

**THE NORTH CAROLINA
AGRICULTURAL FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2015 and 2014

The North Carolina Agricultural Foundation, Inc.
Financial Statements
For the years ended June 30, 2015 and 2014

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FINANCIAL SECTION

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Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The North Carolina Agricultural Foundation, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of The North Carolina Agricultural Foundation, Inc. (the "Foundation"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Agricultural Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 through 21, 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 audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Dverman Pierce, LLP

Raleigh, North Carolina
October 5, 2015

The North Carolina Agricultural Foundation, Inc.

Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Note 1)	\$ 17,053,654	\$ 30,607,477
Intermediate investments (Note 1)	17,800,235	4,670,337
Long-term investments (Notes 1 and 3)	72,222,325	63,753,595
Closely held stock (Note 6)	4,972	4,972
Accounts receivable (Note 1)	12,699	27,816
Pledges receivable (Notes 1 and 7)	9,516,939	11,024,535
Notes receivable - The LaPaz Group, LLC (Note 15)	1,727,447	1,590,424
Receivable from sale of Albion stock (Note 8)	3,372,000	3,372,000
Donated property and land (Note 1)	33,090,480	33,046,616
Vehicles, net of accumulated depreciation of \$159,416 and \$174,516 in 2015 and 2014, respectively (Note 1)	70,908	45,277
Other assets (Note 1)	73,495	72,332
Total assets	\$ 154,945,154	\$ 148,215,381
LIABILITIES AND NET ASSETS		
Accounts payable - North Carolina State University (Note 1)	\$ 335,321	\$ 189,575
Accounts payable (Note 1)	24,583	146,751
Due to others (Note 1)	128,748	174,435
Deferred revenue (Note 1)	130,889	220,874
Life income funds payable (Note 5)	2,277,196	2,486,346
Contingent liability (Note 16)	54,252	-
Total liabilities	2,950,989	3,217,981
Net Assets:		
Unrestricted:		
Undesignated	2,090,125	1,702,159
Board designated (Note 2)	862,111	649,526
Temporarily restricted (Note 10)	72,786,016	68,027,268
Permanently restricted (Note 11)	76,255,913	74,618,447
Total net assets	151,994,165	144,997,400
Total liabilities and net assets	\$ 154,945,154	\$ 148,215,381

See Notes to Financial Statements.

The North Carolina Agricultural Foundation, Inc.

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions (Note 1)	\$ 1,796,265	\$ 9,025,826	\$ 3,241,354	\$ 14,063,445
Grant revenue (Note 1)	-	85,242	-	85,242
Change in pledges receivable (Note 7)	-	1,234,944	(2,742,540)	(1,507,596)
Donated services, salaries, and facilities (Note 9)	1,590,000	-	-	1,590,000
Donated property (Note 1)	-	51,000	-	51,000
Net investment income	(28,064)	5,023,353	79,267	5,074,556
Interest and dividends	423,376	170,528	76,101	670,005
Change in value of split interest agreements	-	-	(111,290)	(111,290)
Disposal of other assets	28,038	535,632	-	563,670
Royalties	-	429,479	-	429,479
Other income	60	1,148,328	5,565	1,153,953
Net assets released from restrictions (Note 12)	11,446,784	(11,446,784)	-	-
Total revenues, gains, and other income	15,256,459	6,257,548	548,457	22,062,464
Grants to support the University:				
Program:				
Scholarships and fellowships	3,605,533	-	-	3,605,533
Faculty support and professorships	2,186,753	-	-	2,186,753
Agricultural research support	563,734	-	-	563,734
Cooperative extension support	22,789	-	-	22,789
Departmental support	3,419,193	-	-	3,419,193
Facility support	135,077	-	-	135,077
Other current services	2,197,447	-	-	2,197,447
Total program support	12,130,526	-	-	12,130,526
Administrative	348,350	-	-	348,350
Fundraising	2,584,232	-	-	2,584,232
Total other support	2,932,582	-	-	2,932,582
Total support	15,063,108	-	-	15,063,108
Excess of revenues, gains, and other income over total support	193,351	6,257,548	548,457	6,999,356
Net transfers:				
To other University-affiliated entities	-	(2,591)	-	(2,591)
Among funds (Note 13)	407,200	(1,496,209)	1,089,009	-
Total net transfers	407,200	(1,498,800)	1,089,009	(2,591)
Change in net assets	600,551	4,758,748	1,637,466	6,996,765
Net assets:				
Beginning	2,351,685	68,027,268	74,618,447	144,997,400
Ending	\$ 2,952,236	\$ 72,786,016	\$ 76,255,913	\$ 151,994,165

See Notes to Financial Statements.

The North Carolina Agricultural Foundation, Inc.

Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions (Note 1)	\$ 1,553,682	\$ 9,528,185	\$ 3,829,533	\$ 14,911,400
Grant revenue (Note 1)	-	449,652	-	449,652
Change in pledges receivable (Note 7)	-	(2,675,029)	118,750	(2,556,279)
Donated services, salaries, and facilities (Note 9)	1,412,000	-	-	1,412,000
Net investment income	779,536	7,479,011	125,545	8,384,092
Interest and dividends	129,142	118,943	67,529	315,614
Change in value of split interest agreements	-	-	(193,401)	(193,401)
Disposal of other assets	-	23,423	-	23,423
Royalties	-	874,662	-	874,662
Other income	154	970,221	19,115	989,490
Net assets released from restrictions (Note 12)	10,155,172	(10,155,172)	-	-
Total revenues, gains, and other income	14,029,686	6,613,896	3,967,071	24,610,653
Grants to support the University:				
Program:				
Scholarships and fellowships	2,668,214	-	-	2,668,214
Faculty support and professorships	2,259,257	-	-	2,259,257
Agricultural research support	493,757	-	-	493,757
Cooperative extension support	33,521	-	-	33,521
Departmental support	3,217,291	-	-	3,217,291
Facility support	48,445	-	-	48,445
Other current services	2,085,375	-	-	2,085,375
Total program support	10,805,860	-	-	10,805,860
Administrative	359,350	-	-	359,350
Fundraising	2,203,060	-	-	2,203,060
Total other support	2,562,410	-	-	2,562,410
Total support	13,368,270	-	-	13,368,270
Excess of revenues, gains, and other income over total support	661,416	6,613,896	3,967,071	11,242,383
Net transfers:				
To other University-affiliated entities	-	(1,879,664)	(129,474)	(2,009,138)
Among funds (Note 13)	(366,584)	(127,878)	494,462	-
Total net transfers	(366,584)	(2,007,542)	364,988	(2,009,138)
Change in net assets	294,832	4,606,354	4,332,059	9,233,245
Net assets:				
Beginning	2,056,853	63,420,914	70,286,388	135,764,155
Ending	\$ 2,351,685	\$ 68,027,268	\$ 74,618,447	\$ 144,997,400

See Notes to Financial Statements.

The North Carolina Agricultural Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets:	\$ 6,996,765	\$ 9,233,245
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,285	16,774
Contributions and grants restricted for permanent endowment	(3,241,354)	(3,829,533)
Donated property	(51,000)	(120,000)
Investment income restricted for split interest agreements	(76,101)	(67,529)
Net investment gains	(5,074,556)	(8,384,092)
Actuarial change in value of split interest agreements	110,785	188,065
Actuarial change in due to others	505	5,336
Decrease (increase) in:		
The LaPaz Group, LLC	-	154,102
Accounts receivable	15,117	39,313
Pledges receivable	1,507,596	2,556,279
Notes receivable - The LaPaz Group, LLC	(137,023)	(405,822)
Receivable from sale of Albion stock	-	189,028
Other assets	(1,163)	(1,854)
Increase (decrease) in:		
Accounts payable - North Carolina State University	145,746	41,159
Accounts payable	(122,168)	53,472
Due to others	(46,192)	46,520
Deferred revenue	(89,985)	(427,003)
Contingent liability	54,252	-
Net cash provided by (used in) operating activities	10,509	(712,540)
Cash Flows From Investing Activities:		
Proceeds from sales of property	7,136	-
Proceeds from sales of investments	2,711,791	2,878,188
Purchases of property	(44,916)	-
Purchases of investments	(19,235,863)	(4,526,288)
Net cash used in investing activities	(16,561,852)	(1,648,100)
Cash Flows From Financing Activities:		
Contributions and grants restricted for permanent endowment	3,241,354	3,829,533
Investment income restricted for split interest agreements	76,101	67,529
Payments on life income fund obligations	(329,222)	(334,177)
Proceeds from life income fund obligations	9,287	14,207
Net cash provided by financing activities	2,997,520	3,577,092
Net (decrease) increase in cash and cash equivalents	(13,553,823)	1,216,452
Cash and cash equivalents:		
Beginning	30,607,477	29,391,025
Ending	\$ 17,053,654	\$ 30,607,477

(Continued)

See Notes to Financial Statements.

The North Carolina Agricultural Foundation, Inc.

Statements of Cash Flows (Continued)
Years Ended June 30, 2015 and 2014

	2015	2014
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Supplemental Disclosures of Noncash Activities:		
Donated services and salaries	\$ 1,590,000	\$ 1,412,000
Transfers between funds	\$ 1,496,209	\$ 494,462

See Notes to Financial Statements.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the years ended June 30, 2015 and 2014

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The North Carolina Agricultural Foundation, Inc., (the "Foundation") is one of a group of foundations which provides financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, founded in 1944, aids and promotes, by financial assistance and otherwise, all types of education, research and extension in the College of Agriculture and Life Sciences.

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:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. 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 debt instruments to be cash equivalents. Cash designated or restricted for long-term purposes is included with long-term investments. At times the Foundation places deposits with a high quality financial institution that may be in excess of federal insurance limits.

Cash and cash equivalents consisted of accounts with BNY Mellon's Liquidity DIRECT, the State Treasurer's Short-Term Investment Fund (the "STIF"), Paragon Bank, and Wells Fargo Bank, N.A. 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 taxable municipal bonds, 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 cash needs. These investments are reported at readily determinable fair values of \$17,800,235 and \$4,670,337 at June 30, 2015 and 2014, respectively. The cost of these investments was \$18,530,793 and \$5,163,563 as of June 30, 2015 and 2014, 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 Wells Fargo.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements

For the years ended June 30, 2015 and 2014

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

Accounts receivable: Accounts receivable consists of sales tax receivable, accrued interest on the STIF account and municipal bonds, and grant expenditures not yet reimbursed.

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.

Donated property and land: Donated property and land are stated at cost. Cost for property acquired by gift is defined as market value on the date of the gift.

Vehicles: Vehicles are stated at cost. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. In accordance with the Foundation's capitalization policy, all property and equipment expenditures in excess of \$5,000 are capitalized.

Other assets: Other assets includes 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 values less any loans outstanding on the policies. Cash surrender values of these policies were \$73,495 and \$72,332 at June 30, 2015 and 2014, respectively.

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, temporarily restricted net assets are reclassified to unrestricted net assets 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. A one-time fee of 5% is assessed on gifts that support current operations and facilities, with 3% designated for Central Development and 2% designated to the fundraising entity receiving the gift.

Grant revenue: Grant revenue consists of amounts awarded to the Foundation by various State of North Carolina agencies for research and extension purposes.

Investment income: Investment income is allocated on the basis of average fund balances for unrestricted and temporarily restricted net assets. 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 unrestricted, temporarily restricted, or permanently restricted, as appropriate. Earnings from investments are net of investment fees of \$259,091 and \$204,943 for the years ended June 30, 2015 and 2014, respectively. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

As part of the University's gift assessment program, an annual fee of 0.50% is assessed on the average twenty-quarter market value of the assets held in the investment portfolio, with 0.25% designated for University Advancement and 0.25% designated to college-level fundraising efforts. In addition, an assessment of 0.50% is charged by the Foundation on the average twenty-quarter market value of assets held in the investment portfolio, with 0.25% for the support of Foundation fundraising activities and 0.25% for the support of University Advancement.

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.

Accounts payable: Accounts payable represents trade payables due to vendors.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the years ended June 30, 2015 and 2014

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

Due to others: Due to others at June 30, 2015 and 2014, consists of \$126,621 and \$126,115, respectively, due to remainder beneficiaries of life income funds, and \$2,127 and \$48,320, respectively, received by the Foundation on behalf of the University and other affiliated organizations.

Deferred revenue: Deferred revenue consists of the unspent balance of grants whose obligations have not yet been met.

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 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 2015 and 2014. 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 be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2015, 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 2011.

Note 2. Endowment

The Foundation's endowment consists of approximately 630 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 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. UPMIFA defines a prudence standard for management and investment of institutional funds. As a result of the Foundation's interpretation of UPMIFA, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily 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. These deficiencies generally result from unfavorable market fluctuations which produce unrealized losses to the fund. Deficiencies of this nature would be reported in unrestricted net assets.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements
For the years ended June 30, 2015 and 2014

Note 2. Endowment (continued)

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% MSCI/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, many endowments are not able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, up to 15% of the corpus of an endowment may 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 \$1,812,100 and \$1,602,345 for fiscal years 2016 and 2015, respectively.

Strategies employed for achieving investment objectives: For the long term, the primary investment objective for the LTIP 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 will have a disproportionate impact on the performance of the total fund.

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

The following represents changes in endowment net assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 649,526	\$ 23,243,675	\$ 74,618,447	\$ 98,511,648
Total investment return	324,625	5,194,419	155,368	5,674,412
Contributions, including change in accrued pledges and other income	-	250	504,379	504,629
Appropriations of endowment assets for expenditure	(112,040)	(2,119,845)	-	(2,231,885)
Change in value of split interest agreements	-	-	(111,290)	(111,290)
Other changes:				
Transfers	-	1,000,000	1,089,009	2,089,009
Endowment net assets, end of year	\$ 862,111	\$ 27,318,499	\$ 76,255,913	\$104,436,523

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements
For the years ended June 30, 2015 and 2014

Note 2. Endowment (continued)

The following represents endowment net asset composition by type of fund, as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 862,111	\$ -	\$ -	\$ 862,111
Donor restricted endowment funds	-	27,318,499	76,255,913	103,574,412
Total funds	\$ 862,111	\$ 27,318,499	\$ 76,255,913	\$104,436,523

The following represents changes in endowment net assets for the fiscal year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 312,720	\$ 17,899,357	\$ 70,286,388	\$ 88,498,465
Total investment return	514,622	7,251,538	193,074	7,959,234
Contributions, including change in accrued pledges and other income	-	200	3,967,398	3,967,598
Appropriation of endowment assets for expenditure	(177,816)	(1,907,420)	-	(2,085,236)
Change in value of split interest agreements	-	-	(193,401)	(193,401)
Other changes:				
Transfers	-	-	364,988	364,988
Endowment net assets, end of year	\$ 649,526	\$ 23,243,675	\$ 74,618,447	\$ 98,511,648

The following represents endowment net asset composition by type of fund, as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 649,526	\$ -	\$ -	\$ 649,526
Donor restricted endowment funds	-	23,243,675	74,618,447	97,862,122
Total funds	\$ 649,526	\$ 23,243,675	\$ 74,618,447	\$ 98,511,648

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.

Investments at June 30, 2015 and 2014 consisted of:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 1,167,820	\$ 1,167,820	\$ 191,181	\$ 191,181
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	46,916,170	66,200,323	43,886,329	58,318,763
Wells Fargo - Life Income Funds	4,533,656	4,854,182	4,771,708	5,243,651
	\$ 52,617,646	\$ 72,222,325	\$ 48,849,218	\$ 63,753,595

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the years ended June 30, 2015 and 2014

Note 3. Long-Term Investments (continued)

Investments held by the LTIP at June 30, 2015 were made up of limited partnerships, an investment with a Blackrock Liquid Policy Portfolio ("LPP"), a bundle of exchange-traded funds, and the STIF. As of June 30, 2015, approximately 89.4% of these limited partnerships were with the UNC Management Company (UNCMC), 4.1% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 6.2% was invested in the LPP, and 0.3% was invested in the STIF. The LTIP's net assets were valued at approximately \$676,716,000 and \$597,884,000 at June 30, 2015 and 2014, respectively. The Foundation's investment in LTIP represents approximately 9.78% and 9.75% of the member's equity of the LTIP at June 30, 2015 and 2014, respectively.

The Foundation's investments at Wells Fargo – Life Income Funds consist of a diversified portfolio of bond and equity mutual funds.

Note 4. Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification ("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.

	2015			Total Fair Value
	Level 1	Level 2	Level 3	
STIF	\$ 1,167,820	\$ -	\$ -	\$ 1,167,820
Municipal Bonds	-	561,911	-	561,911
commonfund Intermediate Term Fund	-	4,260,418	-	4,260,418
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	12,977,906	-	12,977,906
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	66,200,323	66,200,323
Wells Fargo - Life Income Funds	-	4,854,182	-	4,854,182
Beneficial Interest in Life Insurance Policies	-	-	73,495	73,495
	<u>\$ 1,167,820</u>	<u>\$ 22,654,417</u>	<u>\$ 66,273,818</u>	<u>\$ 90,096,055</u>

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements
For the years ended June 30, 2015 and 2014

Note 4. Fair Value Measurement (continued)

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 191,181	\$ -	\$ -	\$ 191,181
Municipal Bonds	-	382,486	-	382,486
commonfund Intermediate Term Fund	-	4,287,851	-	4,287,851
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	58,318,763	58,318,763
Wells Fargo - Life Income Funds	-	5,243,651	-	5,243,651
Beneficial Interest in Life Insurance Policies	-	-	72,332	72,332
	<u>\$ 191,181</u>	<u>\$ 9,913,988</u>	<u>\$ 58,391,095</u>	<u>\$ 68,496,264</u>

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

	2015		2014	
	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 58,318,763	\$ 72,332	\$ 48,580,852	\$ 70,478
Participant additions	4,631,250	-	4,315,000	-
Investment Income	20,371	-	28,289	-
Realized gains	791,611	-	691,605	-
Unrealized appreciation	4,851,719	1,163	7,407,992	1,854
Participant withdrawals	(2,168,135)	-	(2,500,032)	-
Expenses	(245,256)	-	(204,943)	-
Ending balance	<u>\$ 66,200,323</u>	<u>\$ 73,495</u>	<u>\$ 58,318,763</u>	<u>\$ 72,332</u>

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.

Municipal Bonds – Valued by the custodian using a computerized pricing service or, for less actively traded issues, using a yield-based matrix system.

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

NC State Investment Fund, Inc. Intermediate Term Fund (“ITF”) – This investment is a combination of publicly traded mutual funds valued at quoted market prices.

The NC State Investment Fund, Inc. Long Term Investment Pool (“LTIP”) – The LTIP’s investment in UNCMC 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 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.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the years ended June 30, 2015 and 2014

Note 4. Fair Value Measurement (continued)

Wells Fargo 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.

Note 5. 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, 2015 and 2014 have asset balances of \$4,854,182 and \$5,243,651, 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 agreements, and the life expectancies of the beneficiaries, and totaled \$2,277,196 and \$2,486,346 at June 30, 2015 and 2014, respectively. Payments from these funds were \$329,222 and \$334,177 during the years ended June 30, 2015 and 2014, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 5% 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 5% of the total value of the Foundation's CGA pool. As of June 30, 2015 and 2014, the CGA reserve balance was \$13,548 and \$12,689, respectively.

Note 6. Closely Held Stock

Closely held stock consists of 150,000 shares of Orbit, 81,630 shares of RDM Products, Inc. and 5,610 shares of Bank of Granite stock. This closely held stock is recorded at the market value at the time of donation, and the related unrealized gains (losses) have not been recorded. Closely held stock balances were \$4,972 at June 30, 2015 and 2014.

Note 7. Pledges Receivable

Pledges receivable are stated at their present value, estimated by discounting the future cash flows using Federal Reserve rates of return, ranging from .28% to 2.36% for June 2015, and are as follows:

	2015	2014
Receivable in less than one year	\$ 3,780,661	\$ 4,836,917
Receivable in one to five years	5,312,911	5,974,240
Receivable in greater than five years	1,005,541	711,455
Total gross pledges receivable	10,099,113	11,522,612
Less allowance for uncollectible pledges	(305,000)	(277,000)
Less unamortized discount	(277,174)	(221,077)
Net pledges receivable	\$ 9,516,939	\$ 11,024,535

The North Carolina Agricultural Foundation, Inc.

**Notes to Financial Statements
For the years ended June 30, 2015 and 2014**

Note 7. Pledges Receivable (continued)

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding the Prestage Family Department of Poultry Science Endowment for Excellence pledge which the Foundation is reasonably assured of collecting. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

Two donors represent approximately \$5.5 million and \$7.75 million of total undiscounted pledges receivable at June 30, 2015 and 2014, respectively.

Note 8. Receivable from Sale of Albion Stock

During fiscal year 2013, 30,228 shares of Albion Medical Holdings, Inc. stock was sold and the Foundation received \$13,572,332. Per the terms of the sale, the Foundation also recorded receivables for monies to be received within five years after the date of sale totaling \$3,561,028 as of June 30, 2013, which represent the Foundation's portion of a buyer note, escrow fund, and working capital. The receivable balance as of June 30, 2015 and June 30, 2014 was \$3,372,000.

Note 9. Donated Services, Salaries, and Facilities

Donated services in the amount of \$202,000 and \$216,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the financial statements for services provided by the University Treasurer's Division. In addition, donated salaries and facilities provided by the University for college development in the amount of \$1,388,000 and \$1,196,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the financial statements.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following purposes:

	2015	2014
Scholarships	\$ 1,680,415	\$ 2,053,890
Fellowships	439,544	552,253
Professorships	44,561	21,610
Research support	10,631,948	12,133,413
LaPaz - North Carolina aquaculture support	12,414,355	12,014,842
Pledges receivable	3,992,690	2,757,746
Endowment cumulative balance	27,318,499	23,243,675
Other	16,264,004	15,249,839
	\$ 72,786,016	\$ 68,027,268

Temporarily restricted net asset grouping "Other" includes amounts designated for facility support, general college support and general 4-H and Dairy support

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements
For the years ended June 30, 2015 and 2014

Note 11. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014 are restricted to:

	2015	2014
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	\$ 24,972,050	\$ 22,320,174
Fellowships	2,190,330	1,967,972
Drew Griffin Environmental Research	19,764,458	19,764,458
Professorships	2,316,929	1,254,138
Research	6,292,524	4,894,682
Pledges receivable	5,524,248	8,266,788
NC Agricultural Foundation Enhancement	3,862,111	3,649,526
NC Tobacco Trust Commission Agricultural Leadership Development Program	6,120,324	5,828,555
Charitable trusts and gift annuities	4,854,182	5,243,651
Other directly held assets	6,925,492	6,726,807
Other	21,613,875	24,276,021
Amounts reported as unrestricted or temporarily restricted net assets	(28,180,610)	(29,574,325)
	<u>\$ 76,255,913</u>	<u>\$ 74,618,447</u>

Permanently restricted net asset grouping "Other" includes amounts designated for general college support and general 4-H and Dairy support.

Note 12. 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:

	2015	2014
Scholarships	\$ 962,686	\$ 903,958
Fellowships	222,051	232,501
Professorships	15,258	15,206
Research and related support	4,987,948	4,225,754
Other	5,258,841	4,777,753
	<u>\$ 11,446,784</u>	<u>\$ 10,155,172</u>

Net assets released from restriction grouping "Other" includes amounts designated for general college support and general 4-H and Dairy support.

Note 13. Transfers Among Funds To Permanently Restricted

The Foundation's policy requires a minimum gift amount to establish an endowment. Contributions received toward setting up an endowment which are less than the minimum amount are initially recorded as temporarily restricted net assets, as it is understood by the donor that if the endowment minimum is not reached, the corpus can be used for the intended purpose. When the endowment reaches the minimum endowment level due to additional contributions, the endowment is transferred to permanently restricted net assets. For the years ended June 30, 2015 and 2014, net endowment transfers among funds were \$1,089,009 and \$494,462, respectively.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the years ended June 30, 2015 and 2014

Note 14. Commitments

The Foundation holds conservation easements for which it may have future commitments for an undeterminable amount. The purpose of these conservation easements is to maintain wetland and/or riparian resources and other natural values and prevent the use or development for any purpose or in any manner that would conflict with the maintenance of the properties in their natural conditions.

Note 15. The LaPaz Group, LLC

The Foundation was the residuary beneficiary of the White Trust. As such, the Foundation received White's 56.6% membership interest in the LaPaz Group, LLC. The Foundation's membership interest in LaPaz Group, LLC is accounted for using the equity method with the original gift being recorded at \$502,046, less the operating loss as of each calendar year ending December 31: 2008 \$(10,891), 2009 \$(41,591), 2010 \$(118,091), 2011 \$(85,367), 2012 \$(92,004), 2013 \$(337,992), and 2014 \$(543,999). The accompanying financial statements reflect annual operating losses incurred by LaPaz Group, LLC bringing net investment value as of June 30, 2015 to \$0.

The LaPaz Group, LLC entered into a \$150,000 line of credit with the Foundation on May 23, 2013 to provide liquidity for operations. An amendment to the agreement dated June 15, 2015 increased availability on the line of credit to \$600,000. The LaPaz Group, LLC had \$550,000 drawn on the line as of June 30, 2015. There was \$17,079 of interest accrued as of June 30, 2015. The line matures on December 31, 2016 with interest accruing monthly. The line's interest rate is prime less 1.0%, which was 2.25% as of June 30, 2015. The line of credit is included in Notes receivable on the accompanying statements of financial position.

The LaPaz Group, LLC entered into a \$1,108,631 loan with the Foundation on June 17, 2013 to reimburse the Foundation for capital improvements paid for by the Foundation less accumulated depreciation through the completion of the research project on March 31, 2013. Interest is to be paid annually on the average outstanding principal balance. There was \$51,737 of interest accrued as of June 30, 2015. Principal payments of twenty percent of the net profits before depreciation, interest, and taxes of LaPaz are due annually beginning March 30, 2014 with a repayment goal of ten years. During the years ended June 30, 2015 and 2014, no loan principal payments were made, as LaPaz incurred net losses in these periods. The loan's interest rate is prime less 1.0%, which was 2.25% as of June 30, 2015. The note is included in Notes receivable in the accompanying statements of financial position.

Note 16. Contingent Liability

The Foundation holds funds in agency accounts for the purpose of constructing a Plant Sciences Research Complex. These funds are restricted for the later phases (#4-7) of the project, which will not begin until after the building is fully funded and authorized to be constructed, and are contingent upon receiving such approval. As of June 30, 2015, funds held in agency accounts for the construction of the Plant Sciences Research Complex total \$54,252.

Note 17. Prior Year Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation with no effect on previously reported total net assets.

Note 18. Subsequent Events

The Foundation has evaluated events through October 5, 2015, the dates which the financial statements were available to be issued, and there were no additional subsequent events to report.

SUPPLEMENTARY INFORMATION

The North Carolina Agricultural Foundation, Inc.

General Fund Budget vs. Actual - Unaudited
Year Ended June 30, 2015

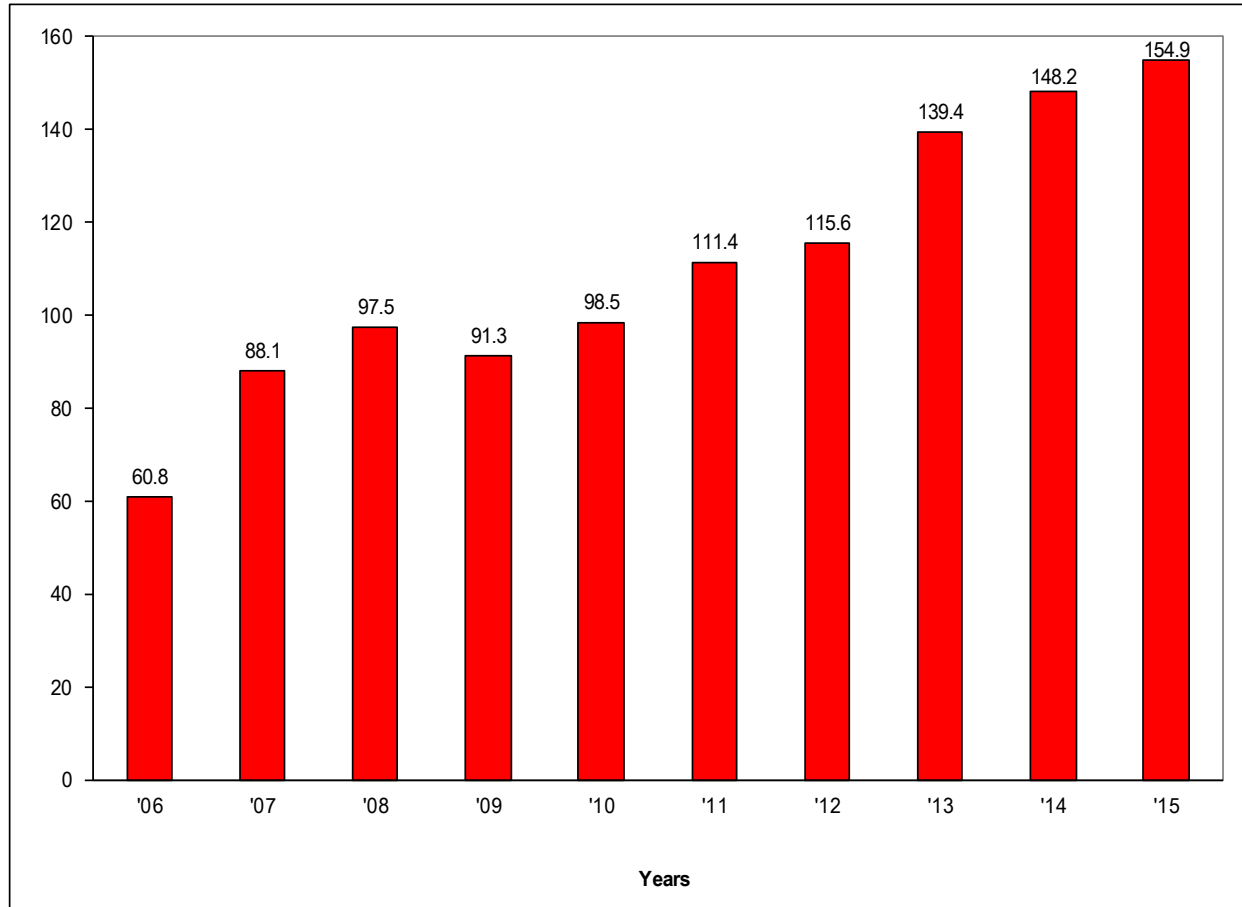
	Budget	Actual	Variance
Income:			
Annual fund campaign	\$ 200,000	\$ 161,081	\$ (38,919)
CALS Dean's Fund for Excellence	49,000	28,117	(20,883)
"Nickels for Know-How"	1,300,000	1,635,134	335,134
University Advancement assessment	88,155	88,095	(60)
College Advancement assessment	88,155	88,095	(60)
Additional enhancement fund fee	20,000	-	(20,000)
Endowment spending budget	108,000	108,675	675
Interest and dividends	119,000	327,079	208,079
Grant administrator fee	5,000	5,000	-
Reimbursements	-	71,055	71,055
Total income	1,977,310	2,512,331	535,021
Support:			
Program support	1,807,048	1,742,950	(64,098)
Foundation administration and development support	602,265	602,232	(33)
Endowment fee to University Advancement	-	-	-
Total support	2,409,313	2,345,182	(64,131)
Income less support	(432,003)	167,149	599,152
General fund balance:			
Beginning	1,589,411	1,589,411	-
Ending	\$ 1,157,408	\$ 1,756,560	\$ 599,152

The North Carolina Agricultural Foundation, Inc.

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

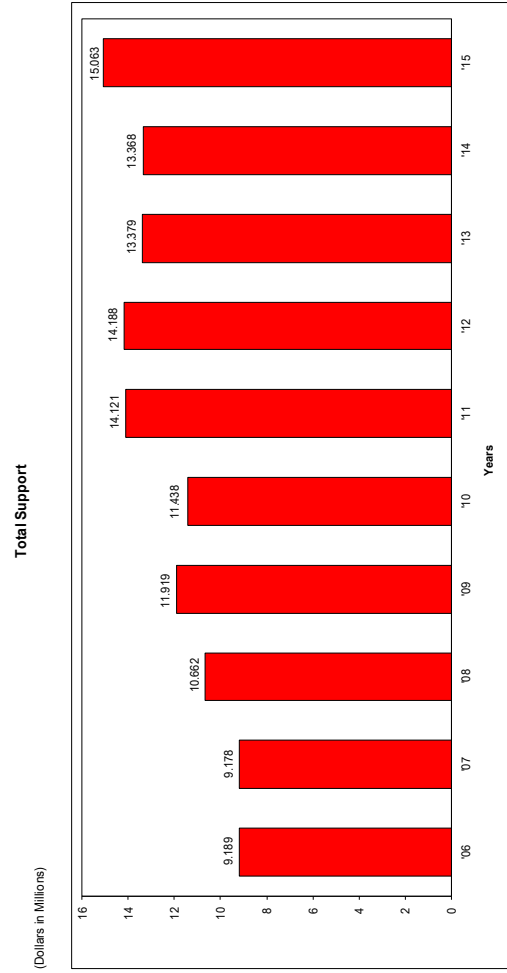
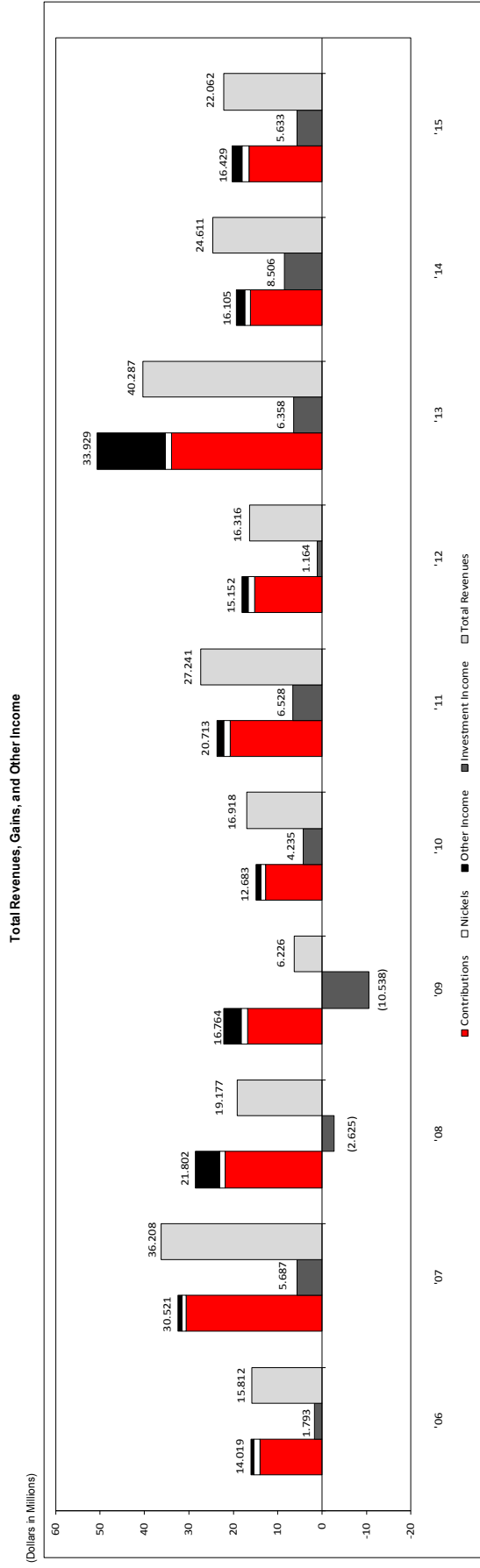
Total Assets*

(Dollars in Millions)



* Not reflected above for FY'14 are gifts-in-kind of \$67,598 which benefit the College of Agricultural and Life Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

The North Carolina Agricultural Foundation, Inc.
Ten Year Summary of Revenues and Support - Unaudited
Years Ended June 30



OTHER INFORMATION



Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

October 5, 2015

To the Board of Directors
The North Carolina Agricultural Foundation, Inc.
Raleigh, North Carolina

We have audited the financial statements of The North Carolina Agricultural Foundation, Inc. (the "Foundation"), a nonprofit organization, for the year ended June 30, 2015, and have issued our report thereon dated October 5, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used The North Carolina Agricultural Foundation, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material misstatements were identified as a result of audit procedures and, as such, no adjustments were necessary.



Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the Board of Directors and management of The North Carolina Agricultural Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Closing

We are happy to respond to any questions you may have concerning this communication. We appreciate the opportunity to continue to serve The North Carolina Agricultural Foundation, Inc.

Williams Dverman Pierce, LLP