

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

**FINANCIAL REPORT**

**JUNE 30, 2022 and 2021**

**North Carolina Veterinary Medical 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  
North Carolina Veterinary Medical Foundation, Inc.

### ***Opinion***

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, 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 North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 24, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
November 18, 2022

North Carolina Veterinary Medical Foundation, Inc.

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 11,487,132	\$ 12,974,882
Intermediate investments (Note 1)	9,041,070	5,725,157
Long-term investments (Notes 1 and 3)	103,672,354	100,891,140
Pledges receivable, net (Notes 1 and 7)	301,118	372,766
Other assets (Note 1)	110,168	110,223
<b>Total Assets</b>	<b>\$ 124,611,842</b>	<b>\$ 120,074,168</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - North Carolina State University (Note 1)	\$ 13,005	\$ 286,348
Life income funds payable (Note 6)	448,505	473,284
Due to others (Note 1)	34,663	33,600
<b>Total Liabilities</b>	<b>496,173</b>	<b>793,232</b>
<b>Net Assets</b>		
Without Donor Restrictions:		
Undesignated	9,065,915	7,852,827
Board-designated - endowments (Note 2)	47,139,733	46,662,995
With Donor Restrictions:		
Perpetual in nature (Note 9)	33,898,929	31,851,745
Purpose restricted (Note 9)	34,011,092	32,913,369
<b>Total Net Assets</b>	<b>124,115,669</b>	<b>119,280,936</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 124,611,842</b>	<b>\$ 120,074,168</b>

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 4,422,981	\$ 5,096,036	\$ 9,519,017
Change in pledges receivable, net (Note 7)	-	(71,648)	(71,648)
Donated salaries, services and facilities (Note 8)	340,000	-	340,000
Change in value of split interest agreements	-	(29,007)	(29,007)
Net investment income	870,958	1,459,221	2,330,179
Other income	-	8,121	8,121
Net assets released from restrictions (Note 10)	4,841,705	(4,841,705)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>10,475,644</b>	<b>1,621,018</b>	<b>12,096,662</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	1,538,017	-	1,538,017
Faculty support and professorships	377,844	-	377,844
Departmental support	2,394,215	-	2,394,215
Terry Hospital debt service	908,956	-	908,956
Capital support	1,160,555	-	1,160,555
<b>Total Program Support</b>	<b>6,379,587</b>	<b>-</b>	<b>6,379,587</b>
Administrative	86,611	-	86,611
Fundraising	795,731	-	795,731
<b>Total Other Support</b>	<b>882,342</b>	<b>-</b>	<b>882,342</b>
<b>Total Support (Note 11)</b>	<b>7,261,929</b>	<b>-</b>	<b>7,261,929</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>3,213,715</b>	<b>1,621,018</b>	<b>4,834,733</b>
<b>Net Transfers</b>			
Among funds	(1,523,889)	1,523,889	-
<b>Total Net Transfers</b>	<b>(1,523,889)</b>	<b>1,523,889</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>1,689,826</b>	<b>3,144,907</b>	<b>4,834,733</b>
<b>Net Assets</b>			
Beginning of year	54,515,822	64,765,114	119,280,936
End of year	\$ 56,205,648	\$ 67,910,021	\$ 124,115,669

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
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 4,465,400	\$ 2,840,796	\$ 7,306,196
Change in pledges receivable, net (Note 7)	-	112,378	112,378
Donated salaries, services 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)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>21,854,768</b>	<b>15,031,499</b>	<b>36,886,267</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
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
<b>Total Program Support</b>	<b>5,559,116</b>	<b>-</b>	<b>5,559,116</b>
Administrative	136,856	-	136,856
Fundraising	760,930	-	760,930
<b>Total Other Support</b>	<b>897,786</b>	<b>-</b>	<b>897,786</b>
<b>Total Support (Note 11)</b>	<b>6,456,902</b>	<b>-</b>	<b>6,456,902</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>15,397,866</b>	<b>15,031,499</b>	<b>30,429,365</b>
<b>Net Transfers</b>			
To the Endowment Fund of NC State University	-	(2,000,000)	(2,000,000)
Among funds	(399,132)	399,132	-
<b>Total Net Transfers</b>	<b>(399,132)</b>	<b>(1,600,868)</b>	<b>(2,000,000)</b>
<b>Change in Net Assets</b>	<b>14,998,734</b>	<b>13,430,631</b>	<b>28,429,365</b>
<b>Net Assets</b>			
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.**

**Statements of Cash Flows**

**Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 4,834,733	\$ 28,429,365
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net investment income	(2,330,179)	(29,116,091)
Contributions restricted for permanent endowment	(1,955,612)	(969,012)
Change in value of split interest agreements	27,944	24,762
Change in value of split interest agreements due to others	1,063	9,222
Increase (decrease) in:		
Pledges receivable, net	71,648	(112,378)
Other assets	55	23,209
Decrease (increase) in:		
Accounts payable - North Carolina State University	(273,343)	279,048
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>376,309</b>	<b>(1,431,875)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	2,299,474	5,188,511
Purchases of investments	(6,075,620)	(4,032,568)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(3,776,146)</b>	<b>1,155,943</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	1,955,612	969,012
Investment income restricted for split interest agreements	9,198	8,575
Payments on life income fund obligations	(52,723)	(52,466)
<b>Net Cash Provided by Financing Activities</b>	<b>1,912,087</b>	<b>925,121</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(1,487,750)</b>	<b>649,189</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	12,974,882	12,325,693
End of year	<b>\$ 11,487,132</b>	<b>\$ 12,974,882</b>
<b>Supplemental Disclosures of Noncash Activities:</b>		
Donated salaries, services and facilities	<b>\$ 340,000</b>	<b>\$ 380,000</b>

See notes to financial statements.

## North Carolina Veterinary Medical Foundation, Inc.

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

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#### 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 \$9,041,070 and \$5,725,157 at June 30, 2022 and 2021, respectively. The cost of these investments was \$9,588,057 and \$5,644,520 as of 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.

**North Carolina Veterinary Medical Foundation, Inc.**

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

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

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

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 \$15,673 and \$15,530 at June 30, 2022 and 2021, respectively. Other assets also include nondepreciable artwork totaling \$94,495 at June 30, 2022 and 2021 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, 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 fiscal 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.

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, 2022 and 2021

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#### **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 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, 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.

#### **Note 2. Endowment**

The Foundation's endowment consists of approximately 170 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, 2022 and 2021

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#### 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 \$(69,142) 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 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 \$1,380,640 and \$1,633,780 for fiscal years 2022 and 2023, 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, 2022 and 2021**

**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, 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 46,831,183	\$ 53,578,595	\$ 100,409,778
Total investment return	1,433,633	1,453,000	2,886,633
Contributions, including change in accrued pledges and other income	-	1,940,519	1,940,519
Appropriations of endowment assets for expenditure	(959,296)	(1,169,974)	(2,129,270)
Change in value of split interest agreements	-	(29,007)	(29,007)
Other changes:			
Transfers	-	114,360	114,360
Endowment net assets, end of year	<u>\$ 47,305,520</u>	<u>\$ 55,887,493</u>	<u>\$ 103,193,013</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-designated endowment funds:			
Corpus	\$ -	\$ 33,898,929	\$ 33,898,929
Appreciation	165,787	22,057,706	22,223,493
Underwater	-	(69,142)	(69,142)
Board-designated endowment funds	<u>47,139,733</u>	<u>-</u>	<u>47,139,733</u>
Total funds	<u>\$ 47,305,520</u>	<u>\$ 55,887,493</u>	<u>\$ 103,193,013</u>

**North Carolina Veterinary Medical 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	\$ 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>

**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:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 1,039	\$ 1,039	\$ 828	\$ 828
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	44,213,423	103,063,138	42,911,676	100,142,529
Life Income Funds	629,789	608,177	654,730	747,783
	<u>\$ 44,844,251</u>	<u>\$ 103,672,354</u>	<u>\$ 43,567,234</u>	<u>\$ 100,891,140</u>

**North Carolina Veterinary Medical 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 are measured at fair value on a recurring basis.

	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
STIF	\$ 1,039	\$ -	\$ -	\$ 1,039
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	9,041,070	9,041,070
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	103,063,138	103,063,138
Life Income Funds	-	608,177	-	608,177
Beneficial Interest in Life Insurance Policies	-	-	15,673	15,673
	<b>\$ 1,039</b>	<b>\$ 608,177</b>	<b>\$ 112,119,881</b>	<b>\$ 112,729,097</b>

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
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
	<b>\$ 828</b>	<b>\$ 747,783</b>	<b>\$ 105,883,036</b>	<b>\$ 106,631,647</b>



**North Carolina Veterinary Medical 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 (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, 2022:

	<b>NC State Investment Fund, Inc. ITF</b>	<b>NC State Investment Fund, Inc. LTIP</b>	<b>Beneficial Interest in Life Insurance Policies</b>
Beginning balance	\$ 5,725,157	\$ 100,142,529	\$ 15,350
Participant additions	4,000,000	2,077,910	-
Investment income	41,912	22,046	-
Realized gains	2,643	1,468,965	-
Unrealized (depreciation) appreciation	(627,625)	1,618,863	323
Participant withdrawals	(97,864)	(2,129,270)	-
Expenses	(3,153)	(137,905)	-
Ending balance	<u>\$ 9,041,070</u>	<u>\$ 103,063,138</u>	<u>\$ 15,673</u>

## North Carolina Veterinary Medical 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	\$ -	\$ 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	\$ 5,725,157	\$ 100,142,529	\$ 15,350

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 spendable portion of the Foundation's board designated endowments is approximately \$48.0 million as of June 30, 2022. 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%. \$30,280 of appropriations from the board-designated endowments and \$8,450 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, 2022 and 2021**

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**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	<b>\$ 124,517,347</b>
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	<b>(33,898,929)</b>
Subject to appropriation and satisfaction of donor restrictions	<b>(33,915,899)</b>
Board-designated endowments	<b>(47,109,453)</b>
Total liabilities	<b><u>(496,173)</u></b>
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 9,096,893</u></b>

**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, 2022 and 2021 have asset balances of \$608,177 and \$747,783, 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 \$448,505 and \$473,284 at June 30, 2022 and 2021, respectively. Payments from these funds were \$52,723 and \$52,466 during the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the CGA reserve balance was \$55,506 and \$55,464, respectively.

**North Carolina Veterinary Medical Foundation, Inc.**

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

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**Note 7. Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	<b>2022</b>	<b>2021</b>
Receivable in less than one year	<b>\$ 80,810</b>	\$ 124,508
Receivable in one to five years	<b>259,957</b>	271,067
Total pledges receivable, gross	<b>340,767</b>	395,575
Less allowance for uncollectible pledges	<b>(18,000)</b>	(20,000)
Less unamortized discount (discount rates of .07% to 3.15%)	<b>(21,649)</b>	(2,809)
Pledges receivable, net	<b>\$ 301,118</b>	\$ 372,766

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

Two donors represented approximately \$194,000 of the total undiscounted pledges receivable at June 30, 2022. Two donors represented approximately \$255,000 of the total undiscounted pledges receivable at June 30, 2021.

**Note 8. Donated Salaries, Services 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 \$308,000 and \$289,000, 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 services and facilities amounted to \$32,000 and \$91,000, respectively.

**North Carolina Veterinary Medical Foundation, Inc.**

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

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**Note 9. Net Assets With Donor Restrictions**

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

	<b>2022</b>	<b>2021</b>
Scholarships and fellowships	<b>\$ 2,019,445</b>	\$ 1,730,647
Faculty support and professorships	<b>210,210</b>	186,870
Research support	<b>3,051,258</b>	2,625,841
Pledges receivable, net	<b>297,291</b>	347,244
Other	<b>6,428,651</b>	6,280,567
	<b>12,006,855</b>	11,171,169
Subject to passage of time:		
Beneficial interest in life insurance policies	<b>15,673</b>	15,350
Assets held under split-interest agreements, net	<b>125,009</b>	240,899
	<b>140,682</b>	256,249
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	<b>38,812,987</b>	38,183,993
Faculty support and professorships	<b>811,607</b>	807,751
Research support	<b>9,659,832</b>	9,687,213
Pledges receivable	<b>3,827</b>	25,522
Other	<b>6,474,231</b>	4,633,217
	<b>55,762,484</b>	53,337,696
Total Net Assets With Donor Restrictions	<b>\$ 67,910,021</b>	\$ 64,765,114

Donor restricted net asset grouping "Other" 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, 2022 and 2021**

**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:

	<u>2022</u>	<u>2021</u>
Scholarships and fellowships	\$ 1,208,017	\$ 1,128,806
Faculty support and professorships	377,844	222,485
Departmental support	2,003,342	1,987,432
Capital support	1,160,555	-
Administrative and fundraising	91,947	75,614
	<u>\$ 4,841,705</u>	<u>\$ 3,414,337</u>

**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, 2022 are as follows:

	<u>Total</u>	<u>Supporting Activities</u>		
		<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>
	<u>Support</u>	<u>Support</u>	<u>Support</u>	<u>Support</u>
Grants	\$ 1,918,909	\$ -	\$ 345,772	\$ 2,264,681
Legal	-	5,745	-	5,745
Accounting	-	45,100	-	45,100
Advertising	250	-	6,640	6,890
Office Expenses	13,877	-	6,235	20,112
Occupancy	412	-	583	995
Travel	33,266	-	8,786	42,052
Conferences and Meetings	10,580	-	4,650	15,230
Insurance	1,395	85	5,292	6,772
Departmental Equipment	1,289,622	-	5,915	1,295,537
Equipment Rental and Maintenance	178,033	-	410	178,443
Contracted Services	10,579	-	500	11,079
Miscellaneous Services and Fees	7,730	401	54,677	62,808
Donated Salaries, Services and Facilities	-	32,000	308,000	340,000
Gift Assessment Fees	520,590	-	-	520,590
Printing and Binding	3,486	-	29,948	33,434
Dues and Subscriptions	1,745	3,280	1,215	6,240
Supplies	319,602	-	17,108	336,710
Capital Transfers	2,069,511	-	-	2,069,511
Total	<u>\$ 6,379,587</u>	<u>\$ 86,611</u>	<u>\$ 795,731</u>	<u>\$ 7,261,929</u>

Grants include scholarships, fellowships and salary support. Capital Transfers include the Terry debt payment and funding for the new Dairy and Equine facilities.

**North Carolina Veterinary Medical Foundation, Inc.**

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

**Note 11. Functional Expense (continued)**

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

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising 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	568,358	20	20,014	588,392
Donated Salaries, Services and Facilities	-	91,000	289,000	380,000
Gift Assessment Fees	513,788	-	-	513,788
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
<b>Total</b>	<b>\$ 5,559,116</b>	<b>\$ 136,856</b>	<b>\$ 760,930</b>	<b>\$ 6,456,902</b>

Grants include scholarships, fellowships and salary support. Capital Transfers include the Terry debt payment, college lab renovations and funding for the new Dairy facility.

**Note 12. Subsequent Events**

The Foundation has evaluated subsequent events through November 18, 2022, 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, 2022

	Budget	Actual	Variance Over/(Under)
<b>Income</b>			
Contributions:			
All Gifts Great and Small	\$ 350,000	\$ 351,974	\$ 1,974
Walk of Honor	35,000	20,555	(14,445)
Gallop of Honor	5,000	4,046	(954)
Pet in Memoriam	10,000	16,744	6,744
Endowment spending budget	34,450	34,450	-
Interest and dividends	100,000	108,911	8,911
<b>Total Income</b>	<b>534,450</b>	<b>536,680</b>	<b>2,230</b>
<b>Support</b>			
Foundation administration	523,600	472,628	(50,972)
Dean's Discretionary	15,000	30,775	15,775
Hardship Support	15,000	15,000	-
<b>Total Support</b>	<b>553,600</b>	<b>518,403</b>	<b>(35,197)</b>
<b>Income Less Support</b>	<b>(19,150)</b>	<b>18,277</b>	<b>37,427</b>
<b>General Fund Balance</b>			
Beginning of year	763,568	763,568	-
End of year	\$ 744,418	\$ 781,845	\$ 37,427

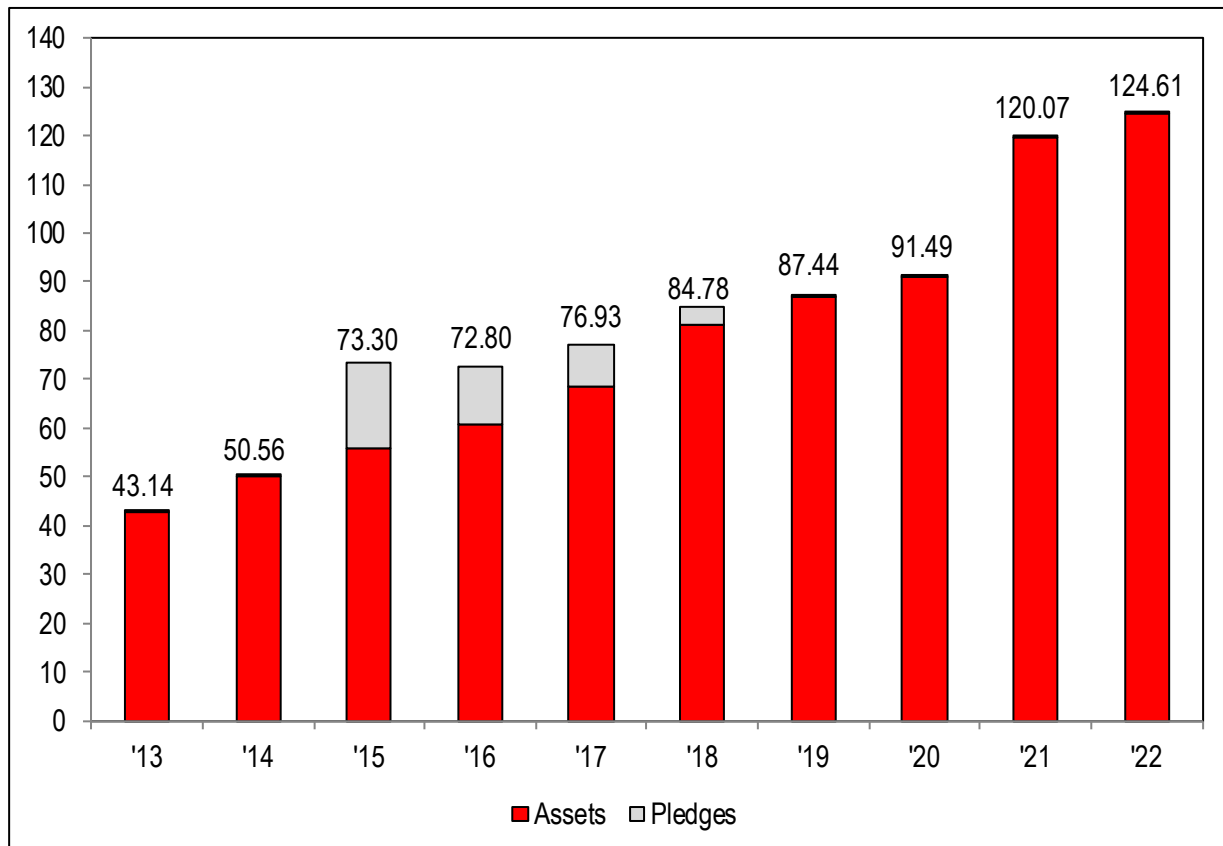
North Carolina Veterinary Medical Foundation, Inc.

Ten Year Summary of Asset Growth - Unaudited

As of June 30

TOTAL ASSETS

(Dollars in Millions)



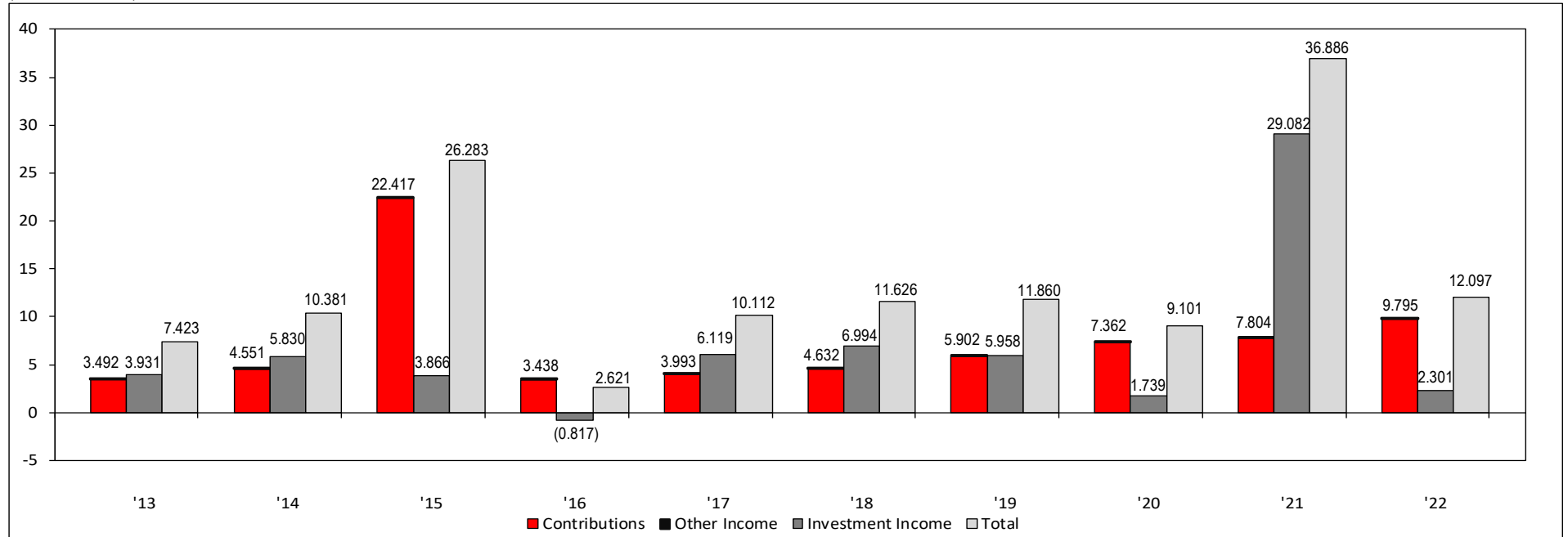
Not reflected above for FY '22 are gifts-in-kind of \$51,850, which benefit the College of Veterinary Medicine. These gifts were received due to the efforts of Foundation members and the College Development Staff.

North Carolina Veterinary Medical Foundation, Inc.

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

Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)

