

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

FINANCIAL REPORT

JUNE 30, 2022 and 2021

NC State Natural Resources Foundation, Inc.

**Financial Report
For the Years Ended June 30, 2022 and 2021**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of NC State Natural Resources Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NC State Natural Resources Foundation, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of NC State Natural Resources Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NC State Natural Resources Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 NC State Natural Resources Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NC State Natural Resources Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



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 22 through 25, 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
December 12, 2022

NC State Natural Resources Foundation, Inc.

**Statements of Financial Position
June 30, 2022 and 2021**

	2022	2021
Assets		
Cash and cash equivalents (Note 1)	\$ 3,034,575	\$ 2,794,495
Intermediate investments (Note 1)	1,913,569	2,054,556
Long-term investments (Notes 1 and 3)	49,011,878	48,309,809
Pledges receivable, net (Notes 1 and 6)	688,588	930,948
Land and timber (Note 1)	764,673	764,673
Land improvements, net of accumulated depreciation of \$95,010 and \$86,748 as of June 30, 2022 and 2021, respectively (Note 1)	70,225	78,487
Other assets (Note 1)	230,820	213,071
Total Assets	\$ 55,714,328	\$ 55,146,039
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 9,512	\$ 49,279
Life income funds payable (Note 7)	919,947	962,042
Total Liabilities	929,459	1,011,321
Net Assets		
Without Donor Restrictions:		
Undesignated	108,366	363,299
Board-designated endowments (Note 2)	6,145,358	6,142,475
With Donor Restrictions:		
Perpetual in nature (Note 10)	23,761,164	22,506,805
Purpose restricted (Note 10)	24,769,981	25,122,139
Total Net Assets	54,784,869	54,134,718
Total Liabilities and Net Assets	\$ 55,714,328	\$ 55,146,039

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 121,739	\$ 1,785,248	\$ 1,906,987
Change in pledges receivable, net (Note 6)	-	(242,360)	(242,360)
Donated salaries and facilities (Note 9)	565,000	-	565,000
Net investment income	80,399	964,186	1,044,585
Change in value of split interest agreements	-	(48,031)	(48,031)
Hofmann Forest operations (Note 8)	130,697	-	130,697
Other income	-	241,404	241,404
Net assets released from restrictions (Note 11)	2,056,351	(2,056,351)	-
Total Revenues, Gains, and Other Income	2,954,186	644,096	3,598,282
Grants to Support the University			
Program:			
Scholarships and fellowships	1,144,729	-	1,144,729
Faculty support and professorships	623,446	-	623,446
Departmental support	520,537	-	520,537
Total Program Support	2,288,712	-	2,288,712
Administrative	113,422	-	113,422
Fundraising	733,045	-	733,045
Total Other Support	846,467	-	846,467
Total Support (Note 12)	3,135,179	-	3,135,179
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(180,993)	644,096	463,103
Net Transfers			
From other University-associated entities	-	187,048	187,048
Among funds	(71,057)	71,057	-
Total Net Transfers	(71,057)	258,105	187,048
Change in Net Assets	(252,050)	902,201	650,151
Net Assets			
Beginning of year	6,505,774	47,628,944	54,134,718
End of year	\$ 6,253,724	\$ 48,531,145	\$ 54,784,869

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2021**

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

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

**Statements of Cash Flows
Years Ended June 30, 2022 and 2021**

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 650,151	\$ 14,340,888
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for permanent endowment	(983,751)	(1,882,705)
Net investment income	(1,044,585)	(13,690,680)
Change in value of split interest agreements	48,031	296,087
Depreciation	8,262	13,140
(Increase) decrease in:		
Pledges receivable, net	242,360	(599,654)
Other assets	(17,749)	(19,271)
Increase (decrease) in:		
Accounts payable - North Carolina State University	(39,767)	28,521
Net Cash Used in Operating Activities	(1,137,048)	(1,513,674)
Cash Flows From Investing Activities		
Proceeds from sales of investments	1,852,778	1,659,551
Purchases of investments	(1,391,056)	(2,908,296)
Net Cash Provided by (Used in) Investing Activities	461,722	(1,248,745)
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	983,751	1,882,705
Investment income restricted for split interest agreements	21,781	18,869
Payments on life income fund obligations	(90,126)	(85,602)
Net Cash Provided by Financing Activities	915,406	1,815,972
Net Increase (Decrease) in Cash and Cash Equivalents	240,080	(946,447)
Cash and Cash Equivalents		
Beginning of year	2,794,495	3,740,942
End of year	\$ 3,034,575	\$ 2,794,495
Supplemental Disclosures of Noncash Activities		
Donated salaries and facilities	\$ 565,000	\$ 536,000

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements For the Years Ended June 30, 2022 and 2021

Note 1. Nature of Activities and Significant Accounting Policies

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

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

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

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

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

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

Cash and cash equivalents consist of accounts with the State Treasurer’s Short-Term Investment Fund (the “STIF”) and TowneBank. The STIF account, maintained by the State Treasurer, has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Intermediate investments: Intermediate investments consist of the NC State Investment Fund, Inc. Intermediate Term Fund (the “ITF”) for funds that can be invested for longer periods, but which are available in the event of short-term cash needs. These investments are reported at readily determinable fair values of \$1,913,569 and \$2,054,556 at June 30, 2022 and 2021, respectively. The cost of these investments was \$2,015,510 and \$2,025,840 at June 30, 2022 and 2021, respectively.

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

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

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

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

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

Land improvements: Land improvements are stated at cost, net of accumulated depreciation. It is the Foundation's policy to capitalize all improvements costing greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives, which is typically twenty years.

Equipment: Equipment is stated at cost, net of accumulated depreciation. It is the Foundation's policy to capitalize all assets costing greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is typically five years. As of June 30, 2021 and 2022, the equipment was fully depreciated.

Other assets: Other assets include beneficiary interest in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender values. Cash surrender values of these policies were \$230,334 and \$211,331 at June 30, 2022 and 2021, respectively. Other assets also include sales tax receivable.

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

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

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For years ended June 30, 2022 and 2021, 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. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

As part of the University's gift assessment program, an annual fee is assessed on the average twenty-quarter market value of assets held in the endowment investment portfolio. For years ended June 30, 2022 and 2021, the annual fee was 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts.

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

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

Estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2022 and 2021. 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, 2022 and 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 2018.

Changes in accounting principles: In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, Not-for-Profit Entities ("Topic 958"): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to improve financial reporting by providing new presentation and disclosure requirements regarding nonfinancial assets for nonprofits, including additional disclosure requirements for recognized contributed services. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments did not change the recognition and measurement requirements in Accounting Standards Codification ("ASC") Subtopic 958-605 for those assets. The provisions of the ASU became effective for the Foundation on July 1, 2021. 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, 2022.

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements For the Years Ended June 30, 2022 and 2021

Note 2. Endowment

The Foundation's endowment consists of approximately 270 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation's Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

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

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance to the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions and were \$(8,476) and \$0 as of June 30, 2022 and 2021, respectively.

Investment return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP in a manner that is intended to produce results that exceed a 70% MCSI ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end proceeding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation's policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$1,143,880 and \$1,385,770 for fiscal years 2022 and 2023, respectively.

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 2. Endowment (continued)

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

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

The following represents changes in endowment net assets for the fiscal year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,142,475	\$ 42,640,390	\$ 48,782,865
Total investment return	196,822	964,296	1,161,118
Contributions, including change in accrued pledges and other income	-	833,587	833,587
Appropriations of endowment assets for expenditure	(193,939)	(1,551,201)	(1,745,140)
Change in value of split interest agreements	-	(48,031)	(48,031)
Other changes:			
Transfers	-	392,246	392,246
Endowment net assets, end of year	<u>\$ 6,145,358</u>	<u>\$ 43,231,287</u>	<u>\$ 49,376,645</u>

The following represents endowment net asset composition by type of fund, as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 23,761,164	\$ 23,761,164
Appreciation	-	19,478,599	19,478,599
Underwater	-	(8,476)	(8,476)
Board-designated endowment funds	6,145,358	-	6,145,358
Total funds	<u>\$ 6,145,358</u>	<u>\$ 43,231,287</u>	<u>\$ 49,376,645</u>

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

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	\$ 4,442,406	\$ 30,070,149	\$ 34,512,555
Total investment return	1,871,034	11,743,388	13,614,422
Contributions, including change in accrued pledges and other income	-	2,259,673	2,259,673
Appropriations of endowment assets for expenditure	(170,965)	(1,270,540)	(1,441,505)
Change in value of split interest agreements	-	(296,087)	(296,087)
Other changes:			
Transfers	-	133,807	133,807
Endowment net assets, end of year	<u>\$ 6,142,475</u>	<u>\$ 42,640,390</u>	<u>\$ 48,782,865</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 22,506,805	\$ 22,506,805
Appreciation	-	20,133,585	20,133,585
Board-designated endowment funds	6,142,475	-	6,142,475
Total funds	<u>\$ 6,142,475</u>	<u>\$ 42,640,390</u>	<u>\$ 48,782,865</u>

Note 3. Long-Term Investments

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

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

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 49,644	\$ 49,644	\$ 438	\$ 438
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	19,378,651	47,598,578	18,689,975	46,634,663
Life Income Funds	1,342,777	1,363,656	1,355,879	1,674,708
	<u>\$ 20,771,072</u>	<u>\$ 49,011,878</u>	<u>\$ 20,046,292</u>	<u>\$ 48,309,809</u>

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 4. Fair Value Measurement

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

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

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

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

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

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

	2022			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 49,644	\$ -	\$ -	\$ 49,644
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	1,913,569	1,913,569
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	47,598,578	47,598,578
Life Income Funds	-	1,363,656	-	1,363,656
Beneficial Interest in Life Insurance Policies	-	-	230,334	230,334
	\$ 49,644	\$ 1,363,656	\$ 49,742,481	\$ 51,155,781

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

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

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.

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

NC State Investment Fund, Inc. Long-Term Investment Pool ("LTIP") - The LTIP's investment with UNC Management Company is valued using the net asset value per share of the fund provided by the fund manager. The LTIP's private equity investments are initially valued based on transaction price with subsequent valuation adjustments based on trading multiples of comparable public companies adjusted for differences in factors such as liquidity. The LTIP's investment in a Blackrock Liquid Policy Portfolio ("LPP") is valued at the closing price of the exchange-traded fund's shares. The LTIP also has an investment in the STIF, valued as described above.

Life Income Funds - These investments are a combination of exchange-traded equity and fixed income securities valued at quoted market prices.

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

The following is a reconciliation of the assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining value at June 30, 2022:

	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 2,054,556	\$ 46,634,663	\$ 211,331
Participant additions	-	1,326,243	-
Investment income	10,398	10,267	-
Realized gains	701	1,161,556	-
Unrealized (loss) gain	(130,658)	275,239	19,003
Participant withdrawals	(20,713)	(1,745,140)	-
Expenses	(715)	(64,250)	-
Ending balance	<u>\$ 1,913,569</u>	<u>\$ 47,598,578</u>	<u>\$ 230,334</u>

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements For the Years Ended June 30, 2022 and 2021

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, 2021:

	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ -	\$ 32,806,331	\$ 191,895
Participant additions	2,000,000	2,044,820	-
Investment income	26,101	21,422	-
Realized gains	3,921	820,282	-
Unrealized gain	28,717	12,558,927	19,436
Participant withdrawals	(2,668)	(1,441,505)	-
Expenses	(1,515)	(175,614)	-
Ending balance	\$ 2,054,556	\$ 46,634,663	\$ 211,331

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

Note 5. Financial Assets and Liquidity Resources

The Foundation endowment funds consist of donor-designated endowments and board-designated endowments. Income from most donor-designated endowments is restricted for specific purposes and, therefore, is not available for general expenditures. The LTIP is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the fund's longer-term return objectives. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. In addition, the Foundation invests excess cash in short-term investments and money market funds.

The spendable portion of the Foundation's board designated endowments is approximately \$6.1 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$172,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$194,000 of appropriations from the board-designated endowments will be available within the next 12 months.

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5. Financial Assets and Liquidity Resources (continued)

As of June 30, 2022, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, are as follows:

Total assets, less nonfinancial assets	\$ 54,879,430
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(22,996,491)
Subject to appropriation and satisfaction of donor restrictions	(24,597,483)
Board-designated endowments	(5,951,418)
Total liabilities	<u>(929,459)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 404,579</u></u>

Note 6. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2022	2021
Receivable in less than one year	\$ 281,369	\$ 378,798
Receivable in one to five years	491,166	608,800
Receivable in greater than five years	1,000	-
Total pledges receivable, gross	<u>773,535</u>	<u>987,598</u>
Less allowance for uncollectible pledges	(39,000)	(50,000)
Less unamortized discount (discount rate of 0.07% to 3.19%)	(45,947)	(6,650)
Pledges receivable, net	<u><u>\$ 688,588</u></u>	<u><u>\$ 930,948</u></u>

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

One donor represents \$300,000 of total undiscounted pledges receivable as of June 30, 2022. Two donors represent \$500,000 of the total undiscounted pledges receivable at June 30, 2021.

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements For the Years Ended June 30, 2022 and 2021

Note 7. Life Income Funds

The financial statements include assets and liabilities of unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their deaths. These life income funds are recorded at fair value at the date of gift and marked to market thereafter. Life income funds at June 30, 2022 and 2021 have asset balances of \$1,363,656 and \$1,674,708, 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 \$919,947 and \$962,042 at June 30, 2022 and 2021, respectively. Payments from these funds were \$90,126 and \$85,602 during the years ended June 30, 2022 and 2021, respectively.

Note 8. Hofmann Forest Operations

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

Note 9. Donated Salaries and Facilities

For the years ended June 30, 2022 and 2021, salaries and benefits paid by the University for college development personnel in the amount of \$549,000 and \$518,000, respectively, have been recorded as donated salaries. The University Finance Division provides services to support the Foundation; the difference between the fair market value of services rendered and fees paid have been recorded as donated services. The University allows the Foundation to utilize space on campus at no charge; the fair market value of such space has been recorded as donated facilities. For the years ended June 30, 2022 and 2021, donated facilities amounted to \$16,000 and \$18,000, respectively.

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 10. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 1,766,614	\$ 1,712,704
Faculty support and professorships	414,061	476,816
Pledges receivable	342,499	429,674
Other	2,720,302	2,327,180
	<u>5,243,476</u>	<u>4,946,374</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	230,334	211,331
Assets held under split-interest agreements, net	443,709	712,666
	<u>674,043</u>	<u>923,997</u>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	30,333,397	29,661,436
Faculty support and professorships	6,279,698	6,333,738
Pledges receivable	346,089	501,274
Other	5,654,442	5,262,125
	<u>42,613,626</u>	<u>41,758,573</u>
Total Net Assets With Donor Restrictions	<u>\$ 48,531,145</u>	<u>\$ 47,628,944</u>

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

Note 11. Net Assets Released From Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Scholarships and fellowships	\$ 1,100,438	\$ 1,210,116
Faculty support and professorships	398,620	501,138
Departmental support	399,060	75,751
Administrative and fundraising	158,233	151,750
	<u>\$ 2,056,351</u>	<u>\$ 1,938,755</u>

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 12. Functional Expense

The Foundation's primary program is to provide financial support to the College of Natural Resources. Expenses by functional classification for the year ended June 30, 2022 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 1,779,602	\$ -	\$ 153,327	\$ 1,932,929
Legal	-	-	10,508	10,508
Accounting	-	88,000	-	88,000
Advertising	2,687	-	-	2,687
Office Expenses	8,209	-	1,512	9,721
Occupancy	403	-	-	403
Travel	54,045	-	285	54,330
Conferences and Meetings	18,103	-	588	18,691
Depreciation	8,262	-	-	8,262
Insurance	19,078	9,422	3,252	31,752
Departmental Equipment	64,160	-	-	64,160
Equipment Rental and Maintenance	24,864	-	400	25,264
Contracted Services	14,317	-	-	14,317
Miscellaneous Services and Fees	8,624	-	13,011	21,635
Donated Salaries and Facilities	-	16,000	549,000	565,000
Gift Assessment Fees	186,746	-	-	186,746
Printing and Binding	10,377	-	-	10,377
Dues and Subscriptions	6,037	-	26	6,063
Supplies	83,198	-	1,136	84,334
Total	\$ 2,288,712	\$ 113,422	\$ 733,045	\$ 3,135,179

Grants include scholarships, fellowships and salary support.

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 12. Functional Expense (continued)

Expenses by functional classification for the year ended June 30, 2021 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 1,939,688	\$ -	\$ 142,527	\$ 2,082,215
Legal	-	-	4,371	4,371
Accounting	-	88,000	-	88,000
Advertising	4,507	-	-	4,507
Office Expenses	10,897	-	1,997	12,894
Occupancy	3,240	-	-	3,240
Travel	7,168	-	59	7,227
Conferences and Meetings	4,538	-	-	4,538
Depreciation	13,140	-	-	13,140
Insurance	19,078	7,679	6,425	33,182
Departmental Equipment	48,820	-	-	48,820
Equipment Rental and Maintenance	51,644	-	-	51,644
Contracted Services	17,631	-	-	17,631
Miscellaneous Services and Fees	57,101	-	17,233	74,334
Donated Salaries and Facilities	-	18,000	518,000	536,000
Gift Assessment Fees	185,569	-	-	185,569
Printing and Binding	2,441	-	67	2,508
Dues and Subscriptions	4,948	-	26	4,974
Supplies	80,302	-	439	80,741
Total	\$ 2,450,712	\$ 113,679	\$ 691,144	\$ 3,255,535

Grants include scholarships, fellowships and salary support.

Note 13. Subsequent Events

The Foundation has evaluated events through December 12, 2022, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

NC State Natural Resources Foundation, Inc.

General Fund Budget vs. Actual - Unaudited
Year Ended June 30, 2022

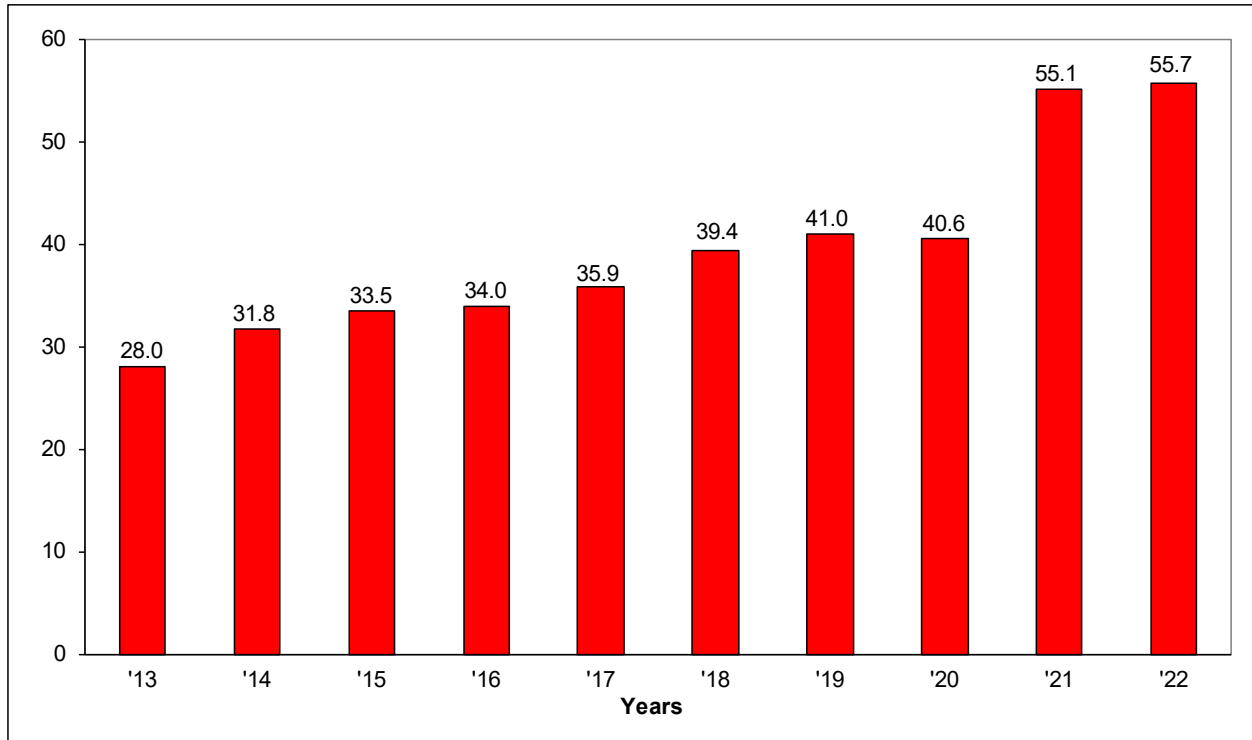
	Approved Budget	Actual	Variance (Under)/Over
Income			
Hofmann income	\$ 250,000	\$ 130,697	\$ (119,303)
Investment income	40,000	40,628	628
CNR Enhancement Fund	90,035	112,960	22,925
Contributions	-	93	93
Endowment Spending Budget from Quasi	170,965	170,965	-
Total Income	551,000	455,343	(95,657)
Expenses			
Executive director - salary, benefits, operating	320,000	224,660	(95,340)
Natural Resources scholarships	40,000	36,618	(3,382)
College enhancement	50,000	41,010	(8,990)
College initiatives	-	9,990	9,990
Registration for solicitation	7,500	10,508	3,008
Auto expense	10,000	4,718	(5,282)
Meeting expenses	22,500	8,639	(13,861)
Audit and tax preparation expenses	19,500	19,500	-
Legal	5,000	-	(5,000)
Directors and officers insurance	8,000	9,422	1,422
Treasurer's Division support	68,500	68,500	-
Total Expenses	551,000	433,565	(117,435)
Income Less Expenses	-	21,778	21,778
Net change in market value on quasi endowment	-	2,618	2,618
General Fund Balance - Beginning of Year			
Cash	79,596	79,596	-
CNR Endowment	5,871,296	5,871,296	-
Total Beginning General Fund Balance	5,950,892	5,950,892	-
General Fund Balance - End of Year			
Cash	79,596	101,374	21,778
CNR Endowment	5,871,296	5,873,914	2,618
Total Ending General Fund Balance	\$ 5,950,892	\$ 5,975,288	\$ 24,396

NC State Natural Resources Foundation, Inc.

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

Total Assets

(Dollars in Millions)

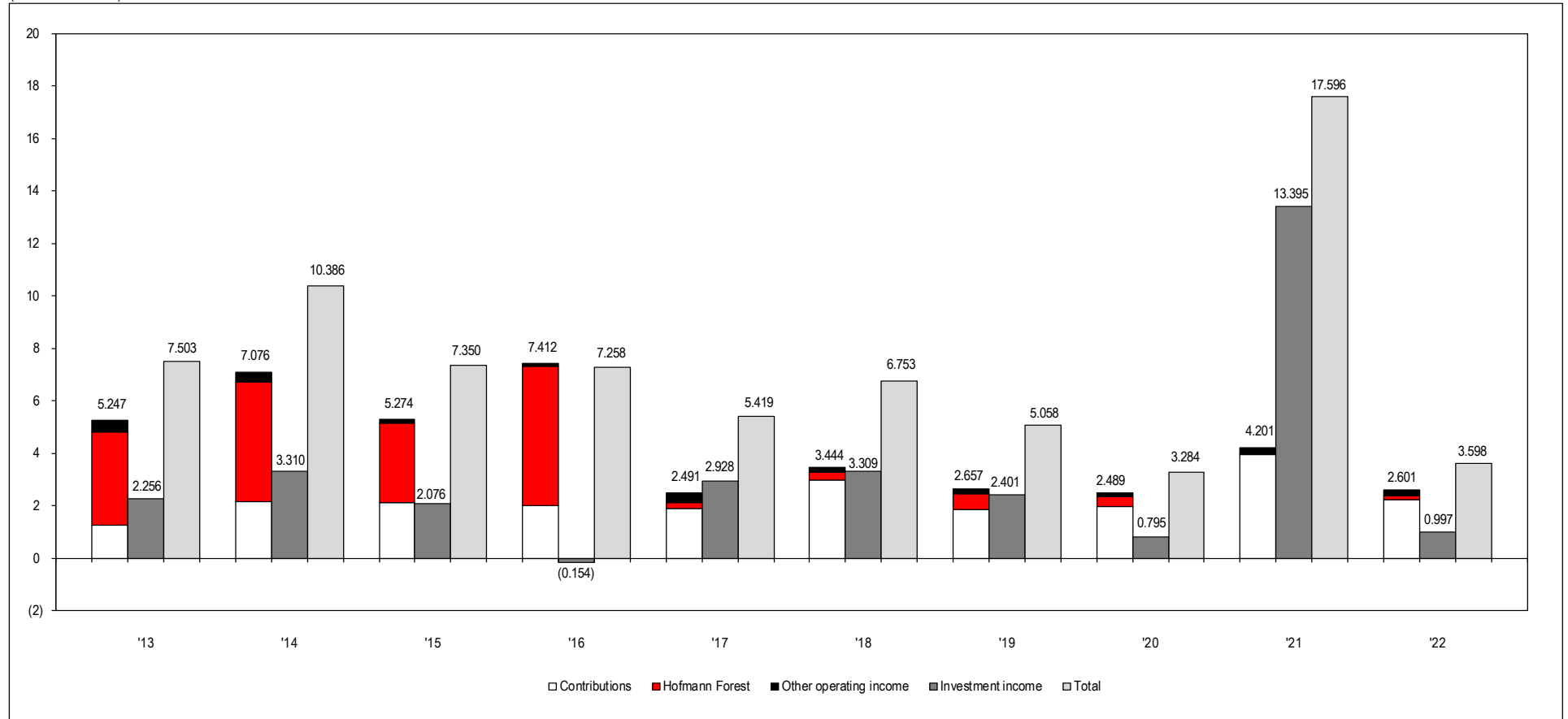


NC State Natural Resources Foundation, Inc.

Ten Year Summary of Revenues - Unaudited
Years Ended June 30

Total Revenues, Gains, and Other Income

(Dollars in Millions)

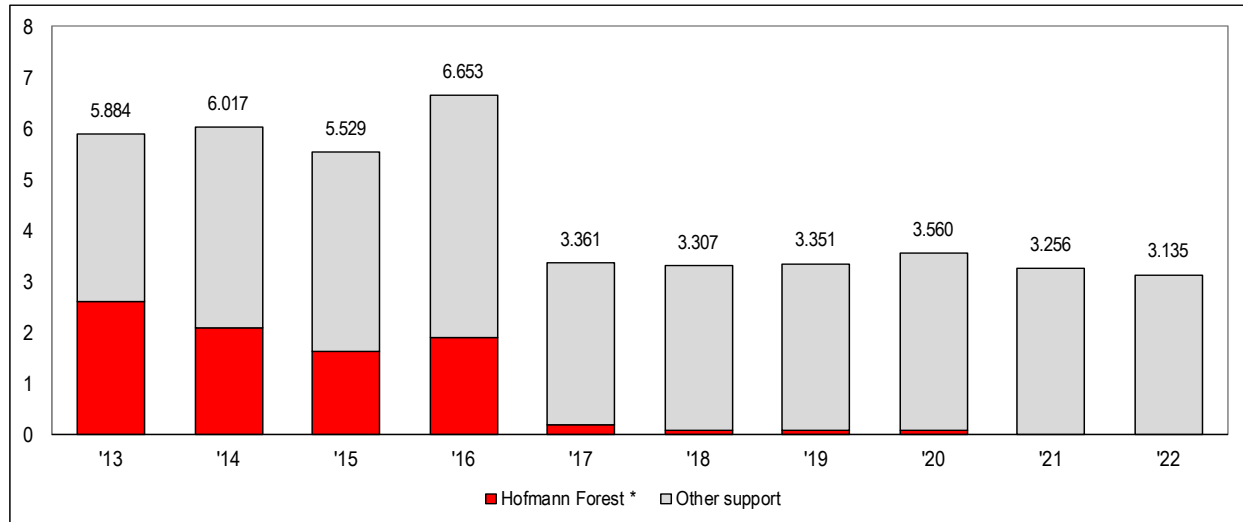


NC State Natural Resources Foundation, Inc.

Ten Year Summary of Support - Unaudited Years Ended June 30

Total Support

(Dollars in Millions)



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