

NORTH CAROLINA STATE UNIVERSITY  
COLLEGE OF SCIENCES FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2016 and 2015

North Carolina State University College of Sciences Foundation, Inc.  
Financial Report  
For the Years Ended June 30, 2016 and 2015

Contents

---

Independent Auditor's Report	1 - 2
------------------------------	-------

---

<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6-7
Notes to Financial Statements	8 – 19

---

<b>Supplementary Information</b>	
General Fund Budget vs. Actual - Unaudited	20
Ten Year Summary of Asset Growth - Unaudited	21
Ten Year Summary of Revenues and Support - Unaudited	22

---



Tel: 919-754-9370  
Fax: 919-754-9369  
www.bdo.com

5430 Wade Park Boulevard  
Suite 208  
Raleigh, NC 27607

## Independent Auditor's 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 North Carolina State University College of Sciences Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2016, 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.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina State University College of Sciences Foundation, Inc. as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



*Emphasis of Matter*

As described in Note 12, the Foundation identified a June 30, 2015 liability associated with assets received by the Foundation on behalf of other organizations. As generally accepted account principles require liabilities to be recognized in the year that they are incurred, the Foundation restated its 2015 financial statements to include this liability. Our opinion on the 2016 financial statements is not modified with respect to this matter.

*Other Matters*

The financial statements of the Foundation for the year ended June 30, 2015, before restatement for the matter described in the Emphasis of Matter paragraph, were audited by other auditors, whose report dated October 30, 2015 expressed an unmodified opinion on those statements.

As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

*Disclaimer of Opinion on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information on pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BDO USA, LLP*

Raleigh, North Carolina  
October 21, 2016

North Carolina State University College of Sciences Foundation, Inc.

Statements of Financial Position  
June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 1,723,966	\$ 1,528,223
Intermediate investments (Note 1)	2,473,765	2,470,254
Long-term investments (Notes 1 and 3)	14,390,836	14,289,686
Pledges receivable, net (Notes 1 and 6)	712,401	1,127,122
Externally managed irrevocable trust (Note 5)	804,000	-
Accounts receivable (Note 1)	1,178	767
Donated property and land (Note 1)	1,643,000	1,643,000
Copyright, net of accumulated amortization of \$345,041 and \$179,421 for 2016 and 2015, respectively (Note 1)	483,058	648,678
Other assets (Note 1)	24,543	23,191
<b>Total Assets</b>	<b>\$ 22,256,747</b>	<b>\$ 21,730,921</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - North Carolina State University (Note 1)	\$ 9,950	\$ 31,066
Accounts payable (Note 1)	-	14,377
Due to others (Note 1)	42,500	42,500
Life income funds payable (Note 5)	126,628	131,811
Life income funds payable - externally managed irrevocable trust (Note 5)	667,778	-
<b>Total Liabilities</b>	<b>846,856</b>	<b>219,754</b>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	2,023,077	2,173,373
Undesignated - underwater endowments (Note 2)	(15,468)	-
Temporarily restricted (Note 8)	10,270,487	10,917,016
Permanently restricted (Note 9)	9,131,795	8,420,778
<b>Total Net Assets</b>	<b>21,409,891</b>	<b>21,511,167</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,256,747</b>	<b>\$ 21,730,921</b>

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Income:</b>				
Contributions (Note 1)	\$ 372,047	\$ 923,730	\$ 237,816	\$ 1,533,593
Change in pledges receivable, net	-	(427,121)	12,400	(414,721)
Donated services, salaries, and facilities (Note 7)	282,000	-	-	282,000
Donated property and land (Note 1)	-	-	136,222	136,222
Net asset reclassification - underwater endowments (Note 2)	(15,468)	15,468	-	-
Net investment loss	(20,420)	(212,507)	(755)	(233,682)
Interest and dividends	40,754	9,300	4,165	54,219
Change in value of split interest agreements	-	-	(19,415)	(19,415)
Royalties	-	-	164,345	164,345
Other income	-	100,906	1,352	102,258
Net assets released from restrictions (Note 10)	912,189	(912,189)	-	-
<b>Total Revenues, Gains, and Other Income</b>	<b>1,571,102</b>	<b>(502,413)</b>	<b>536,130</b>	<b>1,604,819</b>
<b>Grants to Support the University Program:</b>				
Scholarships and fellowships	467,306	-	-	467,306
Faculty support	157,154	-	-	157,154
Departmental support	202,783	-	-	202,783
Other current services	307,774	-	-	307,774
<b>Total Program Support</b>	<b>1,135,017</b>	<b>-</b>	<b>-</b>	<b>1,135,017</b>
Administrative	84,272	-	-	84,272
Fundraising	498,934	-	-	498,934
<b>Total Other Support</b>	<b>583,206</b>	<b>-</b>	<b>-</b>	<b>583,206</b>
<b>Total Support</b>	<b>1,718,223</b>	<b>-</b>	<b>-</b>	<b>1,718,223</b>
<b>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(147,121)</b>	<b>(502,413)</b>	<b>536,130</b>	<b>(113,404)</b>
<b>Net Transfers</b>				
From other University-associated entities	-	12,128	-	12,128
Among funds (Note 11)	(18,643)	(156,244)	174,887	-
<b>Total Net Transfers</b>	<b>(18,643)</b>	<b>(144,116)</b>	<b>174,887</b>	<b>12,128</b>
<b>Change in net assets</b>	<b>(165,764)</b>	<b>(646,529)</b>	<b>711,017</b>	<b>(101,276)</b>
<b>Net Assets</b>				
Beginning of year	2,173,373	10,917,016	8,420,778	21,511,167
End of year	\$ 2,007,609	\$ 10,270,487	\$ 9,131,795	\$ 21,409,891

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
<b>Revenues, Gains, and Other Income:</b>				
Contributions (Note 1)	\$ 312,691	\$ 1,530,023	\$ 301,790	\$ 2,144,504
Change in pledges receivable, net	-	366,705	129,767	496,472
Donated services, salaries, and facilities (Note 7)	270,000	-	-	270,000
Donated property and land (Note 1)	-	127,500	-	127,500
Net investment income	55,695	980,657	4,370	1,040,722
Interest and dividends	53,439	6,656	4,629	64,724
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)	990,474	(990,474)	-	-
<b>Total Revenues, Gains, and Other Income</b>	<b>1,682,339</b>	<b>2,032,180</b>	<b>588,589</b>	<b>4,303,108</b>
<b>Grants to Support the University Program:</b>				
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>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(36,513)</b>	<b>2,032,180</b>	<b>588,589</b>	<b>2,584,256</b>
<b>Net Transfers</b>				
To other University-associated entities	-	(15,537)	(325,862)	(341,399)
Among funds (Note 11)	(19,512)	(219,974)	239,486	-
<b>Total Net Transfers</b>	<b>(19,512)</b>	<b>(235,511)</b>	<b>(86,376)</b>	<b>(341,399)</b>
<b>Change in Net Assets</b>	<b>(56,025)</b>	<b>1,796,669</b>	<b>502,213</b>	<b>2,242,857</b>
<b>Net Assets</b>				
Beginning of year	2,229,398	9,120,347	7,918,565	19,268,310
End of year	\$ 2,173,373	\$ 10,917,016	\$ 8,420,778	\$ 21,511,167

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statements of Cash Flows  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (101,276)	\$ 2,242,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization expense	165,620	165,619
Contributions restricted for permanent endowment	(237,816)	(301,790)
Donated property and land	-	(127,500)
Net investment loss (income)	233,682	(1,040,722)
Investment income restricted for split interest agreements	(4,165)	(4,629)
Change in value of split interest agreements	19,415	20,304
Externally managed irrevocable trust, net of liability	(136,222)	-
(Increase) decrease in:		
Pledges receivable, net	414,721	(496,472)
Accounts receivable	(411)	(217)
Other assets	(1,352)	(4,411)
Increase (decrease) in:		
Accounts payable - North Carolina State University	(21,116)	26,625
Accounts payable	(14,377)	(8,123)
<b>Net Cash Provided by Operating Activities</b>	<u>316,703</u>	<u>471,541</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	769,715	1,273,369
Purchases of investments	(1,108,058)	(2,086,446)
<b>Net Cash Used in Investing Activities</b>	<u>(338,343)</u>	<u>(813,077)</u>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	237,816	301,790
Investment income restricted fo split interest agreements	4,165	4,629
Payments on life income fund obligations	(24,598)	(24,776)
<b>Net Cash Provided by Financing Activities</b>	<u>217,383</u>	<u>281,643</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	195,743	(59,893)
<b>Cash and Cash Equivalents</b>		
Beginning of year	1,528,223	1,588,116
End of year	<u>\$ 1,723,966</u>	<u>\$ 1,528,223</u>

(Continued)

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statements of Cash Flows  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated services, salaries, and facilities	\$ 282,000	\$ 270,000
Transfers among funds	\$ 174,887	\$ 239,486

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

---

**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 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 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 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 \$2,473,765 and \$2,470,254 as of June 30, 2016 and 2015, respectively. The cost of these investments was \$2,700,952 and \$2,705,724 as of June 30, 2016 and 2015, 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 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.

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

---

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

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 and land: Donated property and land are stated at cost. Cost for property acquired by gift is defined as market value on the date of the gift.

Software license: A donated software license is recorded net of accumulated amortization totaling \$536,352 as of June 30, 2016 and 2015. As of June 30, 2016 and 2015 the software license was fully amortized.

Copyright: A donated copyright is recorded net of accumulated amortization of \$345,041 and \$179,421 as of June 30, 2016 and 2015, 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 surrender value, less any loans outstanding on the policies. Cash surrender values of these policies were \$24,543 and \$23,191 at June 30, 2016 and 2015, 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.

Due to others: Due to others at June 30, 2016 and 2015 consisted of \$42,500 received by the Foundation on behalf of other organizations.

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.

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 \$59,496 and \$48,943 for the years ended June 30, 2016 and 2015, 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.

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

---

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

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 2016 and 2015. 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, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The 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 2012.

**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.

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.

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

---

Note 2. Endowment (continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value. These deficiencies generally result from unfavorable market fluctuations which produce unrealized losses to the fund. Deficiencies of this nature are reported in unrestricted net assets and were (\$15,468) and \$0 as of June 30, 2016 and 2015, respectively.

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 \$389,930 for fiscal years 2016 and 2017, 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.

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.

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

Note 2. Endowment (continued)

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

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Endowment net assets, beginning of year	\$ 589,245	\$ 5,362,691	\$ 8,420,778	\$ 14,372,714
Net asset reclassification - underwater endowments	(15,468)	15,468	-	-
Endowment net assets after reclassification	573,777	5,378,159	8,420,778	14,372,714
Total investment return	(29,339)	(203,086)	3,410	(229,015)
Contributions, including change in accrued pledges and other income	-	164,375	552,135	716,510
Appropriations of endowment assets for expenditure	(31,530)	(465,130)	-	(496,660)
Change in value of split interest agreements	-	-	(19,415)	(19,415)
Other changes:				
Transfers	-	110,000	174,887	284,887
Endowment net assets, end of year	\$ 512,908	\$ 4,984,318	\$ 9,131,795	\$ 14,629,021

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

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Undesignated - underwater endowments	\$ (15,468)	\$ -	\$ -	\$ (15,468)
Donor-designated endowment funds	528,376	4,984,318	9,131,795	14,644,489
Total funds	\$ 512,908	\$ 4,984,318	\$ 9,131,795	\$ 14,629,021

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

	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Endowment net assets, beginning of year	\$ 485,070	\$ 3,356,529	\$ 7,918,565	\$ 11,760,164
Total investment return	75,450	1,211,575	8,999	1,296,024
Contributions, including change in accrued pledges 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
Endowment net assets, end of year	\$ 589,245	\$ 5,362,691	\$ 8,420,778	\$ 14,372,714

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

**Note 2. Endowment (continued)**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	\$ 589,245	\$ 5,362,691	\$ 8,420,778	\$ 14,372,714
Total funds	\$ 589,245	\$ 5,362,691	\$ 8,420,778	\$ 14,372,714

**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, 2016 and 2015 consisted of:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 375,395	\$ 375,395	\$ 183,963	\$ 183,963
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	10,341,999	13,822,546	10,104,388	13,886,615
Life Income Funds	185,499	192,895	206,687	219,108
	<u>\$ 10,902,893</u>	<u>\$ 14,390,836</u>	<u>\$ 10,495,038</u>	<u>\$ 14,289,686</u>

Investments held by the LTIP at June 30, 2016 were made up of limited partnerships, an investment with a Blackrock Liquid Policy Portfolio ("LPP"), a bundle of exchange-traded funds, and the STIF. As of June 30, 2016, approximately 91.2% of these limited partnerships were with the UNC Management Company ("UNCMC"), 3.5% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 5.1% was invested in the LPP, and 0.2% was invested in the STIF. The LTIP's net assets were valued at approximately \$683,380,000 and \$676,716,000 at June 30, 2016 and 2015, respectively. The Foundation's investment in the LTIP represents approximately 2.0% and 2.1% of the member equity of the LTIP at June 30, 2016 and 2015, respectively.

The Foundation'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. 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 College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

Note 4. Fair Value Measurement (continued)

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

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

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

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

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

	2016			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 375,395	\$ -	\$ -	\$ 375,395
common/fund Intermediate Term Fund	-	2,081,199	-	2,081,199
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	392,566	-	392,566
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	13,822,546	13,822,546
Life Income Funds	-	192,895	-	192,895
Beneficial Interest in Life Insurance Policies	-	-	24,543	24,543
	<u>\$ 375,395</u>	<u>\$ 2,666,660</u>	<u>\$ 13,847,089</u>	<u>\$ 16,889,144</u>

	2015			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 183,963	\$ -	\$ -	\$ 183,963
common/fund 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
Life Income Funds	-	219,108	-	219,108
Beneficial Interest in Life Insurance Policies	-	-	23,191	23,191
	<u>\$ 183,963</u>	<u>\$ 2,689,362</u>	<u>\$ 13,909,806</u>	<u>\$ 16,783,131</u>

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

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:

	2016		2015	
	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	\$ 13,886,615	\$ 23,191	\$ 11,520,922	\$ 18,780
Participant additions	660,000	-	2,255,000	-
Investment income	1,895	-	4,045	-
Realized gains	131,407	-	160,151	-
Unrealized (depreciation) appreciation	(301,680)	1,352	955,512	4,411
Participant withdrawals	(496,660)	-	(960,455)	-
Expenses	(59,031)	-	(48,560)	-
Ending balance	<u>\$ 13,822,546</u>	<u>\$ 24,543</u>	<u>\$ 13,886,615</u>	<u>\$ 23,191</u>

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.

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, 2016 and 2015

---

**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, 2016 and 2015 have asset balances of \$192,895 and \$219,108, 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 \$126,628 and \$131,811 at June 30, 2016 and 2015, respectively. Payments from these funds to beneficiaries were \$24,598 and \$24,776 during the years ended June 30, 2016 and 2015, 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, 2016 and 2015, there was a zero balance in this reserve.

In addition to the above life income funds, the Foundation was named the recipient of an externally managed trust in 2016 which represents irrevocable life income funds with a market value totaling \$804,000 and life income funds payable of \$667,778 as of June 30, 2016. The Foundation is not serving as trustee for these funds. These life income funds have been reflected in the accompanying financial statements at their fair value. Estimated future distributions to the beneficiaries have been reflected in the accompanying financial statements and were computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries.

**Note 6. Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	2016	2015
Receivable in less than one year	\$ 418,201	\$ 401,524
Receivable in one to five years	345,049	701,367
Receivable in greater than five years	-	129,215
Total pledges receivable, gross	<u>763,250</u>	<u>1,232,106</u>
Less allowance for uncollectible pledges	(39,000)	(62,000)
Less unamortized discount (discount rates of 0.55% to 1.17%)	(11,849)	(42,984)
Pledges receivable, net	<u>\$ 712,401</u>	<u>\$ 1,127,122</u>

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.

Four donors represented approximately \$432,000 and \$699,000 of the total undiscounted pledges receivable at June 30, 2016 and 2015, respectively.

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

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

Donated services and facilities in the amounts of \$41,000 and \$24,000 for the years ended June 30, 2016 and 2015, respectively, 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 \$241,000 and \$246,000 for the years ended June 30, 2016 and 2015, respectively, have been reflected in the accompanying financial statements.

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes:

	2016	2015
Scholarships	\$ 534,248	\$ 491,999
Fellowships	1,187,616	1,155,215
Professorships	27,079	22,307
Research support	116,105	120,695
Bob Simpson Visiting Scholars and Research - Land	1,473,000	1,473,000
Building fund/facility support	748,885	748,885
Pledges receivable, net	508,353	935,474
Endowment cumulative balance	4,984,318	5,362,691
Other	690,883	606,750
	<u>\$ 10,270,487</u>	<u>\$ 10,917,016</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, 2016 and 2015 are restricted to:

	2016	2015
Scholarships	\$ 6,238,765	\$ 6,121,014
Fellowships	2,823,596	2,885,193
Professorships	448,701	474,279
Research support	293,371	390,608
Pledges receivable, net	204,048	191,648
Amounts reported as unrestricted or temporarily restricted net assets	(5,497,226)	(5,951,936)
Other	4,620,540	4,309,972
	<u>\$ 9,131,795</u>	<u>\$ 8,420,778</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, 2016 and 2015

**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:

	2016	2015
Scholarships	\$ 180,875	\$ 171,459
Fellowships	259,014	328,154
Professorships	9,367	51,624
Research support	106,935	63,860
Other	355,998	375,377
	<u>\$ 912,189</u>	<u>\$ 990,474</u>

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, 2016 and 2015, net endowment transfers were \$174,887 and \$239,486, respectively.

**Note 12. Prior Year Reclassifications and Restatement**

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation with no effect on previously reported total net assets.

During the year ended June 30, 2016, the Foundation identified a June 30, 2015 liability associated with assets received by the Foundation on behalf of other organizations. As generally accepted account principles require liabilities to be recognized in the year that they are incurred, the Foundation restated its 2015 financial statements to include this liability.

The cumulative adjustments to the previously issued statement of financial position at June 30, 2015 were as follows:

	As Previously Reported	Restatement Adjustments	As Restated
Due to others	\$ -	\$ 42,500	\$ 42,500
Temporarily restricted net assets	\$ 10,959,516	\$ (42,500)	\$ 10,917,016

North Carolina State University College of Sciences Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2016 and 2015

---

**Note 12. Prior Year Reclassifications and Restatement (continued)**

The cumulative adjustments to the previously issued statement of activities for the year ended June 30, 2015 were as follows:

	As Previously Reported	Restatement Adjustments	As Restated
Donated property and land	\$ 170,000	\$ (42,500)	\$ 127,500
Temporarily restricted net assets - End of year	\$ 10,959,516	\$ (42,500)	\$ 10,917,016

**Note 13. Subsequent Events**

The Foundation has evaluated subsequent events through October 21, 2016, the date which the financial statements were available to be issued, and there were none to report.

North Carolina State University College of Sciences Foundation, Inc.

General Fund Budget vs. Actual - Unaudited  
Year Ended June 30, 2016

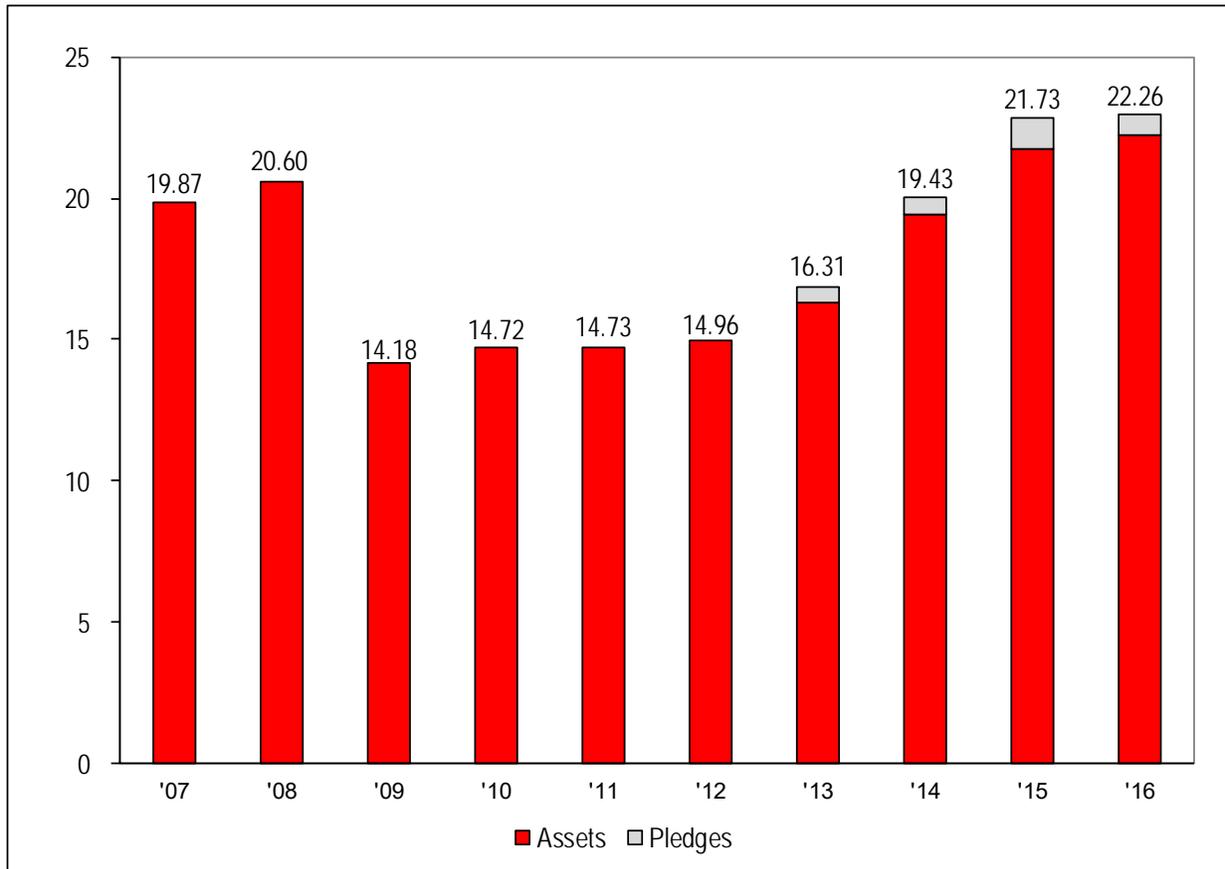
	Approved Budget	Actual	Variance Over/(Under)
<b>Income</b>			
Annual Fund	\$ 120,000	\$ 116,451	\$ (3,549)
Contributions	165,000	242,885	77,885
Endowment assessments	47,970	47,970	-
Interest income	47,000	44,796	(2,204)
<b>Total Income</b>	<b>379,970</b>	<b>452,102</b>	<b>72,132</b>
<b>Support</b>			
Program support	105,200	106,979	1,779
Foundation administration and development support	315,750	299,405	(16,345)
<b>Total Support</b>	<b>420,950</b>	<b>406,384</b>	<b>(14,566)</b>
<b>Income (Less) Greater than Support</b>	<b>(40,980)</b>	<b>45,718</b>	<b>86,698</b>
<b>General Fund Balance:</b>			
Beginning of year	1,164,762	1,164,762	-
End of year	<b>\$ 1,123,782</b>	<b>\$ 1,210,480</b>	<b>\$ 86,698</b>

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

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

### TOTAL ASSETS

(Dollars in Millions)



Not reflected above for FY '16 are gifts-in-kind of \$7,855,422 which benefit the College of Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

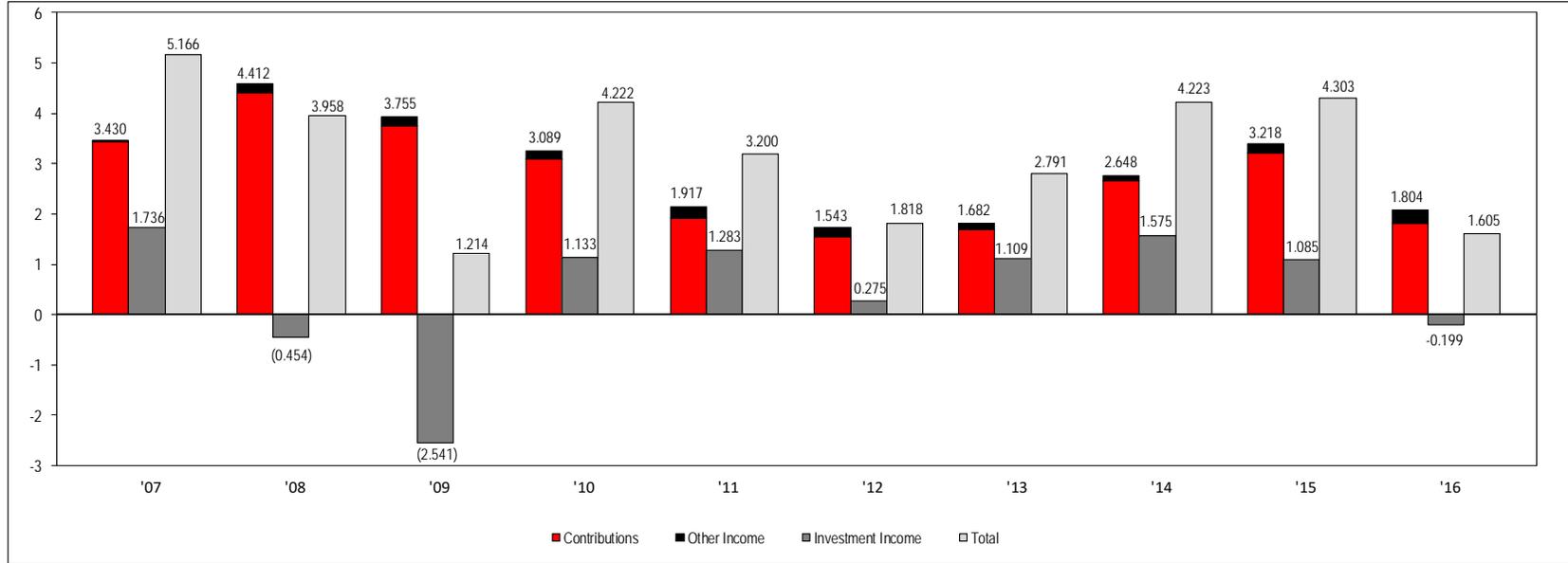
\*Fiscal years 2013 - 2016 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

North Carolina State University College of Sciences Foundation, Inc.

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

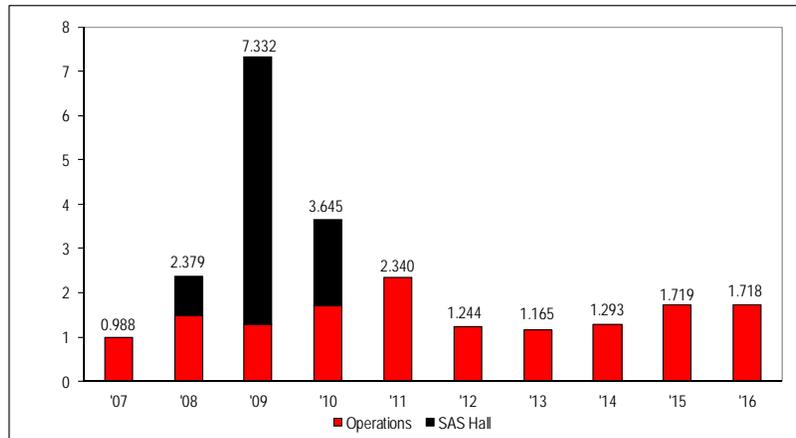
Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)



\*Fiscal years 2013 - 2016 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.