,088	\$ 51,334,483	\$ 90,851,571

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

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

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 28,429,365	\$ 4,013,377
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net investment income	(29,116,091)	(1,760,098)
Contributions restricted for permanent endowment	(969,012)	(512,957)
Change in value of split interest agreements	24,762	24,265
Change in value of split interest agreements due to others	9,222	(3,160)
Decrease (increase) in:		
Pledges receivable, net	(112,378)	57,399
Other assets	23,209	(12,298)
Increase (decrease) in:		
Accounts payable - North Carolina State University	279,048	(37,987)
Net Cash (Used in) Provided by Operating Activities	(1,431,875)	1,768,541
Cash Flows From Investing Activities		
Proceeds from sales of investments	5,188,511	4,670,354
Purchases of investments	(4,032,568)	(2,344,592)
Net Cash Provided by Investing Activities	1,155,943	2,325,762
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	969,012	512,957
Investment income restricted for split interest agreements	8,575	12,565
Payments on life income fund obligations	(52,466)	(52,109)
Net Cash Provided by Financing Activities	925,121	473,413
Net Increase in Cash and Cash Equivalents	649,189	4,567,716
Cash and Cash Equivalents		
Beginning of year	12,325,693	7,757,977
End of year	\$ 12,974,882	\$ 12,325,693
Supplemental Disclosures of Noncash Activities:		
Donated services, salaries, and facilities	\$ 380,000	\$ 373,000

See notes to financial statements.

North Carolina Veterinary Medical 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 Veterinary Medical Foundation, Inc. (the "Foundation") is one of a group of foundations which provide financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, established in 1978, provides financial support for all types of education and research in the field of veterinary medicine at the University.

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 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 \$5,725,157 and \$3,039,164 at June 30, 2021 and 2020, respectively. The cost of these investments was \$5,644,520 and \$3,320,342 as of June 30, 2021 and 2020, respectively.

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

North Carolina Veterinary Medical 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)

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.

Other assets: Other assets include beneficiary interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender value, less any loans outstanding on the policies. Cash surrender values of these policies were \$15,350 and \$14,927 at June 30, 2021 and 2020, respectively. Other assets also include nondepreciable artwork totaling \$94,495 at June 30, 2021 and 2020 and miscellaneous receivables.

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.

Due to others: Due to others includes amounts due to remainder beneficiaries of life income funds.

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

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For fiscal 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 \$391,000 and \$396,000 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 fiscal 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.

North Carolina Veterinary Medical Foundation, Inc.

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

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

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2021 and 2020. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. 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 financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to tax year 2017.

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

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

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

Note 2. Endowment

The Foundation's endowment consists of approximately 160 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.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 2. Endowment (continued)

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowments 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 are not classified in net assets perpetual in nature are 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 by law. Deficiencies of this nature are reported in net assets with donor restrictions and were \$0 and (\$5,122) 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 preceding the fiscal year in which the spending is planned. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation’s policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$1,363,780 and \$1,380,640 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.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 2. Endowment (continued)

The LTIP is diversified both by asset class (e.g. common stocks and fixed income securities) and within asset classes (e.g., within common stocks by economic sector, geographic area, industry, quality, and size). In addition, the LTIP seeks to diversify exposure to all asset classes through the use of multiple managers that use a variety of investment approaches.

The following represents changes in endowment net assets for the fiscal year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 34,478,667	\$ 40,678,110	\$ 75,156,777
Total investment return	13,354,971	15,522,016	28,876,987
Contributions, including change in accrued pledges and other income	-	942,213	942,213
Appropriations of endowment assets for expenditure	(959,771)	(1,757,525)	(2,717,296)
Change in value of split interest agreements	-	(33,984)	(33,984)
Other changes:			
Transfers	(42,684)	(1,772,235)	(1,814,919)
Endowment net assets, end of year	<u>\$ 46,831,183</u>	<u>\$ 53,578,595</u>	<u>\$ 100,409,778</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	\$ -	\$ 31,851,745	\$ 31,851,745
Appreciation	168,188	21,726,850	21,895,038
Board-designated endowment funds	46,662,995	-	46,662,995
Total funds	<u>\$ 46,831,183</u>	<u>\$ 53,578,595</u>	<u>\$ 100,409,778</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 34,860,426	\$ 40,869,983	\$ 75,730,409
Total investment return	661,203	816,030	1,477,233
Contributions, including change in accrued pledges and other income	-	540,973	540,973
Appropriations of endowment assets for expenditure	(1,042,962)	(1,736,835)	(2,779,797)
Change in value of split interest agreements	-	(21,105)	(21,105)
Other changes:			
Transfers	-	209,064	209,064
Endowment net assets, end of year	<u>\$ 34,478,667</u>	<u>\$ 40,678,110</u>	<u>\$ 75,156,777</u>

North Carolina Veterinary Medical Foundation, Inc.

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

Note 2. Endowment (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 32,823,162	\$ 32,823,162
Appreciation	139,634	7,860,070	7,999,704
Underwater	-	(5,122)	(5,122)
Board-designated endowment funds	34,339,033	-	34,339,033
Total funds	<u>\$ 34,478,667</u>	<u>\$ 40,678,110</u>	<u>\$ 75,156,777</u>

Note 3. Long-Term Investments

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

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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 828	\$ 828	\$ 43,399	\$ 43,399
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	42,911,676	100,142,529	45,019,588	74,919,532
Life Income Funds	654,730	747,783	683,715	662,629
	<u>\$ 43,567,234</u>	<u>\$ 100,891,140</u>	<u>\$ 45,746,702</u>	<u>\$ 75,625,560</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.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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.

	2021			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 828	\$ -	\$ -	\$ 828
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	5,725,157	5,725,157
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	100,142,529	100,142,529
Life Income Funds	-	747,783	-	747,783
Beneficial Interest in Life Insurance Policies	-	-	15,350	15,350
	<u>\$ 828</u>	<u>\$ 747,783</u>	<u>\$ 105,883,036</u>	<u>\$ 106,631,647</u>

	2020			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 43,399	\$ -	\$ -	\$ 43,399
commonfund Intermediate Term Fund	-	2,472,003	-	2,472,003
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	567,161	-	567,161
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	74,919,532	74,919,532
Life Income Funds	-	662,629	-	662,629
Beneficial Interest in Life Insurance Policies	-	-	14,927	14,927
	<u>\$ 43,399</u>	<u>\$ 3,701,793</u>	<u>\$ 74,934,459</u>	<u>\$ 78,679,651</u>

North Carolina Veterinary Medical 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.

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.

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:

	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ -	\$ 74,919,532	\$ 14,927
Transfer into Level 3	567,161	-	-
Participant additions	5,000,000	1,200,511	-
Investment income	79,572	47,470	-
Realized gains	10,926	1,752,131	-
Unrealized appreciation	87,472	27,330,908	423
Participant withdrawals	(15,580)	(4,723,796)	-
Expenses	(4,394)	(384,227)	-
Ending balance	<u>\$ 5,725,157</u>	<u>\$ 100,142,529</u>	<u>\$ 15,350</u>

North Carolina Veterinary Medical Foundation, Inc.

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

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	\$ 74,046,233	\$ 14,399
Participant additions	2,180,000	-
Investment income	65,312	-
Realized gains	1,549,858	-
Unrealized appreciation	249,987	528
Participant withdrawals	(2,779,797)	-
Expenses	(392,061)	-
Ending balance	\$ 74,919,532	\$ 14,927

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

The Foundation has board-designated endowments of approximately \$46.6 million at June 30, 2021. 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 2, the endowments have a spending rate of 4%. \$26,965 of appropriations from the board-designated endowments and \$11,105 of appropriations from the unrestricted donor-designated endowments will be available within the next 12 months.

North Carolina Veterinary Medical 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, are as follows:

Total assets, less nonfinancial assets	\$ 119,979,673
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(31,851,745)
Subject to appropriation and satisfaction of donor restrictions	(32,848,839)
Board-designated endowments	(46,636,030)
Total liabilities	<u>(793,232)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,849,827</u>

Note 6. Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2021 and 2020 have asset balances of \$747,783 and \$662,629, 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 \$473,284 and \$500,988 at June 30, 2021 and 2020, respectively. Payments from these funds were \$52,466 and \$52,109 during the years ended June 30, 2021 and 2020, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2021 and 2020, the CGA reserve balance was \$55,464 and \$55,457, respectively.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2021	2020
Receivable in less than one year	\$ 124,508	\$ 166,760
Receivable in one to five years	271,067	108,512
Total pledges receivable, gross	395,575	275,272
Less allowance for uncollectible pledges	(20,000)	(14,000)
Less unamortized discount (discount rates of 0.07% to .84%)	(2,809)	(884)
Pledges receivable, net	\$ 372,766	\$ 260,388

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

Two donors represented approximately \$255,000 of the total undiscounted pledges receivable at June 30, 2021. Four donors represented approximately \$160,000 of the total undiscounted pledges receivable at June 30, 2020.

Note 8. Donated Services, Salaries, and Facilities

Donated services and facilities of approximately \$91,000 and \$96,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements for services and facilities provided by the University Finance Division. In addition, donated salaries paid by the University for college development personnel of approximately \$289,000 and \$277,000 for the years ended June 30, 2021 and 2020, respectively, have been reflected in the accompanying financial statements.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 9. Net Assets With Donor Restrictions

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

	2021	2020
Scholarships and fellowships	\$ 1,730,647	\$ 1,553,468
Faculty support and professorships	186,870	157,214
Research support	2,625,841	2,360,402
Pledges receivable, net	347,244	203,805
Other	6,280,567	6,366,557
	11,171,169	10,641,446
Subject to passage of time:		
Beneficial interest in life insurance policies	15,350	14,927
Assets held under split-interest agreements, net	240,899	137,263
	256,249	152,190
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	38,183,993	28,131,329
Faculty support and professorships	807,751	580,545
Research support	9,687,213	7,071,576
Pledges receivable	25,522	56,583
Other	4,633,217	4,700,814
	53,337,696	40,540,847
Total Net Assets With Donor Restrictions	\$ 64,765,114	\$ 51,334,483

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

North Carolina Veterinary Medical 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 at June 30:

	2021	2020
Scholarships and fellowships	\$ 1,128,806	\$ 997,455
Faculty support and professorships	222,485	275,792
Departmental support	1,987,432	1,286,495
Terry Hospital debt service	-	9,407
Capital support	-	2,559
Administrative and fundraising	75,614	179,315
	\$ 3,414,337	\$ 2,751,023

Note 11. Functional Expense

The Foundation's primary program is to provide financial support to the College of Veterinary Medicine. Expenses by functional classification for the year ended June 30, 2021 are as follows:

	Total	Supporting Activities		Total
		Program	Administrative	
	Support	Support	Support	Support
Grants	\$ 1,376,041	\$ -	\$ 340,838	\$ 1,716,879
Legal	309	662	-	971
Accounting	-	45,100	-	45,100
Advertising	996	-	1,666	2,662
Office Expenses	5,719	-	39,740	45,459
Occupancy	157	-	157	314
Travel	6,368	-	1,470	7,838
Conferences and Meetings	2,322	-	2,773	5,095
Insurance	-	74	-	74
Departmental Equipment	1,352,099	-	3,539	1,355,638
Equipment Rental and Maintenance	328,669	-	276	328,945
Contracted Services	116,079	-	500	116,579
Miscellaneous Services and Fees	1,082,146	91,020	309,014	1,482,180
Printing and Binding	8,176	-	34,106	42,282
Dues and Subscriptions	5,212	-	3,259	8,471
Supplies	197,341	-	23,592	220,933
Capital Transfers	1,077,482	-	-	1,077,482
Subtotal	\$ 5,559,116	\$ 136,856	\$ 760,930	\$ 6,456,902

Grants include scholarships, fellowships and salary support. Miscellaneous Services and Fees include donated salaries, facilities and services as well as University Advancement's portion of gift assessment fees. Capital Transfers include the Terry debt payment and funding for the new Dairy facility.

North Carolina Veterinary Medical 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 are as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 1,278,854	\$ -	\$ 335,676	\$ 1,614,530
Legal	-	3,804	-	3,804
Accounting	-	44,500	-	44,500
Advertising	3,471	-	3,856	7,327
Office Expenses	38,462	-	30,090	68,552
Occupancy	153	-	153	306
Travel	77,952	-	12,192	90,144
Conferences and Meetings	13,549	-	5,572	19,121
Insurance	-	69	-	69
Departmental Equipment	87,234	-	1,481	88,715
Equipment Rental and Maintenance	93,171	-	2,934	96,105
Contracted Services	24,728	-	23,460	48,188
Miscellaneous Services and Fees	698,514	96,540	311,961	1,107,015
Printing and Binding	13,468	-	42,130	55,598
Dues and Subscriptions	530	-	2,423	2,953
Supplies	177,525	102	41,326	218,953
Capital Transfers	1,621,439	-	-	1,621,439
Subtotal	\$ 4,129,050	\$ 145,015	\$ 813,254	\$ 5,087,319

Grants include scholarships, fellowships and salary support. Miscellaneous Services and Fees include donated salaries, facilities and services as well as University Advancement's portion of gift assessment fees. Capital Transfers include the Terry debt payment, college lab renovations and funding for the new Dairy facility.

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.

Note 13. Subsequent Events

The Foundation has evaluated subsequent events through November 11, 2021, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina Veterinary Medical Foundation, Inc.

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

	Budget	Actual	Variance Over/(Under)
Income			
Contributions:			
All Gifts Great and Small	\$ 250,000	\$ 384,777	\$ 134,777
Walk of Honor	35,000	27,463	(7,537)
Gallop of Honor	5,000	1,023	(3,977)
Pet in Memoriam	10,000	19,510	9,510
Endowment spending budget	20,165	70,330	50,165
Interest and dividends	105,000	100,000	(5,000)
Total Income	425,165	603,103	177,938
Support			
Foundation administration	416,600	435,382	18,782
Dean's Discretionary	15,000	18,252	3,252
Total Support	431,600	453,634	22,034
Income Less Support	(6,435)	149,469	155,904
General Fund Balance			
Beginning of year	614,099	614,099	-
End of year	\$ 607,664	\$ 763,568	\$ 155,904

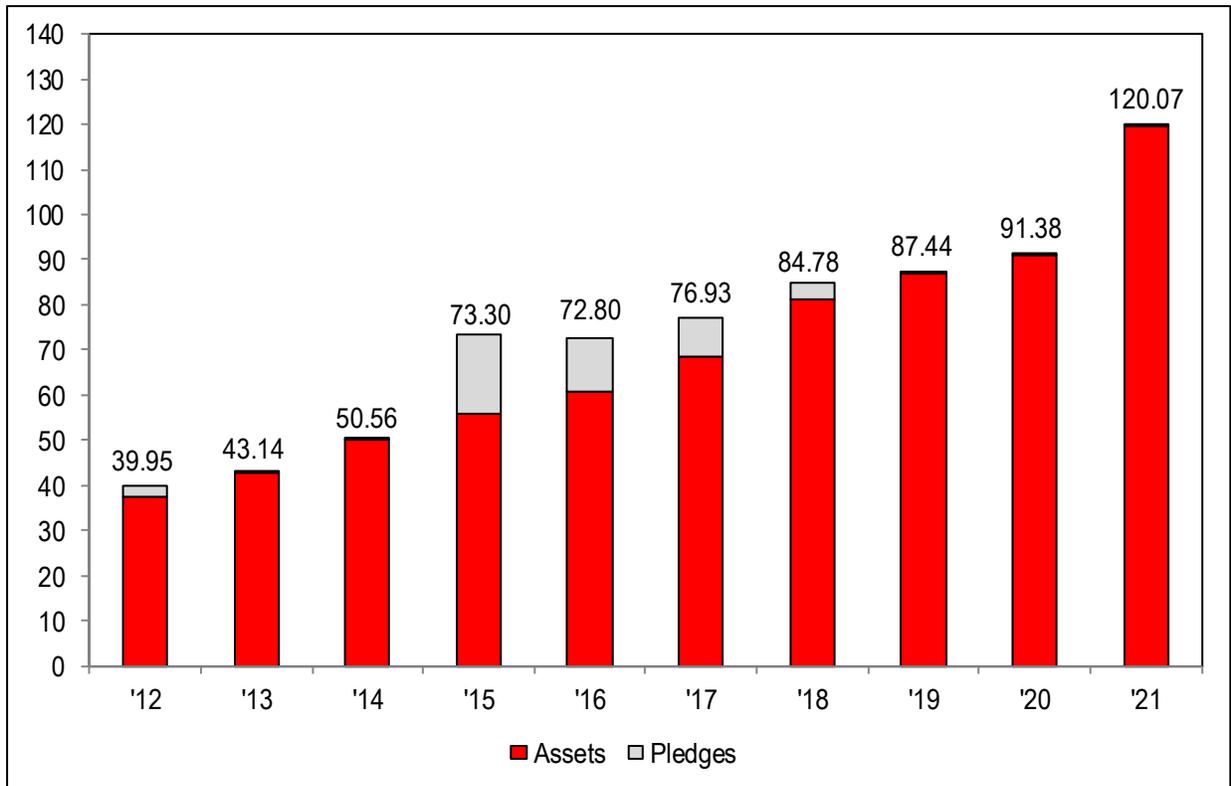
North Carolina Veterinary Medical Foundation, Inc.

Ten Year Summary of Asset Growth - Unaudited

As of June 30

TOTAL ASSETS

(Dollars in Millions)

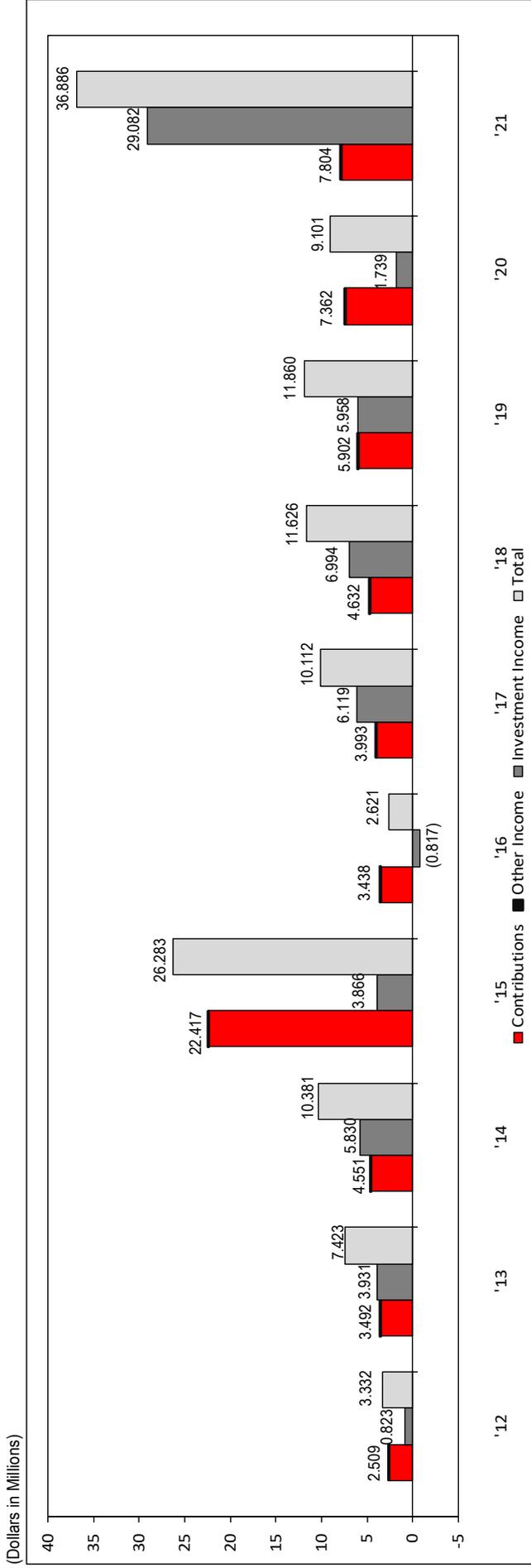


Not reflected above for FY'21 are gifts-in-kind of \$135,544, which benefit the College of Veterinary Medicine. These gifts were received due to the efforts of Foundation members and the College Development Staff.

North Carolina Veterinary Medical Foundation, Inc.

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

Total Revenues, Gains, and Other Income



Total Support

