

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

FINANCIAL REPORT

JUNE 30, 2019 and 2018

North Carolina State University Alumni Association, Inc.

**Financial Report
For The Years Ended June 30, 2019 and 2018**

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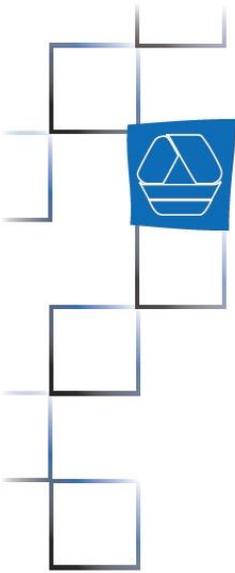
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Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of North Carolina State University Alumni Association, Inc. (the "Association"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina State University Alumni Association, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year 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 financial statements as a whole. The supplementary information on pages 20 through 22, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Financial Statements

The 2018 financial statements of the Association were audited by other auditors, whose report dated November 16, 2018 expressed an unmodified opinion on those statements.

Williams Overman Pierce, LLP

Raleigh, North Carolina
November 15, 2019

North Carolina State University Alumni Association, Inc.

Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents (Note 1)	\$ 2,325,214	\$ 1,936,426
Intermediate investments (Note 1)	369,205	361,620
Long-term investments (Notes 1 and 3)	44,058,780	41,744,532
Pledges receivable, net (Notes 1 and 7)	190,079	185,045
Receivable - charitable lead trust (Note 1)	111,818	151,529
Property and equipment, net of accumulated depreciation of \$2,297,005 and \$2,295,953 as of June 30, 2019 and 2018, respectively (Note 1)	-	1,052
Other assets (Note 1)	243,283	259,579
Total Assets	\$ 47,298,379	\$ 44,639,783
Liabilities and Net Assets		
Liabilities		
Accounts payable (Note 1)	\$ 19,842	\$ 21,453
Deferred revenue (Note 12)	2,085,174	1,888,424
Life income funds payable (Note 6)	160,257	149,911
Total Liabilities	2,265,273	2,059,788
Net Assets		
Without donor restrictions	10,215,625	9,801,043
With donor restrictions:		
Perpetual in Nature	21,081,931	20,020,849
Purpose Restricted	13,735,550	12,758,103
Total Net Assets	45,033,106	42,579,995
Total Liabilities and Net Assets	\$ 47,298,379	\$ 44,639,783

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 51,408	\$ 1,068,741	\$ 1,120,149
Change in pledges receivable, net (Note 7)	-	5,034	5,034
University Advancement support (Note 8)	1,864,914	-	1,864,914
Donated services and facilities (Note 8)	164,000	-	164,000
Net investment income (Note 1)	869,357	2,154,514	3,023,871
Change in value of split interest agreements	-	(18,299)	(18,299)
Change in value of charitable lead trust	-	(39,711)	(39,711)
Membership dues (Note 12)	693,454	-	693,454
Advertising and alumni magazine	112,465	-	112,465
Event revenue	181,625	-	181,625
Affinity program royalties	325,865	-	325,865
Rental income	106,734	-	106,734
Other program income	337,407	98,915	436,322
Net assets released from restrictions (Note 10)	1,252,319	(1,252,319)	-
Total Revenues, Gains, and Other Income	5,959,548	2,016,875	7,976,423
Program Support			
Caldwell scholarships and stipends	334,065	-	334,065
Other scholarships	428,822	-	428,822
Program and event support	1,665,599	-	1,665,599
Administrative	298,614	-	298,614
Fundraising	2,826,116	-	2,826,116
Total Program Support (Note 13)	5,553,216	-	5,553,216
Excess of Revenues, Gains, and Other Income Over Total Support	406,332	2,016,875	2,423,207
Net Transfers			
From other University-associated entities	29,851	53	29,904
Among funds	(21,601)	21,601	-
Total Net Transfers	8,250	21,654	29,904
Change in Net Assets	414,582	2,038,529	2,453,111
Net Assets			
Beginning of year	9,801,043	32,778,952	42,579,995
End of year	\$ 10,215,625	\$ 34,817,481	\$ 45,033,106

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 183,432	\$ 1,478,964	\$ 1,662,396
Change in pledges receivable, net (Note 7)	-	(16,554)	(16,554)
University Advancement support (Note 8)	1,775,914	-	1,775,914
Donated services and facilities (Note 8)	158,000	-	158,000
Net investment income (Note 1)	1,223,944	3,041,966	4,265,910
Change in value of split interest agreements	-	252,579	252,579
Change in value of charitable lead trust	-	(45,831)	(45,831)
Membership dues (Note 12)	704,830	-	704,830
Advertising and alumni magazine	98,655	-	98,655
Event revenue	157,718	-	157,718
Affinity program royalties	327,709	-	327,709
Rental income	106,734	-	106,734
Other program income	241,964	187,923	429,887
Net assets released from restrictions (Note 10)	1,106,720	(1,106,720)	-
Total Revenues, Gains, and Other Income	6,085,620	3,792,327	9,877,947
Program Support			
Caldwell scholarships and stipends	295,790	-	295,790
Other scholarships	396,529	-	396,529
Program and event support	1,476,652	-	1,476,652
Administrative	315,861	-	315,861
Fundraising	2,640,373	-	2,640,373
Total Program Support (Note 13)	5,125,205	-	5,125,205
Excess of Revenues, Gains, and Other Income Over Total Support	960,415	3,792,327	4,752,742
Net Transfers			
To other University-associated entities	-	(6,888)	(6,888)
Among funds	(21,190)	21,190	-
Total Net Transfers	(21,190)	14,302	(6,888)
Change in Net Assets	939,225	3,806,629	4,745,854
Net Assets			
Beginning of year	8,861,818	28,972,323	37,834,141
End of year	\$ 9,801,043	\$ 32,778,952	\$ 42,579,995

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 2,453,111	\$ 4,745,854
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,052	2,108
Net investment income	(3,023,871)	(4,265,910)
Investment income restricted for split interest agreements	(26,814)	(33,855)
Change in value of split interest agreements	18,299	(252,579)
Contributions restricted for permanent endowment	(913,396)	(1,317,764)
Decrease (increase) in:		
Pledges receivable, net	(5,034)	16,554
Receivable - charitable lead trust	39,711	45,831
Other assets	16,296	1,222
(Decrease) increase in:		
Accounts payable	(1,611)	(25,081)
Deferred revenue	196,750	175,989
Net Cash Used in Operating Activities	(1,245,507)	(907,631)
Cash Flows From Investing Activities		
Proceeds from sales of investments	2,079,579	2,268,720
Purchases of investments	(1,377,541)	(2,416,873)
Net Cash Provided by (Used in) Investing Activities	702,038	(148,153)
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	913,396	1,317,764
Investment income restricted for split interest agreements	26,814	33,855
Payments on life income fund obligations	(23,837)	(24,795)
Proceeds from life income fund obligations	15,884	-
Net Cash Provided by Financing Activities	932,257	1,326,824
Net Increase in Cash and Cash Equivalents	388,788	271,040
Cash and Cash Equivalents		
Beginning of year	1,936,426	1,665,386
End of year	\$ 2,325,214	\$ 1,936,426
Supplemental Disclosures of Noncash Activities		
University Advancement salary support	\$ 1,760,000	\$ 1,671,000
Donated services and facilities	\$ 164,000	\$ 158,000

See notes to financial statements.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements For The Years Ended June 30, 2019 and 2018

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, 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:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that are either to be maintained permanently by the Association or will be released either by actions of the Association and/or by the passage of time. 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 TowneBank. The STIF account maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Intermediate investments: Intermediate investments consist of the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF") for funds that can be invested for longer periods, but which are available in the event of short-term needs. These investments are reported at readily determinable fair values of \$369,205 and \$361,620 at June 30, 2019 and 2018, respectively. The cost of these investments was \$372,930 and \$372,855 at June 30, 2019 and 2018, 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 TIAA 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.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

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.

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

Other assets: Other assets 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 \$242,214 and \$254,724 at June 30, 2019 and June 30, 2018, respectively. Other assets also includes sales tax receivable 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 amounts due to other associated entities.

Contributions: Restricted contributions are segregated for income and expense reporting purposes; however, the assets are commingled. When a donor or grantor restriction expires because the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For the years ended June 30, 2019 and 2018, a one-time fee of 7% was assessed on gifts that support current operations and facilities, designated for Central Development.

Investment income: Investment income is allocated on the basis of average fund balances for net assets with and without donor restrictions. For endowments, investment income is allocated on the "unit value" method of valuing interest in an investment portfolio and the investment earnings are recorded as with or without donor restrictions, as appropriate. Earnings from investments are net of investment fees of approximately \$191,000 and \$177,000 for the years ended June 30, 2019 and 2018, 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 is assessed on the average twenty-quarter market value of assets held in the endowment investment portfolio. For the years ended June 30, 2019 and 2018, the annual fee was 1.25%, designated for University Advancement.

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

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

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

Income taxes and uncertain tax positions: 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 foundation. The Association had no significant unrelated trade or business income for 2019 and 2018. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying 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 tax year 2015.

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation with no effect on previously reported total net assets. Additional amounts have been reclassified to conform to the ASU 2016-14 presentation resulting in the following changes to net asset classes.

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, as previously presented:			
Unrestricted:			
Undesignated	\$ 9,801,043	\$ -	\$ 9,801,043
Undesignated - underwater endowments	(10,964)	-	(10,964)
Board-designated endowments		-	-
Temporarily restricted	-	12,769,067	12,769,067
Permanently restricted	-	20,020,849	20,020,849
Net Assets, as reclassified	<u>9,790,079</u>	<u>32,789,916</u>	<u>42,579,995</u>
Reclassifications to implement ASU 2016-14:			
Underwater endowments	10,964	(10,964)	-
Net assets, as reclassified	<u>\$ 9,801,043</u>	<u>\$ 32,778,952</u>	<u>\$ 42,579,995</u>

Note 2. Endowment

The Association's endowment consists of approximately 170 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.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements For The Years Ended June 30, 2019 and 2018

Note 2. Endowment (continued)

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. The Association has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets perpetual in nature (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment funds that is not classified in net assets perpetual in nature is classified as purpose 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 (underwater endowments). These deficiencies generally result from either spending of corpus in accordance with the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Association has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions and were \$0 and \$10,964 as of June 30, 2019 and 2018, respectively.

Investment return objectives and risk parameters: The Association has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the 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, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Association’s policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the 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 \$958,570 and \$1,082,615 for fiscal years 2019 and 2020, respectively.

Strategies employed for achieving investment objectives: For the long term, the primary investment objective for the LTIP is to earn a total return (net of investment and custodial fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the LTIP and to meet the spending needs of the University. To meet this investment objective, the LTIP invests in various asset classes to offer diversification. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

Note 2. Endowment (continued)

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

The following represents changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 11,531,034	\$ 30,385,560	\$ 41,916,594
Total investment return	825,116	2,154,239	2,979,355
Contributions including change in accrued pledges and other income	266,719	895,792	1,162,511
Appropriations of endowment assets for expenditure	(576,490)	(1,303,600)	(1,880,090)
Change in value of split interest agreements	-	(18,299)	(18,299)
Change in value of charitable lead trust	-	(39,711)	(39,711)
Other changes:			
Transfers	-	29,499	29,499
Endowment net assets, end of year	<u>\$ 12,046,379</u>	<u>\$ 32,103,480</u>	<u>\$ 44,149,859</u>

The following represents endowment net asset composition by type of fund, as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 12,025,979	\$ -	\$ 12,025,979
Donor-designated endowment funds			
Corpus	-	21,081,931	21,081,931
Appreciation	20,400	11,021,549	11,041,949
Total funds	<u>\$ 12,046,379</u>	<u>\$ 32,103,480</u>	<u>\$ 44,149,859</u>

The following represents changes in endowment net assets for the fiscal year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 10,481,722	\$ 26,794,096	\$ 37,275,818
Total investment return	1,208,010	3,041,493	4,249,503
Contributions including change in accrued pledges and other income	374,262	1,328,460	1,702,722
Appropriations of endowment assets for expenditure	(532,960)	(1,197,385)	(1,730,345)
Change in value of split interest agreements	-	252,579	252,579
Change in value of charitable lead trust	-	(45,831)	(45,831)
Other changes:			
Transfers	-	212,148	212,148
Endowment net assets, end of year	<u>\$ 11,531,034</u>	<u>\$ 30,385,560</u>	<u>\$ 41,916,594</u>

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

Note 2. Endowment (continued)

The following represents endowment net asset composition by type of fund, as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 11,516,269	\$ -	\$ 11,516,269
Donor-designated endowment funds:			
Corpus	-	20,020,849	20,020,849
Appreciation	14,765	10,375,675	10,390,440
Underwater endowments	-	(10,964)	(10,964)
Total funds	<u>\$ 11,531,034</u>	<u>\$ 30,385,560</u>	<u>\$ 41,916,594</u>

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.

Investments consisted of the following at June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 15,396	\$ 15,396	\$ 6,697	\$ 6,697
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	24,964,370	43,622,192	25,100,888	41,337,200
Life Income Funds	404,190	421,192	376,297	400,635
	<u>\$ 25,383,956</u>	<u>\$ 44,058,780</u>	<u>\$ 25,483,882</u>	<u>\$ 41,744,532</u>

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 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.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

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 Association's assets itemized below were measured at fair value on a recurring basis at June 30:

	2019			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 15,396	\$ -	\$ -	\$ 15,396
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	369,205	-	369,205
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	43,622,192	43,622,192
Life Income Funds	-	421,192	-	421,192
Beneficial Interest in Life Insurance Policies	-	-	242,214	242,214
	\$ 15,396	\$ 790,397	\$ 43,864,406	\$ 44,670,199

	2018			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 6,697	\$ -	\$ -	\$ 6,697
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	361,620	-	361,620
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	41,337,200	41,337,200
Life Income Funds	-	400,635	-	400,635
Beneficial Interest in Life Insurance Policies	-	-	254,724	254,724
	\$ 6,697	\$ 762,255	\$ 41,591,924	\$ 42,360,876

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

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.

NC State Investment Fund, Inc. Long-Term Investment Pool (the “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 a Blackrock Liquid Policy Portfolio (“LPP”) is valued at the closing price of the exchange-traded fund’s shares. The LTIP also has an investment in the STIF, valued as described above.

Life Income Funds – These investments are a combination of exchange-traded equity and fixed income securities valued at quoted market prices.

Beneficial Interest in Life Insurance Policies – Valued based on the cash surrender value of the policies. Because these values are based on significant unobservable inputs, they are categorized in Level 3 of the fair value hierarchy.

The following is a reconciliation of the assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining value at June 30:

	2019		2018	
	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	\$ 41,337,200	\$ 254,724	\$ 36,222,940	\$ 257,770
Participant additions	1,205,000	-	2,625,000	-
Investment income	18,702	-	17,921	-
Realized gain	710,668	-	486,180	-
Unrealized appreciation (depreciation)	2,421,509	(4,725)	3,892,494	(3,046)
Participant withdrawals	(1,880,135)	(7,785)	(1,730,385)	-
Expenses	(190,752)	-	(176,950)	-
Ending balance	\$ 43,622,192	\$ 242,214	\$ 41,337,200	\$ 254,724

You can find additional information regarding the LTIP and the ITF on the Foundations Accounting and Investments home page at <https://foundationsaccounting.ofa.ncsu.edu/>.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

Note 5. Financial Assets and Liquidity Resources

The Association's endowment funds consist of donor-designated endowments and board-designated endowments. Income from most donor-designated endowments is restricted for specific purposes and, therefore, is not available for general expenditures. As part of the Association's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The LTIP is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the Fund's longer-term return objectives. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact availability of funds. In addition, the Association invests cash in excess of daily requirements in short-term investments and money market funds.

The Association has a board-designated endowment of approximately \$12.0 million. Although the Association does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation, amounts could be made available if necessary. As described in Note 2, endowments have a spending rate of 4%. Approximately \$388,000 of appropriations from the board-designated endowments and \$7,000 of appropriations from the unrestricted donor-designated endowments will be available within the next 12 months.

As of June 30, 2019, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, were as follows:

Total financial assets	\$ 47,298,379
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(21,081,931)
Subject to appropriation and satisfaction of donor restrictions	(13,748,815)
Board-designated endowments	(11,637,764)
Accrued liabilities	<u>(180,099)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 649,770</u>

Note 6. 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, 2019 and 2018 have asset balances of \$421,192 and \$400,635, 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 \$160,257 and \$149,911 at June 30, 2019 and 2018, respectively. Payments from these funds were \$23,837 and \$24,795 during the years ended June 30, 2019 and 2018, respectively. An unrestricted reserve account has been established in the Association's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Association's CGA pool. As of June 30, 2019 and 2018, the CGA reserve balance was \$3,566 and \$1,005, respectively.

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2019	2018
Receivable in less than one year	\$ 90,809	\$ 100,593
Receivable in one to five years	117,818	105,076
Total pledges receivable, gross	208,627	205,669
Less allowance for uncollectible pledges	(11,000)	(11,000)
Less unamortized discount (discount rate of 1.78% to 2.00%)	(7,548)	(9,624)
Pledges receivable, net	\$ 190,079	\$ 185,045

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

Three donors represent approximately \$88,000 of the total undiscounted pledges receivable at June 30, 2019. Two donors represented approximately \$48,000 of total undiscounted pledges receivable at June 30, 2018.

Note 8. Donated Salaries, Services and Facilities

Donated salaries and benefits paid by the University for Alumni Association and Caldwell personnel in the amount of \$1,760,000 and \$1,671,000 for the years ended June 30, 2019 and 2018, respectively, have been reflected in the financial statements as part of University Advancement support. Donated services in the amount of \$28,000 and \$22,000 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 has been reflected in the accompanying financial statements for the use of the Dorothy and Roy Park Alumni Center.

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018

Note 9. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 1,551,429	\$ 1,334,986
Pledges receivable	46,032	10,329
Other	874,326	793,353
	<u>2,471,787</u>	<u>2,138,668</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	242,214	254,724
Assets held under split-interest agreements, net	260,935	250,724
	<u>503,149</u>	<u>505,448</u>
Endowments:		
Subject to Association endowment spending policy and appropriation:		
Scholarships and fellowships	30,163,093	28,450,724
Pledges receivable	144,047	174,716
Other	1,535,405	1,509,396
	<u>31,842,545</u>	<u>30,134,836</u>
Total Net Assets With Donor Restrictions	<u>\$ 34,817,481</u>	<u>\$ 32,778,952</u>

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

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:

	<u>2019</u>	<u>2018</u>
Caldwell scholarships and stipends	\$ 334,065	\$ 295,790
Other scholarships	427,202	392,784
Program and event support	213,805	173,083
Fundraising	277,247	245,063
	<u>\$ 1,252,319</u>	<u>\$ 1,106,720</u>

North Carolina State University Alumni Association, Inc.

**Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018**

Note 11. Description of Leasing Arrangements

The Association had operating leases with total payments of \$13,341 for years ended June 30, 2019 and 2018. Future minimum rental payments under the operating leases are \$8,822 for the year ending June 30, 2020.

Note 12. Deferred Revenue

The Association 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 \$1,862,976 and \$1,675,909 at June 30, 2019 and 2018, respectively. Deferred multi-year membership revenue was \$222,198 and \$212,515 at June 30, 2019 and 2018, respectively.

Note 13. Functional Expense

The Association's primary objectives are to promote alumni affairs and promote awareness of NC State University. Expenses by functional classification for the year ended June, 30, 2019 were as follows:

	Supporting Activities			
	University			Total Program
	Program	Administrative	Fundraising	Support
	Support			
Grants	\$ 796,327	\$ 1,250	\$ 557,953	\$ 1,355,530
Legal	535	695	-	1,230
Accounting	-	50,800	-	50,800
Advertising	71,907	-	-	71,907
Office Expenses	130,057	720	31,445	162,222
Occupancy	2,704	-	100	2,804
Travel	143,807	3,388	7,203	154,398
Conferences and Meetings	59,088	6,070	10,462	75,620
Depreciation	1,052	-	-	1,052
Insurance	4,940	-	28,960	33,900
Departmental Equipment	49,814	8,581	149	58,544
Equip Rental and Maintenance	52,975	3,362	15,249	71,586
Contracted Services	116,532	-	-	116,532
Miscellaneous Services and Fees	469,057	209,232	2,168,986	2,847,275
Printing and Binding	369,025	820	1,315	371,160
Dues and Subscriptions	20,056	2,500	630	23,186
Supplies	140,610	11,196	3,664	155,470
Total	\$ 2,428,486	\$ 298,614	\$ 2,826,116	\$ 5,553,216

North Carolina State University Alumni Association, Inc.

Notes to Financial Statements
For The Years Ended June 30, 2019 and 2018

Note 13. Functional Expense (continued)

Expenses by functional classification for the year ended June 30, 2018 were as follows:

	University Program Support	Supporting Activities		Total Program Support
		Administrative	Fundraising	
Grants	\$ 713,359	\$ 2,464	\$ 522,490	\$ 1,238,313
Legal	316	-	-	316
Accounting	-	49,500	-	49,500
Advertising	65,184	409	-	65,593
Office Expenses	144,291	720	28,107	173,118
Occupancy	19,125	-	-	19,125
Travel	178,120	101	2,998	181,219
Conferences and Meetings	54,948	4,975	9,391	69,314
Depreciation	2,108	-	-	2,108
Insurance	6,319	-	17,656	23,975
Departmental Equipment	57,127	9,165	53	66,345
Equip Rental and Maintenance	87,358	5,245	15,419	108,022
Contracted Services	92,856	2,500	-	95,356
Miscellaneous Services and Fees	361,781	219,026	2,036,289	2,617,096
Printing and Binding	255,521	516	1,356	257,393
Dues and Subscriptions	20,467	2,500	2,245	25,212
Supplies	110,091	18,740	4,369	133,200
Total	\$ 2,168,971	\$ 315,861	\$ 2,640,373	\$ 5,125,205

Note 14. Subsequent Events

The Association has evaluated subsequent events through November 15, 2019, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University Alumni Association, Inc.

General Fund Budget vs. Actual - Unaudited
Year Ended June 30, 2019

	Budget	Actual	(Under)/Over Variance
Income			
Affinity marketing	\$ 329,560	\$ 325,865	\$ (3,695)
Alumni unrestricted gifts	15,000	47,454	32,454
Bricks and pavers	10,000	9,943	(57)
Signature event revenue	35,000	40,920	5,920
Outreach event revenue	30,000	70,742	40,742
Career fair	18,000	47,491	29,491
Homecoming sponsorship	5,000	21,000	16,000
Interest and dividends	21,000	35,246	14,246
Magazine advertising	90,000	104,465	14,465
Membership (annual)	620,000	624,348	4,348
Membership (lifetime)	73,755	73,755	-
Merchandise sales	75,000	89,555	14,555
Travel program revenue	85,000	124,438	39,438
Sponsorships	143,160	138,592	(4,568)
License plate revenue	4,500	5,853	1,353
The State Club	106,000	106,734	734
Alumni Association quasi endowment	360,000	360,000	-
Alumni magazine quasi endowment	8,000	8,000	-
Magazine support (University Advancement) *	104,914	104,914	-
Salary support (University Advancement) *	1,554,190	1,760,000	205,810
Total Income	3,688,079	4,099,315	411,236
Support			
Administration	216,350	172,027	(44,323)
Operations	1,393,435	1,452,363	58,928
Professional services	50,800	50,800	-
Salaries	2,105,600	2,314,543	208,943
University support	24,000	22,492	(1,508)
Total Support	3,790,185	4,012,225	222,040
Income Less Support	(102,106)	87,090	189,196
General Fund Balance			
Beginning of year	137,014	137,014	-
End of year	\$ 34,908	\$ 224,104	\$ 189,196

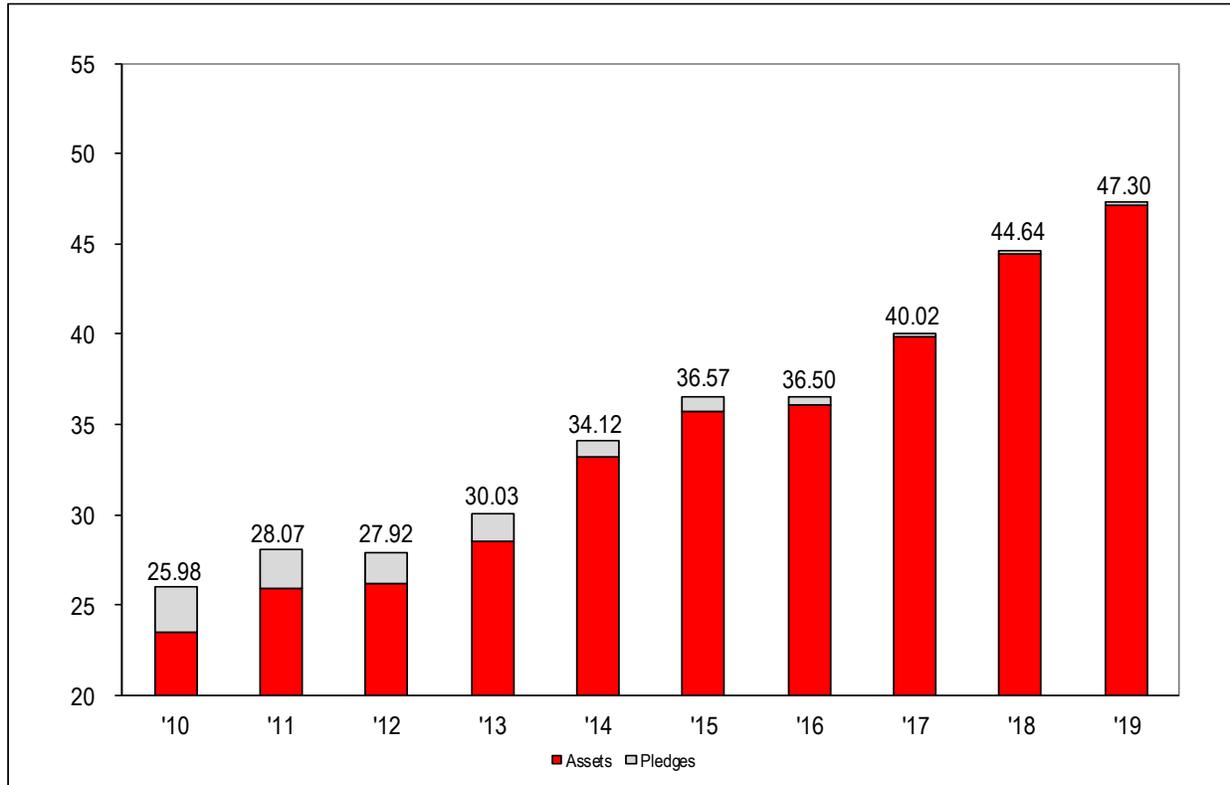
* These items represent support from the University.

North Carolina State University Alumni Association, Inc.

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

Total Assets

(Dollars in Millions)

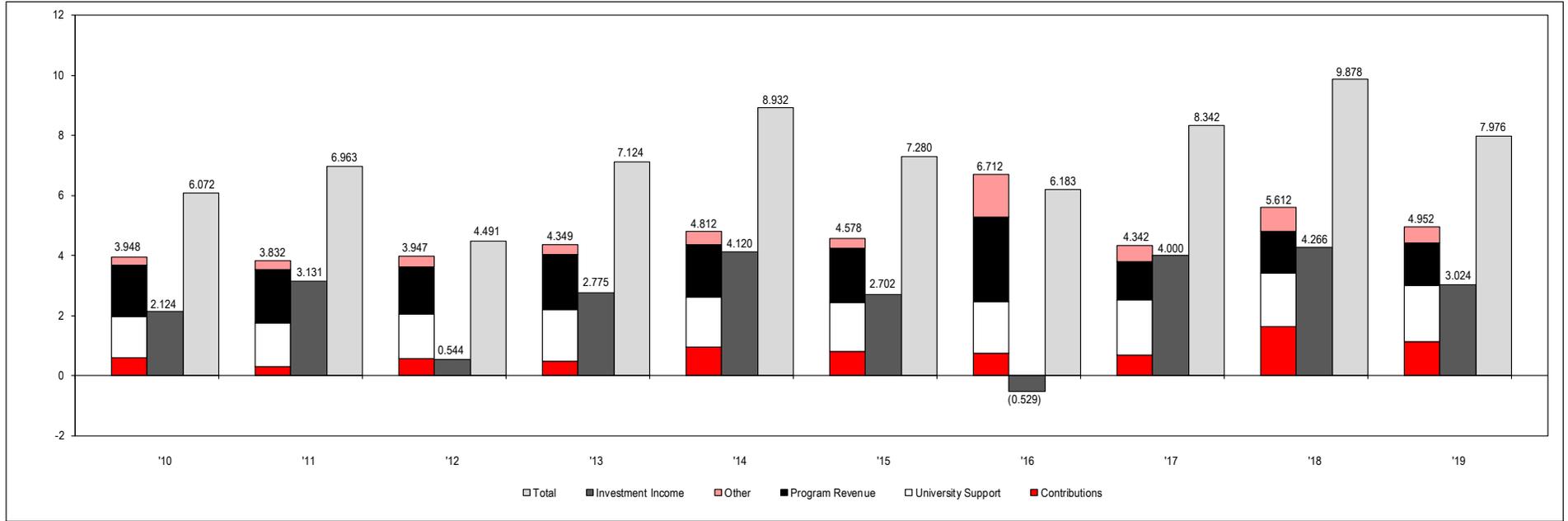


North Carolina State University Alumni Association, Inc.

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

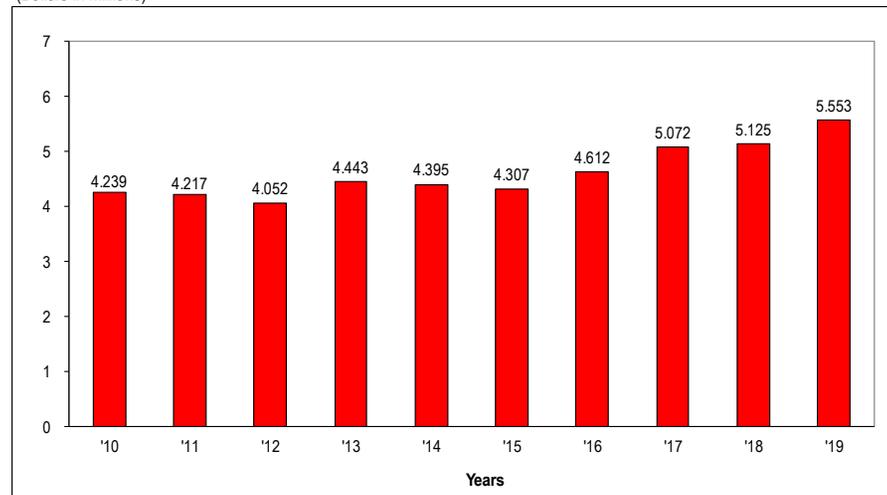
Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support*

(Dollars in Millions)



*For the years ended June 30, 2019 and 2018, the NC State University Alumni Association, Inc. awarded a total of \$334,065 and \$300,100 Caldwell scholarships, respectively. In both years some amounts were paid by other University associated entities.