

**NORTH CAROLINA STATE UNIVERSITY
ALUMNI ASSOCIATION, INC.**

FINANCIAL REPORT

JUNE 30, 2013 and 2012

North Carolina State University Alumni Association, Inc.
Financial Statements
For the years ended June 30, 2013 and 2012

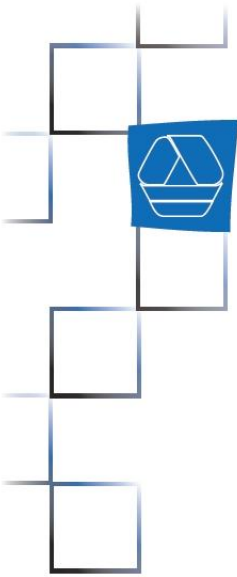
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Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Carolina State University Alumni Association, Inc.
Raleigh, North Carolina

We have audited the accompanying statements of financial position of North Carolina State University Alumni Association, Inc. ("Association"), a nonprofit organization, as of June 30, 2013 and 2012, 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 North Carolina State University Alumni Association, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 21 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 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

Raleigh, North Carolina
November 18, 2013

North Carolina State University Alumni Association, Inc.

**Statements of Financial Position
June 30, 2013 and 2012**

	2013	2012
ASSETS		
Cash and cash equivalents (Note 1)	\$ 1,628,591	\$ 1,461,774
Long-term investments (Notes 1 and 3)	26,027,281	23,578,161
Pledges receivable (Notes 1 and 6)	1,528,094	1,759,673
Receivable - charitable lead trust (Note 1)	363,829	411,247
Surrender value of life insurance (Note 1)	278,054	288,863
Property and equipment, net of accumulated depreciation (Note 1) of \$2,079,559 and \$1,872,653 for 2013 and 2012, respectively	206,907	413,814
Sales tax and other receivables (Note 1)	2,019	2,629
Total assets	\$ 30,034,775	\$ 27,916,161
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable (Note 1)	\$ 33,763	\$ 31,724
Deferred revenue (Note 12)	3,995,666	4,540,283
Life income funds payable (Note 5)	459,374	496,083
Due to others (Note 1)	174,072	159,540
Total liabilities	4,662,875	5,227,630
Net assets:		
Unrestricted:		
Undesignated (Note 1)	2,972,911	2,151,846
Undesignated - underwater endowments (Note 2)	(8,742)	(53,508)
Temporarily restricted (Note 8)	7,353,917	5,703,730
Permanently restricted (Note 9)	15,053,814	14,886,463
Total net assets	25,371,900	22,688,531
Total liabilities and net assets	\$ 30,034,775	\$ 27,916,161

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
University Advancement support:				
University support - salaries and benefits (Note 7)	\$ 1,216,000	\$ -	\$ -	\$ 1,216,000
University Caldwell support - salaries and benefits (Note 7)	147,000	-	-	147,000
University support - other	331,120	-	-	331,120
	<u>1,694,120</u>	<u>-</u>	<u>-</u>	<u>1,694,120</u>
Program revenues:				
Membership dues	670,740	-	-	670,740
Special interest groups	43,638	-	-	43,638
Student programs	475	-	-	475
Advertising and Alumni Magazine	94,765	-	-	94,765
Outreach	23,566	-	-	23,566
Events	158,648	-	-	158,648
Alumni travel program	75,199	-	-	75,199
Bricks and Pavers	13,000	-	-	13,000
Online store sales	3,665	-	-	3,665
Other program income	40,522	47,263	-	87,785
	<u>1,124,218</u>	<u>47,263</u>	<u>-</u>	<u>1,171,481</u>
Royalties:				
Affinity program royalties	150,773	-	-	150,773
	<u>150,773</u>	<u>-</u>	<u>-</u>	<u>150,773</u>
Contributions:				
Alumni contributions - Campaign for Excellence	400,539	-	-	400,539
Pledges receivable - adjustment	-	(304,579)	73,000	(231,579)
Alumni contributions	16,147	145,614	159,183	320,944
	<u>416,686</u>	<u>(158,965)</u>	<u>232,183</u>	<u>489,904</u>
Credit card program (Note 12)	672,000	-	-	672,000
Net asset reclassification - underwater endowments (Note 2)	44,766	(44,766)	-	-
Other income:				
Investment income	699,711	2,053,511	22,150	2,775,372
Decrease in surrender value of life insurance	-	(10,809)	-	(10,809)
Change in value of split interest agreements	-	-	(50,110)	(50,110)
Change in value of charitable lead trust	-	-	(47,418)	(47,418)
Donated services (Note 7)	36,000	-	-	36,000
Donated facility support (Note 7)	136,000	-	-	136,000
State Club receipts	106,734	-	-	106,734
	<u>978,445</u>	<u>2,042,702</u>	<u>(75,378)</u>	<u>2,945,769</u>
Net assets released from restrictions (Note 10)	730,995	(730,995)	-	-
Total revenues, gains, and other income	5,812,003	1,155,239	156,805	7,124,047

(continued)

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities, continued

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Salaries and benefits- state supported	1,216,000	-	-	1,216,000
Salaries and benefits - Alumni Association supported	398,608	-	-	398,608
Administration and fundraising	161,554	-	-	161,554
	<u>1,776,162</u>	-	-	<u>1,776,162</u>
Program expenses:				
Communications and advertising	227,348	-	-	227,348
Special interest groups	56,887	-	-	56,887
Student programs	192,296	-	-	192,296
Membership	176,582	-	-	176,582
Outreach	123,953	-	-	123,953
Events	177,646	-	-	177,646
Marketing and merchandising	24,361	-	-	24,361
Online store	3,022	-	-	3,022
Career services	2,360	-	-	2,360
Alumni travel program	31,846	-	-	31,846
Other program expenses	51,584	-	-	51,584
	<u>1,067,885</u>	-	-	<u>1,067,885</u>
Caldwell endowments:				
Scholarships and Stipends	230,096	-	-	230,096
Operating	99,777	-	-	99,777
Salaries and benefits - University supported	147,000	-	-	147,000
	<u>476,873</u>	-	-	<u>476,873</u>
Other endowment related expenses:				
Scholarships	230,870	-	-	230,870
Advancement assessment	77,685	-	-	77,685
	<u>308,555</u>	-	-	<u>308,555</u>
Other:				
Life insurance premiums	40,712	-	-	40,712
Depreciation	206,907	-	-	206,907
Advancement allocation	250,000	-	-	250,000
Building - maintenance	31,715	-	-	31,715
Building - miscellaneous	26,348	-	-	26,348
Gift assessment fees	76,939	-	-	76,939
Audit	21,000	-	-	21,000
Treasurer's Division	26,750	-	-	26,750
Donated services	36,000	-	-	36,000
Donated facilities	136,000	-	-	136,000
	<u>852,371</u>	-	-	<u>852,371</u>
Total support	<u>4,481,846</u>	-	-	<u>4,481,846</u>
Excess of revenues, gains, and other income over total support	<u>1,330,157</u>	<u>1,155,239</u>	<u>156,805</u>	<u>2,642,201</u>

(continued)

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net transfers:				
From (to) other University-associated entities	(20,000)	61,168	-	41,168
Among funds	(444,326)	433,780	10,546	-
Total transfers	(464,326)	494,948	10,546	41,168
Change in net assets	865,831	1,650,187	167,351	2,683,369
Net assets:				
Beginning	2,098,338	5,703,730	14,886,463	22,688,531
Ending	<u>\$ 2,964,169</u>	<u>\$ 7,353,917</u>	<u>\$ 15,053,814</u>	<u>\$ 25,371,900</u>

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
University Advancement support:				
University support - salaries and benefits (Note 7)	\$ 1,120,000	\$ -	\$ -	\$ 1,120,000
University Caldwell support - salaries and benefits (Note 7)	123,000	-	-	123,000
University support - other	256,120	-	-	256,120
	<u>1,499,120</u>	<u>-</u>	<u>-</u>	<u>1,499,120</u>
Program revenues:				
Membership dues	524,582	-	-	524,582
Special interest groups	33,619	-	-	33,619
Student programs	765	-	-	765
Advertising and Alumni Magazine	73,501	-	-	73,501
Outreach	17,430	-	-	17,430
Events	146,296	-	-	146,296
Alumni travel program	50,228	-	-	50,228
Bricks and Pavers	3,800	-	-	3,800
Online store sales	3,947	-	-	3,947
Other program income	11,759	30,053	-	41,812
	<u>865,927</u>	<u>30,053</u>	<u>-</u>	<u>895,980</u>
Royalties:				
Affinity program royalties	131,854	-	-	131,854
	<u>131,854</u>	<u>-</u>	<u>-</u>	<u>131,854</u>
Contributions:				
Alumni contributions - Campaign for Excellence	257,227	-	-	257,227
Pledges receivable - adjustment	-	(341,463)	(12,780)	(354,243)
Alumni contributions	16,434	151,705	452,603	620,742
	<u>273,661</u>	<u>(189,758)</u>	<u>439,823</u>	<u>523,726</u>
Credit card program (Note 12)	672,000	-	-	672,000
Net asset reclassification - underwater endowments (Note 2)	14,172	(14,172)	-	-
Other income:				
Investment income	143,002	174,754	226,482	544,238
Decrease in surrender value of life insurance	-	(7,703)	-	(7,703)
Change in value of split interest agreements	-	-	(24,474)	(24,474)
Change in value of charitable lead trust	-	-	(13,912)	(13,912)
Donated services (Note 7)	28,000	-	-	28,000
Donated facility support (Note 7)	136,000	-	-	136,000
State Club receipts	106,734	-	-	106,734
	<u>413,736</u>	<u>167,051</u>	<u>188,096</u>	<u>768,883</u>
Net assets released from restrictions (Note 10)	614,496	(614,496)	-	-
Total revenues, gains, and other income	<u>4,484,966</u>	<u>(621,322)</u>	<u>627,919</u>	<u>4,491,563</u>

(continued)

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities, continued

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Salaries and benefits- state supported	1,120,000	-	-	1,120,000
Salaries and benefits - Alumni Association supported	401,455	-	-	401,455
Administration and fundraising	122,120	-	-	122,120
	<u>1,643,575</u>	<u>-</u>	<u>-</u>	<u>1,643,575</u>
Program expenses:				
Communications and advertising	230,694	-	-	230,694
Special interest groups	53,780	-	-	53,780
Student programs	54,148	-	-	54,148
Membership	119,058	-	-	119,058
Outreach	83,424	-	-	83,424
Events	171,217	-	-	171,217
Marketing and merchandising	34,145	-	-	34,145
Online store	2,900	-	-	2,900
Career services	2,379	-	-	2,379
Alumni travel program	5,501	-	-	5,501
Other program expenses	36,338	-	-	36,338
	<u>793,584</u>	<u>-</u>	<u>-</u>	<u>793,584</u>
Caldwell endowments:				
Scholarships and stipends	250,944	-	-	250,944
Operating	66,396	-	-	66,396
Salaries and benefits - University supported	123,000	-	-	123,000
	<u>440,340</u>	<u>-</u>	<u>-</u>	<u>440,340</u>
Other endowment related expenses:				
Scholarships	168,317	-	-	168,317
Advancement assessment	58,880	-	-	58,880
	<u>227,197</u>	<u>-</u>	<u>-</u>	<u>227,197</u>
Other:				
Life insurance premiums	33,561	-	-	33,561
Depreciation	352,794	-	-	352,794
Advancement allocation	250,000	-	-	250,000
Building - maintenance	27,136	-	-	27,136
Building - miscellaneous	13,311	-	-	13,311
Gift assessment fees	59,406	-	-	59,406
Audit	21,000	-	-	21,000
Treasurer's Division	26,000	-	-	26,000
Donated services	28,000	-	-	28,000
Donated facilities	136,000	-	-	136,000
	<u>947,208</u>	<u>-</u>	<u>-</u>	<u>947,208</u>
Total support	<u>4,051,904</u>	<u>-</u>	<u>-</u>	<u>4,051,904</u>
Excess (deficit) of revenues, gains, and other income over total support	<u>433,062</u>	<u>(621,322)</u>	<u>627,919</u>	<u>439,659</u>

(continued)

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities, continued

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net transfers:				
From other University-associated entities	-	26,280	-	26,280
Among funds	222,478	(188,310)	(34,168)	-
Total transfers	222,478	(162,030)	(34,168)	26,280
Change in net assets	655,540	(783,352)	593,751	465,939
Net assets:				
Beginning	1,442,798	6,487,082	14,292,712	22,222,592
Ending	<u>\$ 2,098,338</u>	<u>\$ 5,703,730</u>	<u>\$ 14,886,463</u>	<u>\$ 22,688,531</u>

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

**Statements of Cash Flows
Years Ended June 30, 2013 and 2012**

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets:	\$ 2,683,369	\$ 465,939
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	206,907	352,794
Net investment gains	(2,775,372)	(544,238)
Investment income restricted for split interest agreements	(18,518)	(15,069)
Actuarial change in value of split interest agreements	50,110	24,474
Contributions restricted for permanent endowment	(159,183)	(452,603)
Decrease in:		
Pledges receivable	231,579	354,243
Receivables	610	3,597
Charitable lead trust	47,418	13,912
Increase (decrease) in:		
Accounts payable	2,039	(19,777)
Deferred revenue	(544,617)	(551,267)
Net cash used in operating activities	(275,658)	(367,995)
Cash Flows From Investing Activities:		
Proceeds from sales of investments	1,391,460	2,158,173
Purchases of investments	(1,065,208)	(1,622,886)
Surrender value of life insurance	10,809	7,703
Net cash provided by investing activities	337,061	542,990
Cash Flows From Financing Activities:		
Contributions restricted for permanent endowment	159,183	452,603
Investment income restricted for split interest agreements	18,518	15,069
Payments on life income fund obligations	(72,287)	(73,216)
Net cash provided by financing activities	105,414	394,456
Net change in cash and cash equivalents	166,817	569,451
Cash and cash equivalents:		
Beginning	1,461,774	892,323
Ending	\$ 1,628,591	\$ 1,461,774
Supplemental Disclosures of Cash Flow Information:		
Transfers among funds	\$ 444,326	\$ 222,478
Supplemental Disclosures of Noncash Activities:		
Donated services	\$ 36,000	\$ 28,000
Donated facilities	\$ 136,000	\$ 136,000
University support - salaries and benefits	\$ 1,363,000	\$ 1,243,000

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina State University Alumni Association, Inc., ("Association") is a non-profit organization whose primary objectives are to promote alumni affairs and promote awareness of North Carolina State University ("University"). The Association acts as an organizer for alumni functions, publishes an alumni magazine, and manages various endowments.

A summary of the Association's significant accounting policies follows:

Basis of accounting and presentation: The financial statements of the Association 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, the Association's 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 Association 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 Association 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 Association. Generally, the donors of these assets permit the Association 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 Association 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 Association 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 BNY Mellon's Liquidity DIRECT, the State Treasurer's Short-Term Investment Fund ("STIF"), and an operating checking account with 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.

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 Association, in accordance with investment policies promulgated by its Board of Directors ("Board"), invests with the NC State Investment Fund, Inc. ("NCSIF"). In addition, the Association has planned giving instruments invested with Wells Fargo.

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.

Receivable – charitable lead trust: The receivable for the split-interest agreement is carried at fair value, which the Association has estimated based on the present value of its expected future cash inflows.

Surrender value of life insurance: Beneficiary interests in life insurance policies are contributed to the Association and the Association 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 \$278,054 and \$288,863 at June 30, 2013 and June 30, 2012, respectively.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For the years ended June 30, 2013 and 2012**

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

Property and equipment: Property and equipment are recorded at cost and are depreciated over the estimated useful lives of the respective assets using the straight-line method.

Sales tax and other receivables: Sales tax receivable was \$1,782 and \$2,023 at June 30, 2013 and 2012, respectively. There was also a \$237 and \$606 receivable for interest due to the Association at June 30, 2013 and 2012, respectively.

Accounts payable: Accounts payable include amounts disbursed by the University on behalf of the Association for payment of various normal operating expenses and trade payables due to vendors.

Due to others: Due to others at June 30, 2013 and 2012 consists of \$174,072 and \$159,540, respectively, 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statements of activities.

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. A one-time fee of 5% is assessed on gifts that support current operations and facilities.

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 approximately \$94,750 and \$92,560 for the years ended June 30, 2013 and 2012, 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 assets held in the investment portfolio, designated for Central Development. In addition, an assessment of 0.55% is charged by the Association on the average twenty-quarter market value of the assets held in the investment portfolio, for the support of fundraising activities.

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

Income taxes: The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private association. The Association had no significant unrelated trade or business income for 2013 and 2012. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Notes to Financial Statements
For the years ended June 30, 2013 and 2012

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

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 Association, and has concluded that as of June 30, 2013, 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 Association 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 2009.

Note 2. Endowment

The Association's endowment consists of approximately 150 individual funds established for Caldwell scholarships and a variety of other purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Association 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 Association'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 Association's interpretation of UPMIFA and the signed endowment agreements with donors, the Association 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 Association'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 are reported in unrestricted net assets, and were \$(8,742) and \$(53,508) as of June 30, 2013 and 2012, respectively.

Investment return objectives and risk parameters:

The Association 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 NCSIF 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.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For the years ended June 30, 2013 and 2012**

Note 2. Endowment (continued)

Spending policy:

The Association 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 Association'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 newer 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 Association 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 Association considered the long-term expected return on its endowment. Spending budgets were calculated at \$767,260 and \$599,940 for fiscal years 2013 and 2014, respectively.

Strategies employed for achieving investment objectives:

For the long term, the primary investment objective for the NCSIF 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 NCSIF and to meet the spending needs of the University. To meet this investment objective, the NCSIF invests in various asset classes to offer diversification. The purpose of diversification is to provide reasonable assurance that no single security or class of securities or manager will have a disproportionate impact on the performance of the total fund.

The NCSIF's investments are 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 NCSIF 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, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,637,412	\$ 3,527,043	\$ 14,886,463	\$ 24,050,918
Net asset reclassification - underwater endowments	44,766	(44,766)	-	-
Endowment net assets after reclassification	5,682,178	3,482,277	14,886,463	24,050,918
Total investment return	761,857	2,331,429	22,150	3,115,436
Contributions including change in accrued pledges	577,974	12,017	232,183	822,174
Appropriations of endowment assets for expenditure	(477,310)	(635,018)	-	(1,112,328)
Change in value of split interest agreements	-	-	(50,110)	(50,110)
Change in value of charitable lead trust	-	-	(47,418)	(47,418)
Other changes:				
Transfers	100,000	-	10,546	110,546
Endowment net assets, end of year	\$ 6,644,699	\$ 5,190,705	\$ 15,053,814	\$ 26,889,218

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements
For the years ended June 30, 2013 and 2012

Note 2. Endowment (continued)

The following represents endowment net asset composition by type of fund, as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated - underwater endowments	\$ (8,742)	\$ -	\$ -	\$ (8,742)
Board-designated endowment funds	6,653,441	-	-	6,653,441
Donor restricted endowment funds	-	5,190,705	15,053,814	20,244,519
Total Funds	\$ 6,644,699	\$ 5,190,705	\$ 15,053,814	\$ 26,889,218

The following represents changes in endowment net assets for the fiscal year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,305,167	\$ 4,422,593	\$ 14,292,712	\$ 24,020,472
Net asset reclassification - underwater endowments	14,172	(14,172)	-	-
Endowment net assets after reclassification	5,319,339	4,408,421	14,292,712	24,020,472
Total investment return	137,491	(75,574)	226,482	288,399
Contributions including change in accrued pledges	426,939	5,084	439,823	871,846
Appropriations of endowment assets for expenditure	(346,357)	(810,888)	-	(1,157,245)
Change in value of split interest agreements	-	-	(24,474)	(24,474)
Change in value of charitable lead trust	-	-	(13,912)	(13,912)
Other changes:				
Transfers	100,000	-	(34,168)	65,832
Endowment net assets, end of year	\$ 5,637,412	\$ 3,527,043	\$ 14,886,463	\$ 24,050,918

The following represents endowment net asset composition by type of fund, as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated - underwater endowments	\$ (53,508)	\$ -	\$ -	\$ (53,508)
Board-designated endowment funds	5,690,920	-	-	5,690,920
Donor restricted endowment funds	-	3,527,043	14,886,463	18,413,506
Total Funds	\$ 5,637,412	\$ 3,527,043	\$ 14,886,463	\$ 24,050,918

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements For the years ended June 30, 2013 and 2012

Note 3. Long-Term Investments

The Association 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 at June 30, 2013 and 2012 consisted of:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 44,049	\$ 44,049	\$ 5,832	\$ 5,832
NC State Investment Fund, Inc.	21,677,326	25,005,188	21,752,756	22,599,362
Wells Fargo - Life Income Funds	950,301	978,044	1,000,438	972,967
	<u>\$ 22,671,676</u>	<u>\$ 26,027,281</u>	<u>\$ 22,759,026</u>	<u>\$ 23,578,161</u>

Investments held by the NCSIF at June 30, 2013 were made up of limited partnerships, an investment with a Blackrock Liquid Policy Portfolio ("LPP"), a bundle of exchange-traded funds, and the State Treasurer's STIF. As of June 30, 2013, approximately 88.5% of these investments were with the UNC Management Company, 6.3% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 4.7% was invested in the LPP, and 0.5% was invested in the STIF. NCSIF's net assets were valued at approximately \$484,974,000 and \$397,192,000 at June 30, 2013 and 2012, respectively. The Association's investment in the NCSIF represents approximately 5.2% and 5.7% of the member equity of the NCSIF at June 30, 2013 and 2012, respectively.

The Association's investments held by 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 (FASB) 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)

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For the years ended June 30, 2013 and 2012**

Note 4. Fair Value Measurement (continued)

The Foundation's assets itemized below are measured at fair value on a recurring basis.

	2013			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 44,049	\$ -	\$ -	\$ 44,049
NC State Investment Fund, Inc.	-	-	25,005,188	25,005,188
Wells Fargo - Life Income Funds	-	978,044	-	978,044
Beneficial Interest in Life Insurance Policies	-	-	278,054	278,054
	<u>\$ 44,049</u>	<u>\$ 978,044</u>	<u>\$ 25,283,242</u>	<u>\$ 26,305,335</u>

	2012			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 5,832	\$ -	\$ -	\$ 5,832
NC State Investment Fund, Inc.	-	-	22,599,362	22,599,362
Wells Fargo - Life Income Funds	-	972,967	-	972,967
Beneficial Interest in Life Insurance Policies	-	-	288,863	288,863
	<u>\$ 5,832</u>	<u>\$ 972,967</u>	<u>\$ 22,888,225</u>	<u>\$ 23,867,024</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:

	2013		2012	
	NC State Investment Fund, Inc.	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc.	Beneficial Interest in Life Insurance Policies
Beginning Balance	\$ 22,599,362	\$ 288,863	\$ 22,506,130	\$ 296,566
Unrealized gain (loss) on investments	2,481,256	(10,809)	469,406	(7,703)
Realized gain on investments	293,487	-	166,754	-
Purchases	760,000	-	1,215,000	-
Sales	(1,128,917)	-	(1,757,928)	-
Ending balance	<u>\$ 25,005,188</u>	<u>\$ 278,054</u>	<u>\$ 22,599,362</u>	<u>\$ 288,863</u>

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

STIF – Categorized in Level 1 of the fair value hierarchy because it 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.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

Note 4. Fair Value Measurement (continued)

NC State Investment Fund, Inc. – The NCSIF’s investment in UNCMC is valued using the net asset value per share of the fund provided by the fund manager. While categorized as a Level 3 investment, the NCSIF has full redemption privileges from UNCMC with a 60-day notice requirement. The NCSIF’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 NCSIF’s investment in LPP is valued at the closing price of the exchange-traded fund’s shares. The NCSIF also has an investment in the STIF, valued as described above.

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 Association 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, 2013 and 2012 have asset balances of \$978,044 and \$972,967, respectively.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$633,446 and \$655,623 at June 30, 2013 and 2012, respectively. Payments from these funds were \$72,287 and \$73,216 during the years ended June 30, 2013 and 2012, respectively. An unrestricted reserve account has been established in the Association’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 Association’s CGA pool. As of June 30, 2013 and 2012, there was a zero balance in this reserve.

Note 6. Pledges Receivable

Pledges receivable are stated at their present value, estimated by discounting the future cash flows using Federal Reserve rates of return, and are as follows:

	2013	2012
Receivable in less than one year	\$ 791,286	\$ 1,050,668
Receivable in one to five years	829,510	812,840
Total gross pledges receivable	1,620,796	1,863,508
Less allowance for uncollectible pledges	(82,000)	(94,000)
Less unamortized discount	(10,702)	(9,835)
Net pledges receivable	\$ 1,528,094	\$ 1,759,673

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements
For the years ended June 30, 2013 and 2012

Note 6. Pledges Receivable (continued)

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

Three donors represented approximately \$1.38 million and \$1.69 million of total undiscounted pledges receivable at years ended June 30, 2013 and 2012, respectively.

Note 7. Donated Facilities, Services, and Salaries

Donated services in the amount of \$36,000 and \$28,000 for the years ended June 30, 2013 and 2012, respectively, have been reflected in the financial statements for services provided by the University Treasurer's Division. In addition, donated salaries and benefits paid by the University for Alumni Association and Caldwell personnel in the amount of \$1,363,000 and \$1,243,000 for the years ended June 30, 2013 and 2012, respectively, have been reflected in the financial statements. Donated facility support in the amount of approximately \$136,000 for the years ended June 30, 2013 and 2012 has been reflected in the financial statements for the use of the Dorothy and Roy Park Alumni Center.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

	2013	2012
Scholarships	\$ 7,075,863	\$ 5,414,867
Life insurance	278,054	288,863
	<u>\$ 7,353,917</u>	<u>\$ 5,703,730</u>

Cumulative endowment earnings are included in the total.

Note 9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2013 and 2012 are restricted to scholarships in the amounts of \$15,053,814 and \$14,886,463, respectively.

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:

	2013	2012
Caldwell	\$ 329,873	\$ 317,340
Other scholarships	230,870	168,317
Other	170,252	128,839
	<u>\$ 730,995</u>	<u>\$ 614,496</u>

Note 11. Description of Leasing Arrangements

The Association had operating leases with total payments of \$13,500 for the years ended June 30, 2013 and 2012. Future minimum rental payments for the year ended June 30, 2014 are \$5,125.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements For the years ended June 30, 2013 and 2012

Note 12. Deferred Revenue

In August 2007, the Association entered into an affinity credit card agreement with a bank whereby the Association licensed the use of NC State University's name, trademark, logos and mailing lists to the bank for a period of ten years. Under terms of the agreement, the bank paid the Association \$7,000,000 in 2008. Revenue recognized related to this agreement totaled \$672,000 for each of the years ended June 30, 2013 and 2012. Deferred credit card program revenue was \$3,024,000 and \$3,696,000 at June 30, 2013 and 2012, respectively.

The Association also recognizes deferred revenue related to purchases of lifetime memberships over thirty years and multi-year memberships over the life of the membership term. Deferred lifetime membership revenue was \$873,556 and \$730,223 at June 30, 2013 and 2012, respectively. Deferred multi-year membership revenue was \$98,110 and \$114,060 at June 30, 2013 and 2012, respectively.

Note 13. Prior Year Reclassifications and Restatement

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation with no effect on previously reported total net assets.

During fiscal year 2013 it was determined that pledges receivable totaling \$1,652,143 were recorded to unrestricted net assets instead of temporarily restricted net assets in the prior year. The Association has restated unrestricted undesignated net assets and temporarily restricted net assets to reflect this change in the accompanying financial statements. This restatement had no effect on previously reported total net assets.

Note 14. Subsequent Events

The Association has evaluated subsequent events through November 18th, 2013, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University Alumni Association, Inc.

General Fund Budget vs. Actual - Unaudited
Year Ended June 30, 2013

	Approved Budget	Actual	Variance Over/(Under)
Income:			
Affinity marketing	\$ 125,000	\$ 150,773	\$ 25,773
Bricks and pavers	5,000	12,350	7,350
Credit card contract	400,000	375,000	(25,000)
Endowment assessment	77,685	77,685	-
Interest and dividends	5,000	4,263	(737)
Magazine advertising	80,000	94,765	14,765
Magazine support (University Advancement) *	256,120	256,120	-
Membership (annual)	600,000	620,688	20,688
Membership (lifetime)	24,625	24,625	-
Event revenue	123,500	138,975	15,475
Travel program revenue	50,000	56,403	6,403
Miscellaneous donations	10,000	15,480	5,480
Online store	3,500	3,665	165
Homecoming Support(University Advancement) *	75,000	75,000	-
Salary support (University Advancement) *	1,142,024	1,216,000	73,976
Sponsorships	29,000	20,522	(8,478)
Alumni Directory	5,000	-	(5,000)
The State Club	106,734	106,734	-
Total income	3,118,188	3,249,048	130,860
Support:			
Administration	207,500	197,377	(10,123)
Operations	881,525	909,371	27,846
Professional services	47,750	47,750	-
Salaries	1,568,562	1,614,608	46,046
University support	349,925	349,925	-
Transfers to endow	100,000	100,000	-
Total support	3,155,262	3,219,031	63,769
Income less support	(37,074)	30,017	67,091
General fund balance			
Beginning	5,351	5,351	-
Ending	\$ (31,723)	\$ 35,368	\$ 67,091

* These items represent support from the University.

North Carolina State University Alumni Association, Inc.

Summary of Endowments and Nonexpendable Funds - Unaudited

As of June 30, 2013

	Balance		Investment		Other Income		Program		Transfers		Balance		Market Value	
	June 30, 2012		Income		(Expense)		Expenditures				June 30, 2013		June 30, 2013	
Scholarships:														
Caldwell	\$ 10,376,691	\$ 102,635	\$ 103,039	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ (486,006)	\$ 10,096,609	\$ 12,118,719			
Merit	1,789,754	58,236	17,262	-	-	-	-	-	(53,610)	1,811,642	2,099,705			
Need-based	3,199,714	11,645	31,134	-	-	-	-	-	(150,085)	3,092,408	3,693,224			
Other	1,067,742	-	15,892	(59,948)	(12,939)	(19,260)	(12,939)	(19,260)	991,487	1,385,466				
Total scholarships	16,433,901	172,516	167,327	(59,698)	(12,939)	(708,961)	15,992,146							
Other endowed funds	6,078,405	398,975	66,785	175,433	(22,640)	(289,417)	6,407,541							
Total endowed funds *	\$ 22,512,306	\$ 571,491	\$ 234,112	\$ 115,735	\$ (35,579)	\$ (998,378)	\$ 22,399,687							
							\$ 26,388,272							

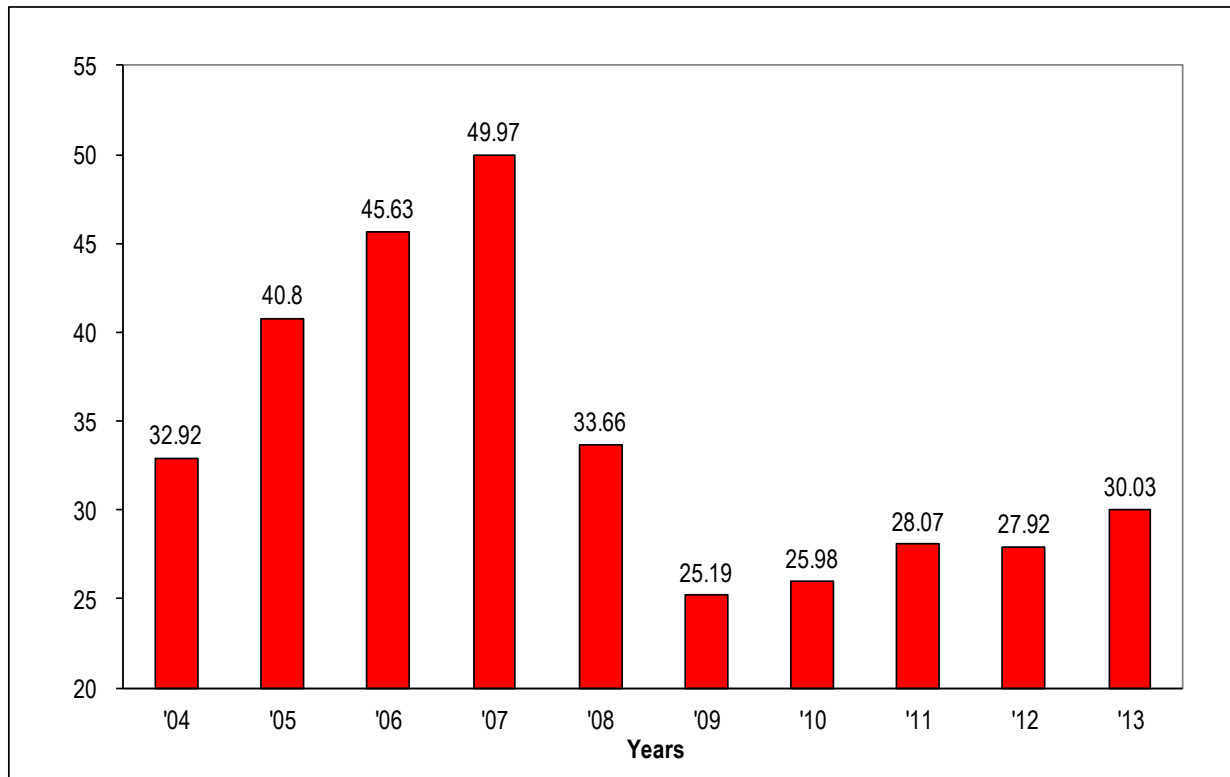
* Includes charitable gift instruments.

North Carolina State University Alumni Association, Inc.

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

Total Assets

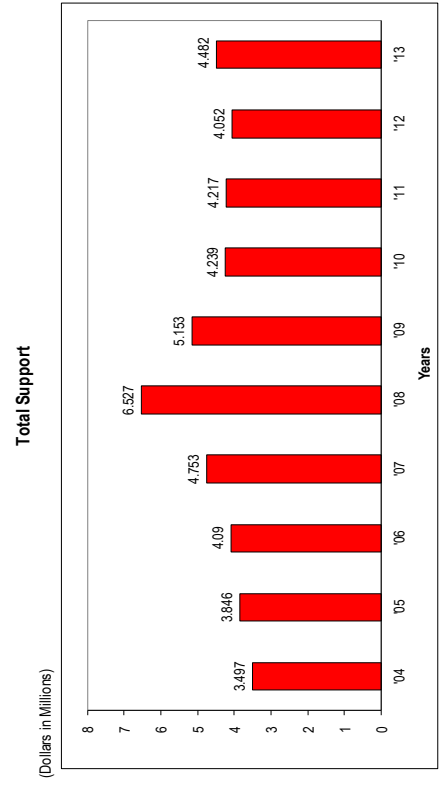
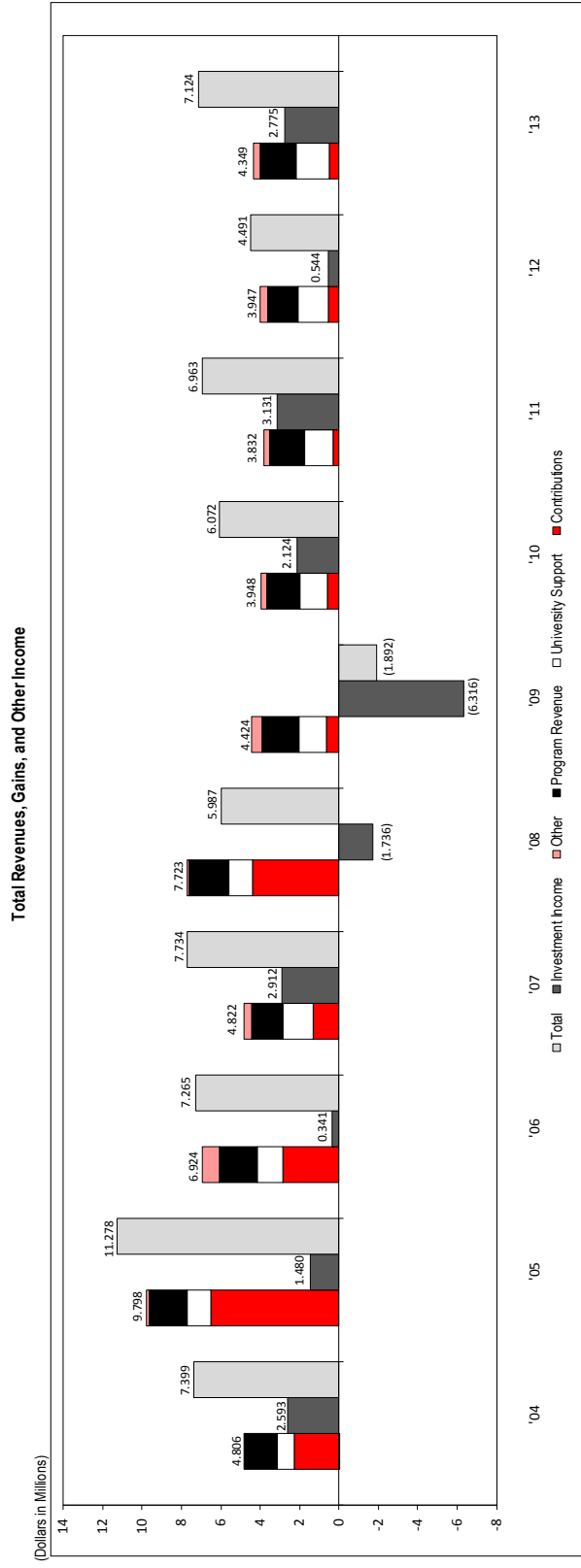
(Dollars in Millions)



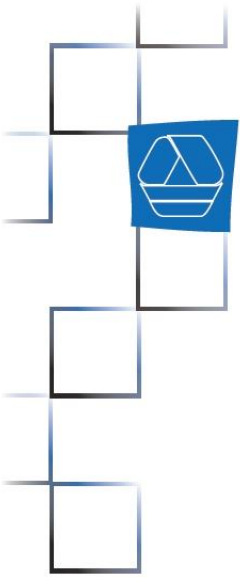
Note: In fiscal year 2008, the Dorothy and Roy Park Alumni Center was gifted to the University.

North Carolina State University Alumni Association, Inc.

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



OTHER INFORMATION



November 18, 2013

To the Board of Directors
North Carolina State Alumni Association, Inc.
Raleigh, North Carolina

We have audited the financial statements of North Carolina State Alumni Association, Inc. ("Association"), a nonprofit organization, for the year ended June 30, 2013, and have issued our report thereon dated November 18, 2013. 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 June 14, 2013. 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 by North Carolina State Alumni Association, 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 2013. We noted no transactions entered into by the Association 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



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 November 18, 2013.

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 Association'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 Association'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 North Carolina State Alumni Association, 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 North Carolina State Alumni Association, Inc.

Williams Dverman Pierce, LLP