

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

FINANCIAL REPORT

JUNE 30, 2015 and 2014

North Carolina State University Alumni Association, Inc.

**Financial Statements
For The Years Ended June 30, 2015 and 2014**

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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 the North Carolina State University Alumni Association, Inc. (the "Association"), a nonprofit organization, 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 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.

Raleigh • Greensboro

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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, 2015 and 2014, 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 17 through 20, 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
December 2, 2015

North Carolina State University Alumni Association, Inc.

Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Note 1)	\$ 1,256,404	\$ 1,548,010
Intermediate investments (Note 1)	375,226	-
Long-term investments (Notes 1 and 3)	33,557,923	30,936,570
Pledges receivable (Notes 1 and 6)	800,001	953,023
Receivable - charitable lead trust (Note 1)	280,549	319,492
Surrender value of life insurance (Note 1)	284,906	345,246
Property and equipment, net of accumulated depreciation of \$2,289,628 and \$2,287,521 for 2015 and 2014, respectively (Note 1)	7,376	9,483
Other receivables (Note 1)	4,488	5,911
Total assets	\$36,566,873	\$34,117,735
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable (Note 1)	\$ 27,805	\$ 21,432
Deferred revenue (Note 12)	3,056,360	3,563,734
Life income funds payable (Note 5)	411,227	436,815
Due to others (Note 1)	173,294	177,574
Total liabilities	3,668,686	4,199,555
Net assets:		
Unrestricted:		
Undesignated	6,596,351	5,065,330
Temporarily restricted (Note 8)	10,211,258	9,168,416
Permanently restricted (Note 9)	16,090,578	15,684,434
Total net assets	32,898,187	29,918,180
Total liabilities and net assets	\$36,566,873	\$34,117,735

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions	302,329	128,269	523,041	953,639
Change in pledges receivable	-	(119,153)	(33,869)	(153,022)
University Advancement support (Note 7)	1,630,414	-	-	1,630,414
Donated services and facilities (Note 7)	171,000	-	-	171,000
Investment income	779,257	1,889,279	33,702	2,702,238
Decrease in surrender value of life insurance	-	(60,340)	-	(60,340)
Change in value of split interest agreements	-	-	(42,716)	(42,716)
Change in value of charitable lead trust	-	-	(38,943)	(38,943)
Membership dues (Note 12)	651,757	-	-	651,757
Advertising and Alumni Magazine	67,580	-	-	67,580
Events	162,564	-	-	162,564
Affinity program royalties	190,870	-	-	190,870
Credit card program (Note 12)	672,000	-	-	672,000
Rental income	106,734	-	-	106,734
Other program income	190,788	75,741	-	266,529
Net assets released from restrictions (Note 10)	774,209	(774,209)	-	-
Total revenues, gains, and other income	5,699,502	1,139,587	441,215	7,280,304
Program support:				
Caldwell scholarships and stipends	196,530	-	-	196,530
Other scholarships	308,009	-	-	308,009
Program and event support	1,049,208	-	-	1,049,208
Advancement salaries, benefits, and assessments	2,295,049	-	-	2,295,049
Administrative	458,501	-	-	458,501
Total support	4,307,297	-	-	4,307,297
Excess of revenues, gains, and other income over total support	1,392,205	1,139,587	441,215	2,973,007
Net transfers:				
From other University-associated entities	7,000	-	-	7,000
Among funds	131,816	(96,745)	(35,071)	-
Total transfers	138,816	(96,745)	(35,071)	7,000
Change in net assets	1,531,021	1,042,842	406,144	2,980,007
Net assets:				
Beginning	5,065,330	9,168,416	15,684,434	29,918,180
Ending	\$ 6,596,351	\$ 10,211,258	\$ 16,090,578	\$ 32,898,187

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions	760,790	594,639	179,460	1,534,889
Change in pledges receivable	-	(676,606)	101,535	(575,071)
University Advancement support (Note 7)	1,639,620	-	-	1,639,620
Donated services and facilities (Note 7)	172,000	-	-	172,000
Net asset reclassification - underwater endowments (Note 7)	8,742	(8,742)	-	-
Investment income	1,106,955	2,972,201	40,431	4,119,587
Increase in surrender value of life insurance	-	67,192	-	67,192
Change in value of split interest agreements	-	-	(50,432)	(50,432)
Change in value of charitable lead trust	-	-	(44,337)	(44,337)
Membership dues (Note 12)	619,550	-	-	619,550
Advertising and Alumni Magazine	78,995	-	-	78,995
Events	146,399	-	-	146,399
Affinity program royalties	191,993	-	-	191,993
Credit card program (Note 12)	672,000	-	-	672,000
Rental income	106,734	-	-	106,734
Other program income	185,199	67,932	-	253,131
Net assets released from restrictions (Note 10)	755,852	(755,852)	-	-
Total revenues, gains, and other income	6,444,829	2,260,764	226,657	8,932,250
Program support:				
Caldwell scholarships and stipends	188,970	-	-	188,970
Other scholarships	263,317	-	-	263,317
Program and event support	1,134,889	-	-	1,134,889
Advancement salaries, benefits, and assessments	2,195,151	-	-	2,195,151
Administrative	613,138	-	-	613,138
Total support	4,395,465	-	-	4,395,465
Excess of revenues, gains, and other income over total support	2,049,364	2,260,764	226,657	4,536,785
Net transfers:				
From (to) other University-associated entities	8,950	(2,950)	3,495	9,495
Among funds	42,847	(443,315)	400,468	-
Total transfers	51,797	(446,265)	403,963	9,495
Change in net assets	2,101,161	1,814,499	630,620	4,546,280
Net assets:				
Beginning	2,964,169	7,353,917	15,053,814	25,371,900
Ending	\$ 5,065,330	\$ 9,168,416	\$ 15,684,434	\$ 29,918,180

See Notes to Financial Statements.

North Carolina State University Alumni Association, Inc.

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

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets:	\$ 2,980,007	\$ 4,546,280
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,107	207,962
Net investment gains	(2,702,238)	(4,119,587)
Investment income restricted for split interest agreements	(16,160)	(14,459)
Actuarial change in value of split interest agreements	42,716	50,432
Contributions restricted for permanent endowment	(523,041)	(179,460)
(Increase) decrease in:		
Pledges receivable	153,022	575,071
Receivable - charitable lead trust	38,943	44,337
Other receivables	1,423	(3,892)
Increase (decrease) in:		
Accounts payable	6,373	(12,331)
Deferred revenue	(507,374)	(431,932)
Net cash (used in) provided by operating activities	(524,222)	662,421
Cash Flows From Investing Activities:		
Proceeds from sales of investments	2,654,755	1,062,888
Purchases of investments	(2,949,096)	(1,852,590)
Purchases of property and equipment	-	(10,538)
Surrender value of life insurance	60,340	(67,192)
Net cash used in investing activities	(234,001)	(867,432)
Cash Flows From Financing Activities:		
Contributions restricted for permanent endowment	523,041	179,460
Investment income restricted for split interest agreements	16,160	14,459
Payments on life income fund obligations	(72,584)	(69,489)
Net cash provided by financing activities	466,617	124,430
Net change in cash and cash equivalents	(291,606)	(80,581)
Cash and cash equivalents:		
Beginning	1,548,010	1,628,591
Ending	\$ 1,256,404	\$ 1,548,010
Supplemental Disclosures of Noncash Activities:		
University Advancement support	\$ 1,438,000	\$ 1,366,000
Donated services and facilities	\$ 171,000	\$ 172,000
Transfers among funds	\$ 131,816	\$ 443,315

See Notes to Financial Statements.

North Carolina State University Alumni Association, 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: North Carolina State University Alumni Association, Inc., (the "Association") is a non-profit organization whose primary objectives are to promote alumni affairs and promote awareness of North Carolina State University (the "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 (the "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.

Intermediate investments: Intermediate investments consist of the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF") for funds that can be invested for longer periods, but which are available in the event of short-term cash needs. These investments are reported at readily determinable fair values of \$375,226 at June 30, 2015. The cost of these investments was \$380,638 at June 30, 2015.

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. Long Term Investment Pool (the "LTIP"). 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.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2015 and 2014**

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

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 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 \$284,906 and \$345,246 at June 30, 2015 and June 30, 2014, respectively.

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. The Foundation capitalizes all expenditures in excess of \$5,000 for property and equipment at cost.

Other receivables: Other receivables consists of sales tax receivable, accrued interest on the STIF account, and amounts due to the Association from the University and other University-associated Foundations.

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, 2015 and 2014 consists of \$173,294 and \$177,574, 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 \$121,486 and \$103,669 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 assets held in the investment portfolio, designated for University Advancement. 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 University Advancement.

Advancement salaries, benefits, and assessments: For the year ended June 30, 2015 Advancement salaries, benefits, and assessments included gifts assessment fees of \$163,387 and advancement allocation of \$250,000.

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.

Notes to Financial Statements
For The Years Ended June 30, 2015 and 2014

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

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 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 Association, 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 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 2011.

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 would be reported in unrestricted net assets.

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 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.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2015 and 2014**

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 \$641,850 and \$704,100 for fiscal years 2015 and 2016, 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 or manager will have a disproportionate impact on the performance of the total fund.

The LTIP'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 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	\$ 8,516,642	\$ 7,290,284	\$ 15,684,434	\$ 31,491,360
Total investment return	773,565	1,925,499	33,702	2,732,766
Contributions including change in accrued pledges and other income	409,382	9,650	489,172	908,204
Appropriations of endowment assets for expenditure	(315,290)	(838,550)	-	(1,153,840)
Change in value of split interest agreements	-	-	(42,716)	(42,716)
Change in value of charitable lead trust	-	-	(38,943)	(38,943)
Other changes:				
Transfers	177,858	-	(35,071)	142,787
Endowment net assets, end of year	\$ 9,562,157	\$ 8,386,883	\$ 16,090,578	\$ 34,039,618

North Carolina State University Alumni Association, 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	\$ 9,562,157	\$ -	\$ -	\$ 9,562,157
Donor restricted endowment funds	-	8,386,883	16,090,578	24,477,461
Total Funds	\$ 9,562,157	\$ 8,386,883	\$ 16,090,578	\$ 34,039,618

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	\$ 6,644,699	\$ 4,826,798	\$ 15,053,814	\$ 26,525,311
Net asset reclassification - underwater endowments	8,742	(8,742)	-	-
Endowment net assets after reclassification	6,653,441	4,818,056	15,053,814	26,525,311
Total investment return	1,103,344	2,954,454	40,431	4,098,229
Contributions including change in accrued pledges and other income	954,617	271,704	280,995	1,507,316
Appropriations of endowment assets for expenditure	(194,760)	(753,930)	-	(948,690)
Change in value of split interest agreements	-	-	(50,432)	(50,432)
Change in value of charitable lead trust	-	-	(44,337)	(44,337)
Other changes:				-
Transfers	-	-	403,963	403,963
Endowment net assets, end of year	\$ 8,516,642	\$ 7,290,284	\$ 15,684,434	\$ 31,491,360

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	8,516,642	-	-	8,516,642
Donor restricted endowment funds	-	7,290,284	15,684,434	22,974,718
Total Funds	\$ 8,516,642	\$ 7,290,284	\$ 15,684,434	\$ 31,491,360

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 such changes could materially affect the amounts reported in the statements of financial position.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements For The Years Ended June 30, 2015 and 2014

Note 3. Long-Term Investments (continued)

Long-term investments at June 30, 2015 and 2014 consisted of:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 294,880	\$ 294,880	\$ 218,793	\$ 218,793
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	22,824,314	32,308,969	22,624,243	29,691,277
Wells Fargo - Life Income Funds	882,361	954,074	921,243	1,026,500
	\$ 24,001,555	\$ 33,557,923	\$ 23,764,279	\$ 30,936,570

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 State Treasurer's STIF. As of June 30, 2015, approximately 89.4% of these limited partnerships were with the UNC Management Company, 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. LTIP's net assets were valued at approximately \$676,716,000 and \$597,884,000 at June 30, 2015 and 2014, respectively. The Association's investment in the LTIP represents approximately 4.8% and 5.0% of the member equity of the LTIP at June 30, 2015 and 2014, 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, 2015 and 2014

Note 4. Fair Value Measurement (continued)

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

	2015			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 294,880	\$ -	\$ -	\$ 294,880
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	375,226	-	375,226
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	32,308,969	32,308,969
Wells Fargo - Life Income Funds	-	954,074	-	954,074
Beneficial Interest in Life Insurance Policies	-	-	284,906	284,906
	\$ 294,880	\$ 1,329,300	\$ 32,593,875	\$ 34,218,055

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 218,793	\$ -	\$ -	\$ 218,793
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	29,691,277	29,691,277
Wells Fargo - Life Income Funds	-	1,026,500	-	1,026,500
Beneficial Interest in Life Insurance Policies	-	-	345,246	345,246
	\$ 218,793	\$ 1,026,500	\$ 30,036,523	\$ 31,281,816

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	\$ 29,691,277	\$ 345,246	\$ 25,005,188	\$ 278,054
Participant additions	1,570,000	-	1,485,000	-
Investment Income	10,095	-	14,393	-
Realized gains	390,312	-	349,882	-
Unrealized appreciation (depreciation)	2,417,621	(60,340)	3,739,173	67,192
Participant withdrawals	(1,648,850)	-	(798,690)	-
Expenses	(121,486)	-	(103,669)	-
Ending balance	\$ 32,308,969	\$ 284,906	\$ 29,691,277	\$ 345,246

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2015 and 2014**

Note 4. Fair Value Measurement (continued)

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

STIF – This investment has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

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.

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, 2015 and 2014 have asset balances of \$954,074 and \$1,026,500, 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 \$411,227 and \$436,815 at June 30, 2015 and 2014, respectively. Payments from these funds were \$72,584 and \$69,489 during the years ended June 30, 2015 and 2014, 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, 2015 and 2014, there was a zero balance in this reserve.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements
For The Years Ended June 30, 2015 and 2014

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, ranging from .28% to 1.07% for June 2015, and are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 319,630	\$ 318,943
Receivable in one to five years	535,479	702,364
Total gross pledges receivable	<u>855,109</u>	<u>1,021,307</u>
Less allowance for uncollectible pledges	(43,000)	(52,000)
Less unamortized discount	(12,108)	(16,284)
Net pledges receivable	<u>\$ 800,001</u>	<u>\$ 953,023</u>

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.

Four donors represent approximately \$725,000 of total undiscounted pledges receivable at June 30, 2015.

Note 7. Donated Salaries, Services, and Facilities

Donated salaries and benefits paid by the University for Alumni Association and Caldwell personnel in the amount of \$1,438,000 and \$1,366,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the financial statements as part of University Advancement support. Donated services in the amount of \$35,000 and \$36,000 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. Donated facility support in the amount of approximately \$136,000 for the years ended June 30, 2015 and 2014 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, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 1,025,433	\$ 993,302
Life insurance	284,906	345,246
Endowment cumulative balance	8,386,883	7,290,284
Other	514,036	539,584
	<u>\$ 10,211,258</u>	<u>\$ 9,168,416</u>

Temporarily restricted net asset grouping "Other" includes amounts designated for general University support. Cumulative net endowment earnings are included in the total.

Note 9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014 are restricted to scholarships in the amounts of \$16,090,578 and \$15,684,434, respectively.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2015 and 2014**

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:

	<u>2015</u>	<u>2014</u>
Caldwell	\$ 196,530	\$ 306,700
Other scholarships	308,009	263,317
Other	269,670	185,835
	<u>\$ 774,209</u>	<u>\$ 755,852</u>

The grouping "Other" includes amounts spent for general University support.

Note 11. Description of Leasing Arrangements

The Association had operating leases with total payments of \$13,406 and \$12,625 for the years ended June 30, 2015 and 2014, respectively. Future minimum rental payments under the operating leases are as follows:

Years ending June 30:	
2016	\$ 13,406
2017	2,953
Minimum lease payments	<u>\$ 16,359</u>

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, 2015 and 2014. Deferred credit card program revenue was \$1,680,000 and \$2,352,000 at June 30, 2015 and 2014, 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 \$1,178,563 and \$1,043,119 at June 30, 2015 and 2014, respectively. Deferred multi-year membership revenue was \$197,797 and \$168,615 at June 30, 2015 and 2014, respectively.

Note 13. 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 net assets.

Note 14. Subsequent Events

In September 2015, the Association was relieved of its existing affinity credit card agreement obligations. As a result, the Alumni Association will recognize the remaining \$1,680,000 of deferred credit card program revenue in fiscal year 2016.

The Association has evaluated subsequent events through December 2, 2015, the date which the financial statements were available to be issued, and there were no additional subsequent events to report.

SUPPLEMENTARY INFORMATION

North Carolina State University Alumni Association, Inc.

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

	Approved Budget	Actual	Variance Over/(Under)
Income:			
Affinity marketing	\$ 160,000	\$ 190,870	\$ 30,870
Bricks and pavers	11,000	12,540	1,540
Credit card contract	375,000	260,000	(115,000)
Endowment assessment	82,160	82,160	-
Interest and dividends	4,000	9,552	5,552
Magazine advertising	75,000	60,580	(14,420)
Magazine support (University Advancement) *	254,914	254,914	-
Magazine quasi endowment	7,000	7,000	-
Membership (annual)	680,000	633,726	(46,274)
Membership (lifetime)	35,475	35,475	-
Homecoming sponsorship	24,000	24,000	-
Event revenue	60,000	67,105	7,105
Travel program revenue	67,000	67,851	851
Miscellaneous donations	12,500	23,342	10,842
Online store	8,000	12,317	4,317
Salary support (University Advancement) *	1,142,024	1,286,000	143,976
Sponsorships	33,500	29,275	(4,225)
The State Club	106,734	106,734	-
Total income	3,138,307	3,163,441	25,134
Support:			
Administration	206,950	168,895	(38,055)
Operations	867,900	758,975	(108,925)
Professional services	48,250	48,250	-
Salaries	1,589,024	1,729,662	140,638
University support	356,160	367,452	11,292
Transfers to endow	100,000	100,000	-
Total support	3,168,284	3,173,234	4,950
Income less support	(29,977)	(9,793)	20,184
General fund balance			
Beginning	52,862	52,862	-
Ending	\$ 22,885	\$ 43,069	\$ 20,184

* 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, 2015

	Balance June 30, 2014	Contributions	Investment Income (Loss)	Other Income (Expense)	Program Expenditures	Transfers	Balance June 30, 2015	Market Value June 30, 2015
Scholarships:								
Caldwell	\$ 10,494,673	\$ 465,535	\$ 133,807	\$ -	\$ -	(528,826)	\$ 10,565,189	\$ 15,541,160
Merit	1,821,058	52,658	22,390	-	-	(95,295)	1,800,811	2,589,068
Need-based	2,984,475	9,499	37,810	-	-	(162,025)	2,869,759	4,334,354
Other	932,171	5,000	25,597	(38,628)	(23,871)	(20,190)	880,079	1,391,365
Total scholarships	16,232,377	532,692	219,604	(38,628)	(23,871)	(806,336)	16,115,838	23,855,947
Other endowed funds	7,234,605	226,725	92,962	186,622	(23,126)	(138,467)	7,579,321	9,978,966
Total endowed funds *	\$ 23,466,982	\$ 759,417	\$ 312,566	\$ 147,994	\$ (46,997)	\$ (944,803)	\$ 23,695,159	\$ 33,834,913

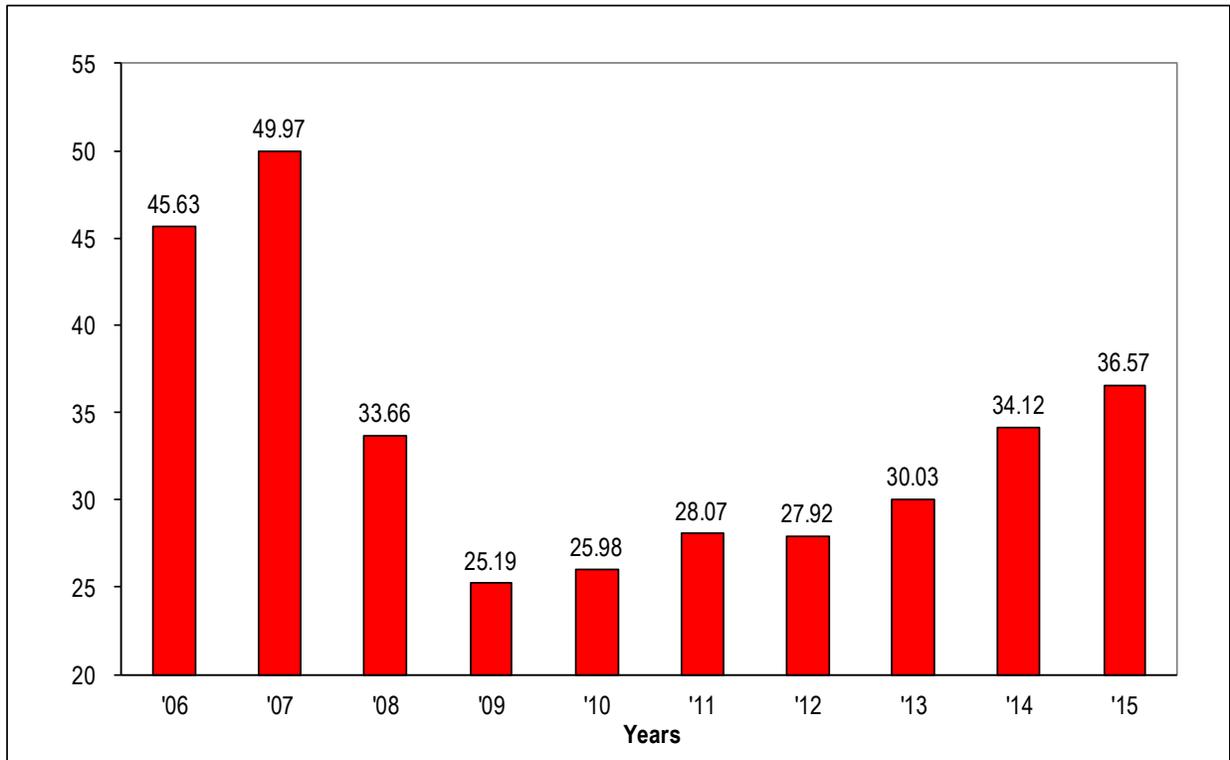
* Includes charitable gift instruments.

North Carolina State University Alumni Association, Inc.

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

Total Assets

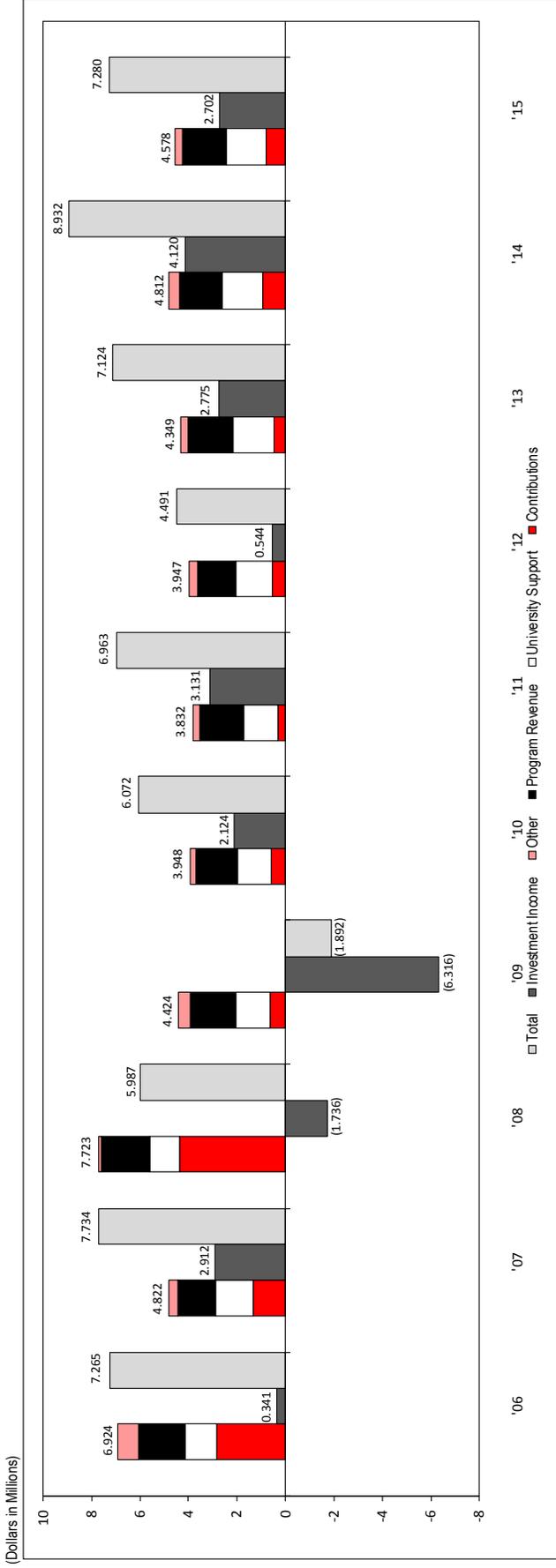
(Dollars in Millions)



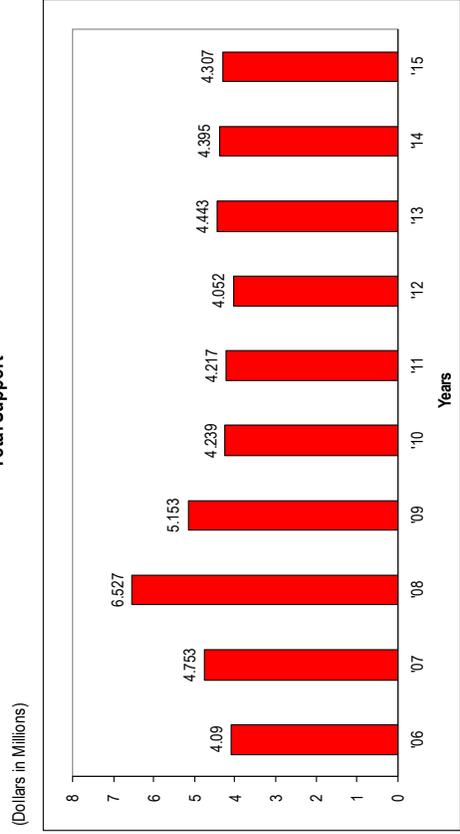
Note: In fiscal year 2008, the Dorothy and Roy Park Alumni Center was gifted to the University.

North Carolina State University Alumni Association, Inc.
Ten Year Summary of Revenues and Support – Unaudited
Years Ended June 30

Total Revenues, Gains, and Other Income



Total Support



For the years ended June 30, 2015 and 2014, the NC State University Alumni Association, Inc. awarded a total of \$236,440 and \$229,335 Caldwell scholarships, respectively. In both years some amounts were paid by other University associated entities.

OTHER INFORMATION



Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

December 2, 2015

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

We have audited the financial statements of North Carolina State University Alumni Association, Inc. ("Association"), a nonprofit organization, for the year ended June 30, 2015, and have issued our report thereon dated December 2, 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 June 10, 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 by North Carolina State University 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 2015. 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. 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 December 2, 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 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 University 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 University Alumni Association, Inc.

Williams Dverman Pierce, LLP