

**NORTH CAROLINA STATE UNIVERSITY  
COLLEGE OF SCIENCES FOUNDATION, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2015 and 2014**

**North Carolina State University College of Sciences Foundation, Inc.**  
**Financial Statements**  
**For the years ended June 30, 2015 and 2014**

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Williams Overman Pierce, LLP  
Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
North Carolina State University College of Sciences Foundation, Inc.  
Raleigh, North Carolina

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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



## Opinion

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

## Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 through 20, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
October 30, 2015

North Carolina State University College of Sciences Foundation, Inc.

Statements of Financial Position  
June 30, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents (Note 1)	\$ 1,528,223	\$ 1,588,116
Intermediate investments (Note 1)	2,470,254	3,090,354
Long-term investments (Notes 1 and 3)	14,289,686	11,815,787
Pledges receivable (Notes 1 and 6)	1,127,122	630,650
Accounts receivable (Note 1)	767	550
Donated property (Note 1)	1,643,000	1,473,000
Copyright, net of accumulated amortization of \$179,421 and \$13,802 for 2015 and 2014, respectively (Note 1)	648,678	814,297
Other assets (Note 1)	23,191	18,780
<b>Total assets</b>	<b>\$21,730,921</b>	<b>\$19,431,534</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable - North Carolina State University (Note 1)	\$ 31,066	\$ 4,441
Accounts payable (Note 1)	14,377	22,500
Life income funds payable (Note 5)	131,811	136,283
<b>Total liabilities</b>	<b>177,254</b>	<b>163,224</b>
Net assets:		
Unrestricted	2,173,373	2,229,398
Temporarily restricted (Note 8)	10,959,516	9,120,347
Permanently restricted (Note 9)	8,420,778	7,918,565
<b>Total net assets</b>	<b>21,553,667</b>	<b>19,268,310</b>
<b>Total liabilities and net assets</b>	<b>\$21,730,921</b>	<b>\$19,431,534</b>

See Notes to Financial Statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions (Note 1)	\$ 312,691	\$ 1,530,023	\$ 301,790	\$ 2,144,504
Change in pledges receivable	-	366,705	129,767	496,472
Donated services, salaries, and facilities (Note 7)	270,000	-	-	270,000
Donated property (Note 1)	-	170,000	-	170,000
Net investment income	55,695	980,657	4,370	1,040,722
Interest and dividends	53,439	6,656	4,629	64,724
Actuarial change in value of split interest agreements	-	-	(20,304)	(20,304)
Royalties	-	8,600	166,933	175,533
Other income	40	2,513	1,404	3,957
Net assets released from restrictions (Note 10)	948,704	(948,704)	-	-
<b>Total revenues, gains, and other income</b>	<b>1,640,569</b>	<b>2,116,450</b>	<b>588,589</b>	<b>4,345,608</b>
Grants to support the University:				
Program:				
Scholarships and fellowships	554,390	-	-	554,390
Faculty support	161,965	-	-	161,965
Departmental support	161,133	-	-	161,133
Other current services	337,772	-	-	337,772
<b>Total program support</b>	<b>1,215,260</b>	<b>-</b>	<b>-</b>	<b>1,215,260</b>
Administrative	60,245	-	-	60,245
Fundraising	443,347	-	-	443,347
<b>Total other support</b>	<b>503,592</b>	<b>-</b>	<b>-</b>	<b>503,592</b>
<b>Total support</b>	<b>1,718,852</b>	<b>-</b>	<b>-</b>	<b>1,718,852</b>
<b>Excess (deficit) of revenues, gains, and other income over total support</b>	<b>(78,283)</b>	<b>2,116,450</b>	<b>588,589</b>	<b>2,626,756</b>
Net transfers:				
To other University-associated entities	-	(15,537)	(325,862)	(341,399)
Among funds (Note 11)	22,258	(261,744)	239,486	-
<b>Total net transfers</b>	<b>22,258</b>	<b>(277,281)</b>	<b>(86,376)</b>	<b>(341,399)</b>
<b>Change in net assets</b>	<b>(56,025)</b>	<b>1,839,169</b>	<b>502,213</b>	<b>2,285,357</b>
Net assets:				
Beginning	2,229,398	9,120,347	7,918,565	19,268,310
Ending	\$ 2,173,373	\$ 10,959,516	\$ 8,420,778	\$ 21,553,667

See Notes to Financial Statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions (Note 1)	\$ 318,440	\$ 932,250	\$ 94,443	\$ 1,345,133
Change in pledges receivable	-	80,847	(2,351)	78,496
Donated services, salaries, and facilities (Note 7)	282,000	-	-	282,000
Donated copyright	828,099	-	-	828,099
Net investment income	105,495	1,435,694	7,142	1,548,331
Interest and dividends	26,432	16,868	4,026	47,326
Actuarial change in value of split interest agreements	-	-	(21,133)	(21,133)
Royalties	-	99,720	-	99,720
Other income	10,630	2,939	1,355	14,924
Net assets released from restrictions (Note 10)	702,185	(702,185)	-	-
<b>Total revenues, gains, and other income</b>	<b>2,273,281</b>	<b>1,866,133</b>	<b>83,482</b>	<b>4,222,896</b>
Grants to support the University:				
Program:				
Scholarships and fellowships	536,411	-	-	536,411
Faculty support	41,901	-	-	41,901
Departmental support	145,822	-	-	145,822
Other current services	144,696	-	-	144,696
<b>Total program support</b>	<b>868,830</b>	<b>-</b>	<b>-</b>	<b>868,830</b>
Administrative	54,870	-	-	54,870
Fundraising	370,117	-	-	370,117
<b>Total other support</b>	<b>424,987</b>	<b>-</b>	<b>-</b>	<b>424,987</b>
<b>Total support</b>	<b>1,293,817</b>	<b>-</b>	<b>-</b>	<b>1,293,817</b>
<b>Excess of revenues, gains, and other income over total support</b>	<b>979,464</b>	<b>1,866,133</b>	<b>83,482</b>	<b>2,929,079</b>
Net transfers:				
From other University-associated entities	-	58,436	131,219	189,655
Among funds (Note 11)	63,696	(458,867)	395,171	-
<b>Total net transfers</b>	<b>63,696</b>	<b>(400,431)</b>	<b>526,390</b>	<b>189,655</b>
<b>Change in net assets</b>	<b>1,043,160</b>	<b>1,465,702</b>	<b>609,872</b>	<b>3,118,734</b>
Net assets:				
Beginning	1,186,238	7,654,645	7,308,693	16,149,576
Ending	\$ 2,229,398	\$ 9,120,347	\$ 7,918,565	\$ 19,268,310

See Notes to Financial Statements.

North Carolina State University College of Sciences Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets:	\$ 2,285,357	\$ 3,118,734
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization expense	165,619	13,802
Contributions restricted for permanent endowment	(301,790)	(94,443)
Donated copyright	-	(828,099)
Donated property	(170,000)	-
Net investment income	(1,040,722)	(1,548,331)
Investment income restricted for split interest agreements	(4,629)	(4,026)
Actuarial change in value of split interest agreements	20,304	21,133
Increase in:		
Pledges receivable	(496,472)	(78,496)
Accounts receivable	(217)	(21)
Other assets	(4,411)	(1,355)
Increase (decrease) in:		
Accounts payable - North Carolina State University	26,625	(12,821)
Accounts payable	(8,123)	22,500
<b>Net cash provided by operating activities</b>	<b>471,541</b>	<b>608,577</b>
Cash Flows From Investing Activities:		
Proceeds from sales of investments	1,273,369	460,086
Purchases of investments	(2,086,446)	(947,560)
<b>Net cash used in investing activities</b>	<b>(813,077)</b>	<b>(487,474)</b>
Cash Flows From Financing Activities:		
Contributions restricted for permanent endowment	301,790	94,443
Investment income restricted for split interest agreements	4,629	4,026
Payments on life income fund obligations	(24,776)	(24,845)
<b>Net cash provided by financing activities</b>	<b>281,643</b>	<b>73,624</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(59,893)</b>	<b>194,727</b>
Cash and cash equivalents:		
Beginning	1,588,116	1,393,389
Ending	<b>\$ 1,528,223</b>	<b>\$ 1,588,116</b>
Supplemental Disclosures of Noncash Activities		
Donated services, salaries, and facilities	<b>\$ 270,000</b>	<b>\$ 282,000</b>
Transfers among funds	<b>\$ 261,744</b>	<b>\$ 458,867</b>

See Notes to Financial Statements.



## North Carolina State University College of Sciences Foundation, Inc.

### Notes to Financial Statements

For the years ended June 30, 2015 and 2014

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#### Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina State University College of Sciences Foundation, Inc., (the "Foundation") is one of a group of foundations which provides financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, established July 1, 1983, provides financial support for all types of education and research in physical, mathematical, and biological sciences in the College of Sciences at the University.

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

Basis of accounting and presentation: The Foundation's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. In preparing its financial statements, the Foundation'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 Foundation and changes therein are classified and reported as follows:

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

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the earnings on related investments for the donor-restricted purpose.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all highly liquid debt instruments to be cash equivalents. Cash designated or restricted for long-term purposes is included with long-term investments. At times the Foundation places deposits with a high quality financial institution that may be in excess of federal insurance limits.

Cash and cash equivalents consist of accounts with BNY Mellon's Liquidity DIRECT, the State Treasurer's Short-Term Investment Fund (the "STIF"), and Wells Fargo Bank, N.A. The STIF account maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Intermediate investments: Intermediate investments consist of the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF") and an account with the commonfund Intermediate Term Fund for funds that can be invested for longer periods, but which are available in the event of short-term cash needs. These investments are reported at readily determinable fair values of \$2,470,254 and \$3,090,354 as of June 30, 2015 and 2014, respectively. The cost of these investments was \$2,705,724 and \$3,410,108 as of June 30, 2015 and 2014, respectively.

**North Carolina State University College of Sciences Foundation, Inc.**

**Notes to Financial Statements**

**For the years ended June 30, 2015 and 2014**

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

Long-term investments: Long-term investments are stated at fair value based on readily determinable fair values, when available. Investments for which readily determinable fair values are not available are carried at estimated fair values as provided by the respective fund managers of the investments. The Foundation, in accordance with investment policies promulgated by its Board of Directors (the "Board"), invests with the NC State Investment Fund, Inc. Long Term Investment Pool (the "LTIP"). In addition, the Foundation has planned giving instruments invested with Wells Fargo.

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.

Accounts receivable: Accounts receivable consists of amounts due from other University associated entities and interest earned but not yet received on the STIF account.

Donated property: Donated property is recorded at fair value at the date of the donation and is held in accordance with donor restrictions. Property in the amount of \$170,000 was donated to the Foundation during the year ended June 30, 2015 and has been reflected in the financial statements. The property was gifted to the Foundation to be sold with proceeds from sale being allocated 75% to the Foundation and 25% to other associated entities. Management is not able to reasonably determine future sales proceeds and, as a result, no estimated liability for the amount due to others has been reflected in the accompanying financial statements.

Software license: A donated software license is recorded net of accumulated amortization totaling \$536,352 as of June 30, 2015 and 2014. As of June 30, 2015 and 2014 the software license was fully amortized.

Copyright: A donated copyright is recorded net of accumulated amortization of \$179,421 and \$13,802 as of June 30, 2015 and 2014, respectively.

Other assets: Other assets include beneficiary interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash value less any loans outstanding on the policies. Cash surrender values of these policies were \$23,191 and \$18,780 at June 30, 2015 and 2014, respectively.

Accounts payable – North Carolina State University: Accounts payable to the University include amounts disbursed by the University on behalf of the Foundation for payment of various normal operating expenses.

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

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 the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities.

The University has a gift assessment program that supports Central Development and college-level fund-raising efforts. A one-time fee of 5% is assessed on gifts that support current operations and facilities, with 3% designated for Central Development and 2% designated to the fund-raising entity receiving the gift.

**North Carolina State University College of Sciences Foundation, Inc.**

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

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

Investment income: Investment income is allocated on the basis of average fund balances for unrestricted and temporarily restricted net assets. For endowment funds, 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 \$48,943 and \$39,453 for the years ended June 30, 2015 and 2014, respectively. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

As part of the University’s gift assessment program, an annual fee of 0.50% is assessed on the average twenty-quarter market value of assets held in the investment portfolio, with 0.25% designated for University Advancement and 0.25% designated to college-level fundraising efforts. In addition, an assessment of 0.55% is charged by the Foundation on the average twenty-quarter market value of the assets held in the investment portfolio, for the support of Foundation fundraising activities.

Estimates: The preparation of financial statements in accordance with the 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 and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2015 and 2014. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

**Note 2. Endowment**

The Foundation’s endowment consists of approximately 130 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation’s signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

## North Carolina State University College of Sciences Foundation, Inc.

### Notes to Financial Statements

For the years ended June 30, 2015 and 2014

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#### 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. UPMIFA defines a prudence standard for management and investment of institutional funds. As a result of the Foundation's interpretation of UPMIFA and the signed endowment agreements with donors, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's endowment spending policy.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value. These deficiencies generally result from unfavorable market fluctuations which produce unrealized losses to the fund. Deficiencies of this nature would be reported in unrestricted net assets.

Investment return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP in a manner that is intended to produce results that exceed a 70% MSCI ACWI/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, many endowments are not able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, up to 15% of the corpus of an endowment may be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$356,750 and \$326,435 for fiscal years 2016 and 2015, respectively.

Strategies employed for achieving investment objectives: For the long term, the primary investment objective for the LTIP is to earn a total return (net of investment and custodial fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the LTIP and to meet the spending needs of the University. To help 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.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets, beginning of year</b>	<b>\$ 485,070</b>	<b>\$ 3,492,812</b>	<b>\$ 7,918,565</b>	<b>\$ 11,896,447</b>
Total investment return	75,450	1,207,103	8,999	1,291,552
Contributions, including change in accrued pledges, royalties, and other income	-	167,233	599,894	767,127
Appropriations of endowment assets for expenditure	(31,960)	(422,495)	-	(454,455)
Change in value of split interest agreements	-	-	(20,304)	(20,304)
Other changes:				
Transfers	60,685	1,049,849	(86,376)	1,024,158
<b>Endowment net assets, end of year</b>	<b>\$ 589,245</b>	<b>\$ 5,494,502</b>	<b>\$ 8,420,778</b>	<b>\$ 14,504,525</b>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 589,245	\$ 5,494,502	\$ 8,420,778	\$ 14,504,525
<b>Total funds</b>	<b>\$ 589,245</b>	<b>\$ 5,494,502</b>	<b>\$ 8,420,778</b>	<b>\$ 14,504,525</b>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 303,673	\$ 2,255,747	\$ 7,308,693	\$ 9,868,113
Total investment return	99,612	1,471,213	11,168	1,581,993
Contributions, including change in accrued pledges and other income	108,000	143,262	93,447	344,709
Appropriations of endowment assets for expenditure	(26,215)	(377,410)	-	(403,625)
Change in value of split interest agreements	-	-	(21,133)	(21,133)
Other changes:				
Transfers	-	-	526,390	526,390
<b>Endowment net assets, end of year</b>	<b>\$ 485,070</b>	<b>\$ 3,492,812</b>	<b>\$ 7,918,565</b>	<b>\$ 11,896,447</b>

North Carolina State University College of Sciences Foundation, Inc.

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

**Note 2. Endowment (continued)**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 485,070	\$ 3,492,812	\$ 7,918,565	\$ 11,896,447
Total funds	\$ 485,070	\$ 3,492,812	\$ 7,918,565	\$ 11,896,447

**Note 3. Long-Term Investments**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 183,963	\$ 183,963	\$ 51,182	\$ 51,182
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	10,104,388	13,886,615	8,694,206	11,520,922
Wells Fargo - Life Income Funds	206,687	219,108	222,485	243,683
	<b>\$ 10,495,038</b>	<b>\$ 14,289,686</b>	<b>\$ 8,967,873</b>	<b>\$ 11,815,787</b>

Investments held by the LTIP at June 30, 2015 were made up of limited partnerships, an investment with a Blackrock Liquid Policy Portfolio ("LPP"), a bundle of exchange-traded funds, and the State Treasurer's STIF. As of June 30, 2015, approximately 89.4% of these investments were with the UNC Management Company, 4.1% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 6.2% was invested in the LPP, and 0.3% was invested in the STIF. LTIP's net assets were valued at approximately \$676,716,000 and \$597,884,000 at June 30, 2015 and 2014, respectively. The Foundation's investment in the LTIP represents approximately 2.1% and 1.9% of the member equity of the LTIP at June 30, 2015 and 2014, respectively.

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

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements

For the years ended June 30, 2015 and 2014

**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. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

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

- Level 1 – Valuations based on quoted prices in active markets for identical investments
- Level 2 – Valuations based on quoted prices in inactive markets or for which all significant inputs are observable (including quoted prices for similar investments, interest rates, credit risks, etc.)
- Level 3 – Valuations based on significant unobservable inputs (including the fund’s own assumptions in determining the fair value of investments)

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

	2015			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 183,963	\$ -	\$ -	\$ 183,963
Commonfund Intermediate Term Fund	-	2,075,934	-	2,075,934
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	394,320	-	394,320
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	13,886,615	13,886,615
Wells Fargo - Life Income Funds	-	219,108	-	219,108
Beneficial Interest in Life Insurance Policies	-	-	23,191	23,191
	<b>\$ 183,963</b>	<b>\$ 2,689,362</b>	<b>\$ 13,909,806</b>	<b>\$ 16,783,131</b>

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 51,182	\$ -	\$ -	\$ 51,182
Commonfund Intermediate Term Fund	-	3,090,354	-	3,090,354
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	11,520,922	11,520,922
Wells Fargo - Life Income Funds	-	243,683	-	243,683
Beneficial Interest in Life Insurance Policies	-	-	18,780	18,780
	<b>\$ 51,182</b>	<b>\$ 3,334,037</b>	<b>\$ 11,539,702</b>	<b>\$ 14,924,921</b>

North Carolina State University College of Sciences Foundation, Inc.

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

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:

	2015		2014	
	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 11,520,922	\$ 18,780	\$ 9,524,694	\$ 17,425
Participant additions	2,255,000	-	710,000	-
Investment income	4,045	-	5,510	-
Realized gains	160,151	-	134,575	-
Unrealized appreciation	955,512	4,411	1,422,293	1,355
Participant withdrawals	(960,455)	-	(236,697)	-
Expenses	(48,560)	-	(39,453)	-
Ending balance	\$ 13,886,615	\$ 23,191	\$ 11,520,922	\$ 18,780

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.

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

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

The NC State Investment Fund, Inc. Long Term Investment Pool (“LTIP”) – The LTIP’s investment in UNCMC is valued using the net asset value per share of the fund provided by the fund manager. The LTIP’s private equity investments are initially valued based on transaction price with subsequent valuation adjustments based on trading multiples of comparable public companies adjusted for differences in factors such as liquidity. The LTIP’s investment in LPP is valued at the closing price of the exchange-traded fund’s shares. The LTIP also has an investment in the STIF, valued as described above.

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

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



## North Carolina State University College of Sciences Foundation, Inc.

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

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#### Note 5. Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities and a unitrust agreement for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2015 and 2014 have asset balances of \$219,108 and \$243,683, 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 expectancies of the beneficiaries, and totaled \$131,811 and \$136,283 at June 30, 2015 and 2014, respectively. Payments from these funds to beneficiaries were \$24,776 and \$24,845 during the years ended June 30, 2015 and 2014, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 5% from all new CGAs established to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 5% of the total value of the Foundation's CGA pool. As of June 30, 2015 and 2014, there was a zero balance in this reserve.

#### Note 6. Pledges Receivable

Pledges receivable are stated at their present value, estimated by discounting the future cash flows using Federal Reserve rates of return, ranging from 0.28% to 2.36% for June 2015, and are as follows:

	2015	2014
Receivable in less than one year	\$ 401,524	\$ 469,621
Receivable in one to five years	701,367	200,279
Receivable in greater than five years	129,215	100
Total gross pledges receivable	1,232,106	670,000
Less allowance for uncollectible pledges	(62,000)	(34,000)
Less unamortized discount	(42,984)	(5,350)
Net pledges receivable	\$ 1,127,122	\$ 630,650

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation'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 \$0.5 million of the total undiscounted pledges receivable at June 30, 2015.

#### Note 7. Donated Services, Salaries, and Facilities

Donated services and facilities in the amounts of \$24,000 for the years ended June 30, 2015 and 2014 have been reflected in the financial statements for facilities and accounting services provided by the University Treasurer's Division. In addition, donated salaries paid by the University for Foundation personnel in the amount of \$246,000 and \$258,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the financial statements.

North Carolina State University College of Sciences Foundation, Inc.

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

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**Note 8. Temporarily Restricted Net Assets**

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

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 327,879	\$ 288,673
Fellowships	1,076,850	944,699
Professorships	8,317	112,826
Research	113,220	49,579
Bob Simpson Visiting Scholars and Research - Land	1,473,000	1,473,000
Building fund/Facility support	748,885	748,885
Endowment cumulative balance	5,494,502	3,492,812
Other	1,716,863	2,009,873
	<u>\$ 10,959,516</u>	<u>\$ 9,120,347</u>

Temporarily restricted net asset grouping "Other" includes amounts designated for general college support and funds with multiple purposes.

**Note 9. Permanently Restricted Net Assets**

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

	<u>2015</u>	<u>2014</u>
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	\$ 6,121,014	\$ 5,543,783
Fellowships	2,855,193	2,531,247
Professorships	474,279	451,787
Research	390,608	241,927
Amounts reported as unrestricted or temporarily restricted net assets	(6,083,747)	(3,977,882)
Other	4,663,431	3,127,703
	<u>\$ 8,420,778</u>	<u>\$ 7,918,565</u>

Permanently restricted net asset grouping "Other" includes amounts designated for general college support and funds with multiple purposes.

**North Carolina State University College of Sciences Foundation, Inc.**

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

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

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

	<b>2015</b>	<b>2014</b>
Scholarships	\$ 171,459	\$ 100,306
Fellowships	328,154	354,181
Professorships	51,624	11,030
Research	63,860	19,714
Other	333,607	216,954
	<b>\$ 948,704</b>	<b>\$ 702,185</b>

Net assets released from restriction grouping "Other" includes amounts spent for general college support and funds with multiple purposes.

**Note 11. Transfers Among Funds to Permanently Restricted**

The Foundation's policy requires a minimum gift amount to establish an endowment. Contributions received toward setting up an endowment which are less than the minimum amount are initially recorded as temporarily restricted net assets, as it is understood by the donor that if the endowment minimum is not reached, the corpus can be used for the intended purpose. When the endowment reaches the minimum endowment level, due to additional contributions, the endowment is transferred to permanently restricted net assets. For the years ended June 30, 2015 and 2014, net endowment transfers were \$239,486 and \$395,171, respectively.

**Note 12. Prior Year Reclassifications**

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

**Note 13. Subsequent Events**

The Foundation has evaluated subsequent events through October 30, 2015, the date which the financial statements were available to be issued, and there were none to report.

## **SUPPLEMENTARY INFORMATION**

North Carolina State University College of Sciences Foundation, Inc.

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

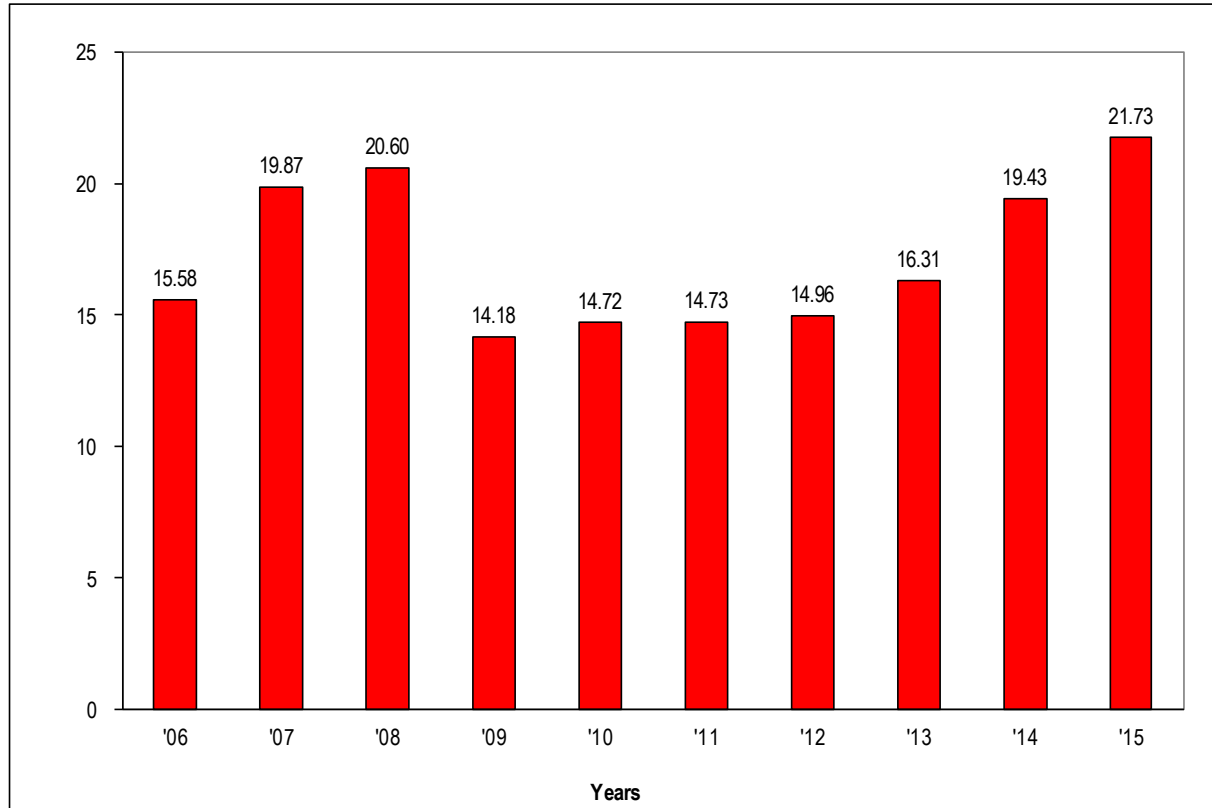
	Approved Budget	Actual	Variance Over/(Under)
<b>Income:</b>			
Annual Fund	\$ 134,000	\$ 129,478	\$ (4,522)
Contributions	160,000	174,766	14,766
Endowment assessments	41,770	41,770	-
Interest income	25,000	52,810	27,810
<b>Total income</b>	<b>360,770</b>	<b>398,824</b>	<b>38,054</b>
<b>Support:</b>			
Program support	128,100	134,003	5,903
Foundation administration and development support	311,485	200,524	(110,961)
Commonfund loss	-	105,058	105,058
<b>Total support</b>	<b>439,585</b>	<b>439,585</b>	<b>-</b>
<b>Income greater (less) than support</b>	<b>(78,815)</b>	<b>(40,761)</b>	<b>38,054</b>
<b>General fund balance:</b>			
Beginning	1,205,526	1,205,526	-
Ending	<b>\$ 1,126,711</b>	<b>\$ 1,164,765</b>	<b>\$ 38,054</b>

# North Carolina State University College of Sciences Foundation, Inc.

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

### TOTAL ASSETS

(Dollars in Millions)

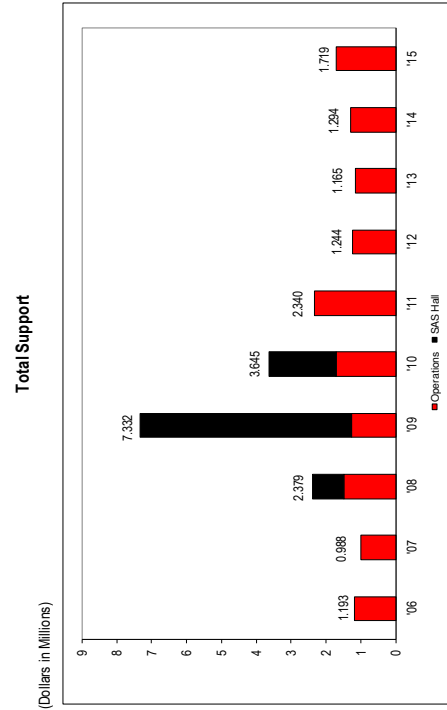
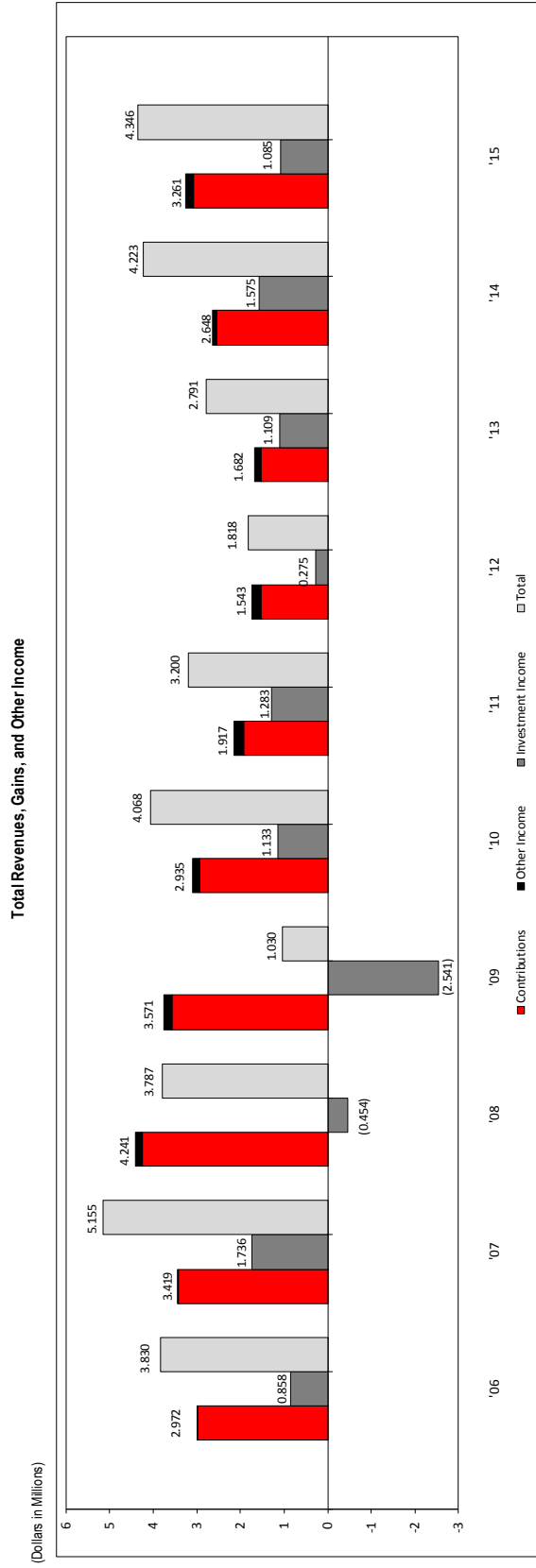


Not reflected above for FY '15 are gifts-in-kind of \$1,015,020 which benefit the College of Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

\*Fiscal years 2013 - 2015 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

North Carolina State University College of Sciences Foundation, Inc.

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



\*Fiscal years 2013 - 2015 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

## **OTHER INFORMATION**





**Williams Overman Pierce, LLP**  
Certified Public Accountants and Consultants

October 30, 2015

To the Board of Directors  
North Carolina State University College of Sciences Foundation, Inc.  
Raleigh, North Carolina

We have audited the financial statements of the North Carolina State University College of Sciences Foundation, Inc. (the "Foundation"), a nonprofit organization, for the year ended June 30, 2015, and have issued our report thereon dated October 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

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

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

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

**Difficulties Encountered in Performing the Audit**

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



### **Corrected and Uncorrected Misstatements**

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

### **Disagreements with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 30, 2015.

### **Management Consultations with Other Independent Accountants**

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

### **Other Audit Findings or Issues**

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

### **Other Matters**

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

### **Closing**

We are happy to respond to any questions you may have concerning this communication. We appreciate the opportunity to continue to serve North Carolina State University College of Sciences Foundation, Inc.

*Williams Dverman Pierce, LLP*