

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

**FINANCIAL REPORT**

**JUNE 30, 2017 and 2016**

**North Carolina State University Alumni Association, Inc.**

**Financial Report  
For The Years Ended June 30, 2017 and 2016**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of North Carolina State University Alumni Association, Inc. (the "Association"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

### *Auditor's 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 auditor's 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Disclaimer of Opinion on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BDO USA, LLP*

Raleigh, North Carolina  
December 7, 2017

North Carolina State University Alumni Association, Inc.

Statements of Financial Position  
June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 1,665,386	\$ 1,443,046
Intermediate investments (Note 1)	370,097	373,557
Long-term investments (Notes 1 and 3)	37,321,992	33,728,463
Pledges receivable, net (Notes 1 and 6)	201,599	434,651
Receivable - charitable lead trust (Note 1)	197,360	243,021
Surrender value of life insurance (Note 1)	257,770	273,250
Property and equipment, net of accumulated depreciation of \$2,293,845 and \$2,291,737 for 2017 and 2016, respectively (Note 1)	3,160	5,268
Other receivables (Note 1)	3,031	2,144
<b>Total Assets</b>	<b>\$40,020,395</b>	<b>\$36,503,400</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable (Note 1)	\$ 46,534	\$ 12,186
Deferred revenue (Note 12)	1,712,435	1,495,899
Life income funds payable (Note 5)	350,122	315,718
Due to others (Note 1)	77,163	174,486
<b>Total Liabilities</b>	<b>2,186,254</b>	<b>1,998,289</b>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	8,861,818	8,059,450
Undesignated - underwater endowments (Note 2)	-	(25,208)
Temporarily restricted (Note 8)	10,641,594	9,012,237
Permanently restricted (Note 9)	18,330,729	17,458,632
<b>Total Net Assets</b>	<b>37,834,141</b>	<b>34,505,111</b>
<b>Total Liabilities and Net Assets</b>	<b>\$40,020,395</b>	<b>\$36,503,400</b>

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities  
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other income</b>				
Contributions (Note 1)	\$ 182,909	\$ 129,629	\$ 607,043	\$ 919,581
Change in pledges receivable, net (Note 6)	-	(288,750)	55,698	(233,052)
University Advancement support (Note 7)	1,823,914	-	-	1,823,914
Donated services and facilities (Note 7)	174,000	-	-	174,000
Net asset reclassification - underwater endowments (Note 2)	25,208	(25,208)	-	-
Net investment income (Note 1)	1,139,268	2,763,524	97,564	4,000,356
Gain on life insurance	-	488	-	488
Change in surrender value of life insurance	-	6,341	-	6,341
Change in value of split interest agreements	-	-	(86,512)	(86,512)
Change in value of charitable lead trust	-	-	(45,661)	(45,661)
Membership dues (Note 12)	692,664	-	-	692,664
Advertising and alumni magazine	82,325	-	-	82,325
Events	90,765	-	-	90,765
Affinity program royalties	383,913	-	-	383,913
Rental income	106,734	-	-	106,734
Other program income	295,836	75,338	55,447	426,621
Net assets released from restrictions (Note 10)	904,090	(904,090)	-	-
<b>Total Revenues, Gains, and Other Income</b>	<b>5,901,626</b>	<b>1,757,272</b>	<b>683,579</b>	<b>8,342,477</b>
<b>Program Support</b>				
Caldwell scholarships and stipends	240,300	-	-	240,300
Other scholarships	349,620	-	-	349,620
Program and event support	1,576,914	-	-	1,576,914
Salaries, benefits, and assessments	2,522,100	-	-	2,522,100
Administrative	382,752	-	-	382,752
<b>Total Program Support</b>	<b>5,071,686</b>	<b>-</b>	<b>-</b>	<b>5,071,686</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>829,940</b>	<b>1,757,272</b>	<b>683,579</b>	<b>3,270,791</b>
<b>Net Transfers</b>				
From other University-associated entities	7,000	2,669	48,570	58,239
Among funds	(9,364)	(130,584)	139,948	-
<b>Total Net Transfers</b>	<b>(2,364)</b>	<b>(127,915)</b>	<b>188,518</b>	<b>58,239</b>
<b>Change in Net Assets</b>	<b>827,576</b>	<b>1,629,357</b>	<b>872,097</b>	<b>3,329,030</b>
<b>Net Assets</b>				
Beginning of year	8,034,242	9,012,237	17,458,632	34,505,111
End of year	\$ 8,861,818	\$10,641,594	\$18,330,729	\$37,834,141

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities  
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other income</b>				
Contributions (Note 1)	\$ 338,124	\$ 325,807	\$ 440,489	\$ 1,104,420
Change in pledges receivable, net (Note 6)	-	(292,568)	(72,782)	(365,350)
University Advancement support (Note 7)	1,717,914	-	-	1,717,914
Donated services and facilities (Note 7)	175,000	-	-	175,000
Net asset reclassification - underwater endowments (Note 2)	(25,208)	25,208	-	-
Net investment (loss) income (Note 1)	(137,089)	(404,868)	12,628	(529,329)
Gain on life insurance	-	960,842	-	960,842
Change in surrender value of life insurance	-	1,516	-	1,516
Change in value of split interest agreements	-	-	24,106	24,106
Change in value of charitable lead trust	-	-	(37,528)	(37,528)
Membership dues (Note 12)	682,812	-	-	682,812
Advertising and alumni magazine	69,290	-	-	69,290
Events	113,890	-	-	113,890
Affinity program royalties	220,391	-	-	220,391
Credit card program (Note 12)	1,680,000	-	-	1,680,000
Rental income	106,734	-	-	106,734
Other program income	183,651	74,307	-	257,958
Net assets released from restrictions (Note 10)	922,080	(922,080)	-	-
<b>Total Revenues, Gains, and Other income</b>	<b>6,047,589</b>	<b>(231,836)</b>	<b>366,913</b>	<b>6,182,666</b>
<b>Program Support</b>				
Caldwell scholarships and stipends	229,100	-	-	229,100
Other scholarships	355,956	-	-	355,956
Program and event support	1,169,357	-	-	1,169,357
Salaries, benefits, and assessments	2,397,984	-	-	2,397,984
Administrative	459,340	-	-	459,340
<b>Total Program Support</b>	<b>4,611,737</b>	<b>-</b>	<b>-</b>	<b>4,611,737</b>
<b>Excess (Deficit) of Revenues, Gains, and Other Income Over Total Support</b>	<b>1,435,852</b>	<b>(231,836)</b>	<b>366,913</b>	<b>1,570,929</b>
<b>Net Transfers</b>				
From other University-associated entities	7,000	28,995	-	35,995
Among funds	(4,961)	(996,180)	1,001,141	-
<b>Total Net Transfers</b>	<b>2,039</b>	<b>(967,185)</b>	<b>1,001,141</b>	<b>35,995</b>
<b>Change in Net Assets</b>	<b>1,437,891</b>	<b>(1,199,021)</b>	<b>1,368,054</b>	<b>1,606,924</b>
<b>Net Assets</b>				
Beginning of year	6,596,351	10,211,258	16,090,578	32,898,187
End of year	\$ 8,034,242	\$ 9,012,237	\$17,458,632	\$34,505,111

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 3,329,030	\$ 1,606,924
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,108	2,108
Investment (income) loss	(4,000,356)	529,329
Investment income restricted for split interest agreements	(97,564)	(12,628)
Change in value of split interest agreements	86,512	(25,298)
Contributions restricted for permanent endowment	(607,043)	(440,489)
Decrease (increase) in:		
Pledges receivable, net	233,052	365,350
Receivable - charitable lead trust	45,661	37,528
Other receivables	(887)	2,344
Increase (decrease) in:		
Accounts payable	34,348	(15,619)
Deferred revenue	216,536	(1,560,461)
Due to others	(97,323)	1,192
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(855,926)</b>	<b>490,280</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	1,944,875	2,080,908
Purchases of investments	(1,533,574)	(2,779,108)
Proceeds from life insurance	21,821	13,172
Change in surrender value of life insurance	(6,341)	(1,516)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>426,781</b>	<b>(686,544)</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	607,043	440,489
Investment income restricted for split interest agreements	97,564	12,628
Payments on life income fund obligations	(65,694)	(70,211)
Proceeds from life income fund obligations	12,572	-
<b>Net Cash Provided by Financing Activities</b>	<b>651,485</b>	<b>382,906</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>222,340</b>	<b>186,642</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	1,443,046	1,256,404
End of year	<b>\$ 1,665,386</b>	<b>\$ 1,443,046</b>

(Continued)

See notes to financial statements.



North Carolina State University Alumni Association, Inc.

Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	2017	2016
<b>Supplemental Disclosures of Noncash Activities:</b>		
University Advancement support	\$ 1,569,000	\$ 1,463,000
Donated services and facilities	\$ 174,000	\$ 175,000
Transfers among funds	\$ 139,948	\$ 1,001,141

See notes to financial statements.

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

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**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 instruments with an original maturity date of 90 days or less to be cash equivalents. Cash designated or restricted for long-term purposes is included with long-term investments. At times the 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 the State Treasurer's Short-Term Investment Fund (the "STIF") and Paragon Bank. 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 \$370,097 and \$373,557 at June 30, 2017 and June 30, 2016, respectively. The cost of these investments was \$376,080 and \$376,097 at June 30, 2017 and June 30, 2016, respectively.

Long-term investments: Long-term investments are stated at fair value based on readily determinable fair values, when available. Investments for which readily determinable fair values are not available are carried at estimated fair values as provided by the respective fund managers of the investments. The 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 Kaspick.

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.

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

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**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: Surrender value of life insurance includes 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 surrender value, less any loans outstanding on the policies. Cash surrender values of these policies were \$257,770 and \$273,250 at June 30, 2017 and June 30, 2016, 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 entities.

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, 2017 and 2016 consists of \$77,163 and \$174,486, 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 \$136,182 and \$137,809 for the years ended June 30, 2017 and 2016, 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.

Salaries, benefits, and assessments: For the year ended June 30, 2017, salaries, benefits, and assessments included gift assessment fees of \$200,155, advancement allocation of \$250,000, donated salaries of \$1,569,000 and salaries of \$502,945. For the year ended June 30, 2016, salaries, benefits, and assessments included gift assessment fees of \$194,755, advancement allocation of \$250,000, donated salaries of \$1,463,000 and salaries of \$490,229.

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

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

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

Income taxes: 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 2017 and 2016. 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, 2017 and 2016, 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 2013.

**Note 2. Endowment**

The Association's endowment consists of approximately 160 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 \$0 and (\$25,208) as of June 30, 2017 and 2016, respectively.

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

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**Note 2. Endowment (continued)**

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.

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 \$735,075 and \$770,505 for fiscal years 2017 and 2018, 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.

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

**Note 2. Endowment (continued)**

The following represents changes in endowment net assets for the fiscal year ended June 30, 2017:

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Endowment net assets, beginning of year	\$ 9,398,382	\$ 6,752,696	\$ 17,458,632	\$ 33,609,710
Net asset reclassification - underwater endowments	25,208	(25,208)	-	-
Endowment net assets after reclassification	9,423,590	6,727,488	17,458,632	33,609,710
Total investment return	1,126,357	2,771,411	97,564	3,995,332
Contributions including change in accrued pledges and other income	403,575	71,493	718,188	1,193,256
Appropriations of endowment assets for expenditure	(471,800)	(957,025)	-	(1,428,825)
Change in value of split interest agreements	-	-	(86,512)	(86,512)
Change in value of charitable lead trust	-	-	(45,661)	(45,661)
Other changes:				
Transfers	-	(150,000)	188,518	38,518
<b>Endowment net assets, end of year</b>	<b>\$ 10,481,722</b>	<b>\$ 8,463,367</b>	<b>\$ 18,330,729</b>	<b>\$ 37,275,818</b>

The following represents endowment net asset composition by type of fund, as of June 30, 2017:

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Board-designated endowment funds	\$ 10,476,468	\$ -	\$ -	\$ 10,476,468
Donor-designated endowment funds	5,254	8,463,367	18,330,729	26,799,350
<b>Total Funds</b>	<b>\$ 10,481,722</b>	<b>\$ 8,463,367</b>	<b>\$ 18,330,729</b>	<b>\$ 37,275,818</b>

The following represents changes in endowment net assets for the fiscal year ended June 30, 2016:

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Endowment net assets, beginning of year	\$ 9,562,157	\$ 7,802,362	\$ 16,090,578	\$ 33,455,097
Net asset reclassification - underwater endowments	(25,208)	25,208	-	-
Endowment net assets after reclassification	9,536,949	7,827,570	16,090,578	33,455,097
Total investment return	(149,006)	(404,844)	12,628	(541,222)
Contributions including change in accrued pledges and other income	383,439	7,460	367,707	758,606
Appropriations of endowment assets for expenditure	(473,000)	(867,490)	-	(1,340,490)
Change in value of split interest agreements	-	-	24,106	24,106
Change in value of charitable lead trust	-	-	(37,528)	(37,528)
Other changes:				
Transfers	100,000	190,000	1,001,141	1,291,141
Endowment net assets, end of year	\$ 9,398,382	\$ 6,752,696	\$ 17,458,632	\$ 33,609,710

**Notes to Financial Statements  
For The Years Ended June 30, 2017 and 2016**

**Note 2. Endowment (continued)**

The following represents endowment net asset composition by type of fund, as of June 30, 2016:

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Undesignated - underwater endowments	\$ (25,208)	\$ -	\$ -	\$ (25,208)
Board-designated endowment funds	9,420,248	-	-	9,420,248
Donor-designated endowment funds	3,342	6,752,696	17,458,632	24,214,670
<b>Total Funds</b>	<b>\$ 9,398,382</b>	<b>\$ 6,752,696</b>	<b>\$ 17,458,632</b>	<b>\$ 33,609,710</b>

**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.

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

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 353,757	\$ 353,757	\$ 62,496	\$ 62,496
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	23,879,122	36,222,940	24,012,424	32,794,267
Life Income Funds	716,133	745,295	824,776	871,700
	<b>\$ 24,949,012</b>	<b>\$ 37,321,992</b>	<b>\$ 24,899,696</b>	<b>\$ 33,728,463</b>

As of June 30, 2017, approximately 88.9% of the LTIP was invested with the UNC Management Company, 2.2% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 8.3% was invested in the Blackrock Liquid Policy Portfolio (the "LPP"), and 0.6% was invested in the STIF. LTIP's net assets were valued at approximately \$870,450,000 and \$683,380,000 at June 30, 2017 and 2016, respectively. The Association's investment in the LTIP represents approximately 4.2% and 4.8% of the member equity of the LTIP at June 30, 2017 and 2016, respectively.

The Association's investments held in 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

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

**Note 4. Fair Value Measurement (continued)**

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

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

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

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

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

	2017			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 353,757	\$ -	\$ -	\$ 353,757
NC State Investment Fund, Inc. Intermediate				
Term Fund (ITF)	-	370,097	-	370,097
NC State Investment Fund, Inc. Long-Term				
Investment Pool (LTIP)	-	-	36,222,940	36,222,940
Life Income Funds	-	745,295	-	745,295
Beneficial Interest in Life Insurance Policies	-	-	257,770	257,770
	<u>\$ 353,757</u>	<u>\$ 1,115,392</u>	<u>\$ 36,480,710</u>	<u>\$ 37,949,859</u>
	2016			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 62,496	\$ -	\$ -	\$ 62,496
NC State Investment Fund, Inc. Intermediate				
Term Fund (ITF)	-	373,557	-	373,557
NC State Investment Fund, Inc. Long-Term				
Investment Pool (LTIP)	-	-	32,794,267	32,794,267
Life Income Funds	-	871,700	-	871,700
Beneficial Interest in Life Insurance Policies	-	-	273,250	273,250
	<u>\$ 62,496</u>	<u>\$ 1,245,257</u>	<u>\$ 33,067,517</u>	<u>\$ 34,375,270</u>



**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**
**Note 4. Fair Value Measurement (continued)**

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

	2017		2016	
	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	\$ 32,794,267	\$ 273,250	\$ 32,308,969	\$ 284,906
Participant additions	949,882	-	2,380,000	-
Investment income	17,826	-	4,397	-
Realized gain	463,735	488	307,022	960,842
Unrealized appreciation (depreciation)	3,561,975	6,341	(702,812)	1,516
Participant withdrawals	(1,428,860)	(22,309)	(1,365,500)	(974,014)
Expenses	(135,885)	-	(137,809)	-
Ending balance	\$ 36,222,940	\$ 257,770	\$ 32,794,267	\$ 273,250

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.

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 and marked to market thereafter. Life income funds at June 30, 2017 and 2016 have asset balances of \$745,295 and \$871,700, respectively.

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

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**Note 5. Life Income Funds (continued)**

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 \$350,122 and \$315,718 at June 30, 2017 and 2016, respectively. Payments from these funds were \$65,694 and \$70,211 during the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the balance in this reserve was \$1,000 and \$0, respectively.

**Note 6. Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	2017	2016
Receivable in less than one year	\$ 103,270	\$ 211,800
Receivable in one to five years	114,875	252,204
Total pledges receivable, gross	<u>218,145</u>	464,004
Less allowance for uncollectible pledges	(11,000)	(24,000)
Less unamortized discount (discount rate of 1.20% to 1.77%)	(5,546)	(5,353)
Pledges receivable, net	<u>\$ 201,599</u>	<u>\$ 434,651</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.

Two donors represented approximately \$64,000 and \$310,000 of total undiscounted pledges receivable at June 30, 2017 and 2016, respectively.

**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 \$1,569,000 and \$1,463,000 for the years ended June 30, 2017 and 2016, respectively, have been reflected in the financial statements as part of University Advancement support. Donated services in the amount of \$38,000 and \$39,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 has been reflected in the accompanying financial statements for the use of the Dorothy and Roy Park Alumni Center.

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

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**Note 8. Temporarily Restricted Net Assets**

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

	<b>2017</b>	2016
Scholarships	\$ 1,141,788	\$ 995,625
Fellowships	23,660	22,140
Life insurance	257,770	273,250
Endowment cumulative balance	8,463,367	6,752,696
Other	755,009	968,526
	<b>\$ 10,641,594</b>	<b>\$ 9,012,237</b>

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, 2017 and 2016 are restricted to scholarships in the amounts of \$18,330,729 and \$17,458,632, respectively.

**Note 10. Net Assets Released From Restrictions**

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

	<b>2017</b>	2016
Caldwell scholarships and stipends	\$ 240,300	\$ 229,100
Other scholarships	349,620	355,956
Program and event support	218,315	160,824
Advancement salaries, benefits, and assessments	95,855	176,200
	<b>\$ 904,090</b>	<b>\$ 922,080</b>

**Note 11. Description of Leasing Arrangements**

The Association had operating leases with total payments of \$10,907 and \$13,406 for the years ended June 30, 2017 and 2016, respectively. Future minimum rental payments under the operating leases are as follows at June 30, 2017:

Years ending June 30:	
2018	\$ 13,341
2019	13,341
2020	8,822
Minimum lease payments	<b>\$ 35,504</b>

**Notes to Financial Statements**  
**For The Years Ended June 30, 2017 and 2016**

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**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. Deferred credit card program revenue at June 30, 2015 was \$1,680,000. In September 2015, the Association was relieved of its existing affinity credit card agreement obligations and, as a result, the Association recognized the remaining balance of \$1,680,000 in fiscal year 2016.

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 \$1,498,222 and \$1,283,298 at June 30, 2017 and 2016, respectively. Deferred multi-year membership revenue was \$214,213 and \$212,601 at June 30, 2017 and 2016, respectively.

**Note 13. Prior Year Reclassifications**

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentations with no effect on previously reported total net assets.

**Note 14. Subsequent Events**

The Association has evaluated subsequent events through December 7, 2017, the date which the financial statements were available to be issued, and there were no additional subsequent events to report.

North Carolina State University Alumni Association, Inc.

General Fund Budget vs. Actual - Unaudited  
Year Ended June 30, 2017

	Approved Budget	Actual	Variance Over (Under)
<b>Income</b>			
Affinity marketing	\$ 345,500	\$ 383,913	\$ 38,413
Miscellaneous donations	15,542	20,578	5,036
Bricks and pavers	12,500	13,523	1,023
Event revenue	78,285	78,685	400
Homecoming sponsorship	6,000	6,000	-
Interest and dividends	5,525	4,397	(1,128)
Magazine advertising	75,215	75,325	110
Membership (annual)	625,000	632,603	7,603
Membership (lifetime)	50,105	50,105	-
Online store	57,132	57,743	611
Travel program revenue	82,000	95,569	13,569
Sponsorships	121,000	118,141	(2,859)
License plate revenue	4,750	5,875	1,125
The State Club	106,734	106,734	-
Alumni Association quasi endowment	310,000	310,000	-
Alumni magazine quasi endowment	7,000	7,000	-
Endowment assessment	100,895	100,895	-
Magazine support (University Advancement) *	254,914	254,914	-
Salary support (University Advancement) *	1,554,190	1,569,000	14,810
<b>Total Income</b>	<b>3,812,287</b>	<b>3,891,000</b>	<b>78,713</b>
<b>Support</b>			
Administration	166,700	132,171	(34,529)
Operations	1,232,098	1,307,217	75,119
Professional services	49,500	49,500	-
Salaries	2,071,600	2,071,946	346
University support	374,895	376,272	1,377
<b>Total Support</b>	<b>3,894,793</b>	<b>3,937,106</b>	<b>42,313</b>
<b>Income Less than Support</b>	<b>(82,506)</b>	<b>(46,106)</b>	<b>36,400</b>
<b>General Fund Balance</b>			
Beginning of year	122,043	122,043	-
End of year	<b>\$ 39,537</b>	<b>\$ 75,937</b>	<b>\$ 36,400</b>

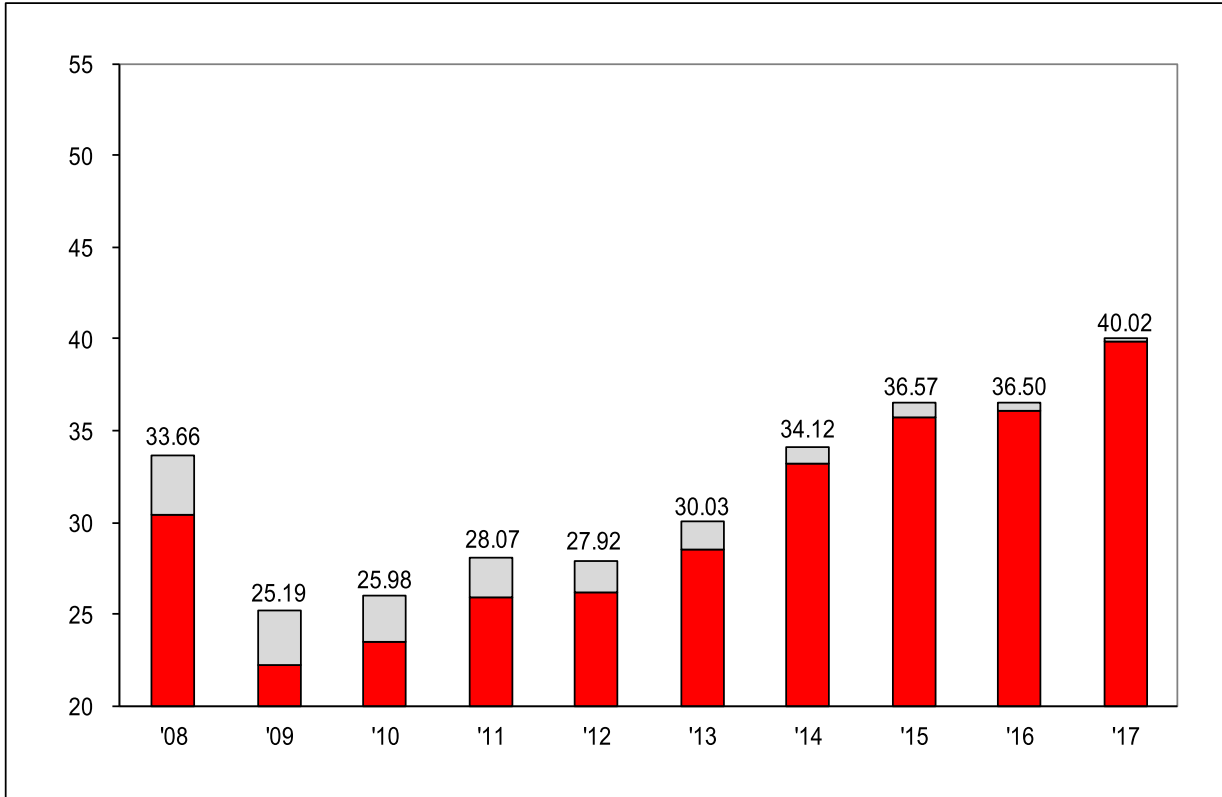
\* These items represent support from the University.

# North Carolina State University Alumni Association, Inc.

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

### Total Assets

(Dollars in Millions)

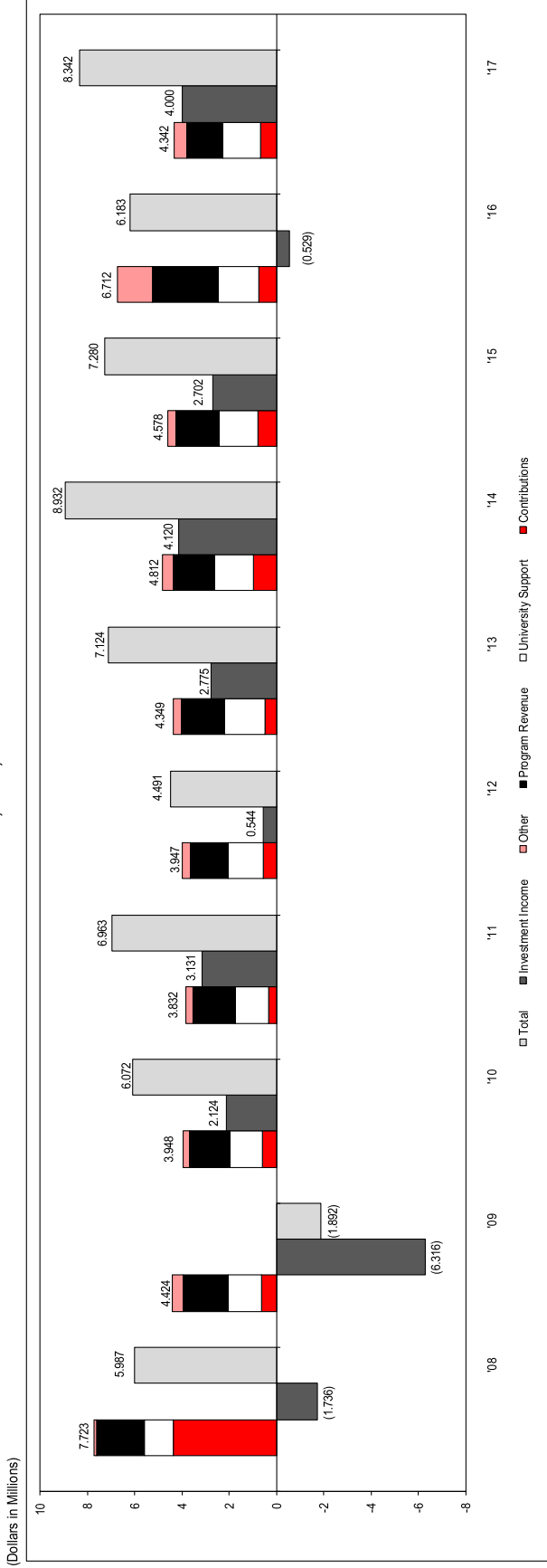


Note: In fiscal year 2008, the Dorothy and Roy Park Alumni Center was gifted to the University.

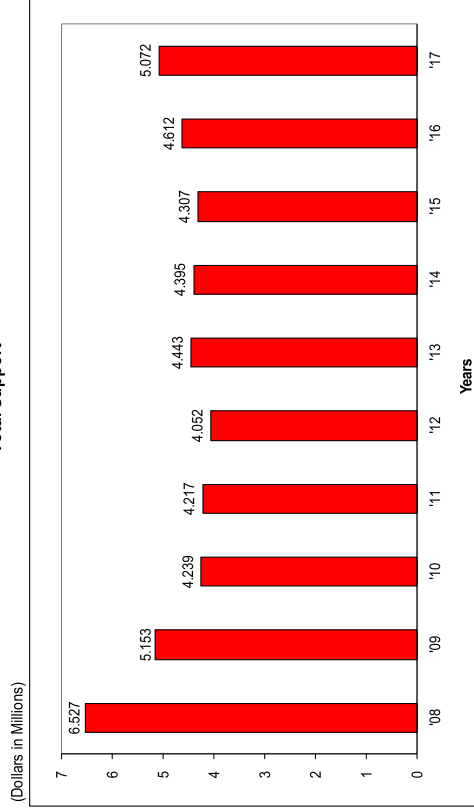
North Carolina State University Alumni Association, Inc.

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, 2017 and 2016, the NC State University Alumni Association, Inc. awarded a total of \$273,300 and \$267,070 Caldwell scholarships, respectively. In both years some amounts were paid by other University associated entities.