

NORTH CAROLINA STATE UNIVERSITY  
COLLEGE OF SCIENCES FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2019 and 2018

North Carolina State University College of Sciences Foundation, Inc.  
Financial Report  
For the Years Ended June 30, 2019 and 2018

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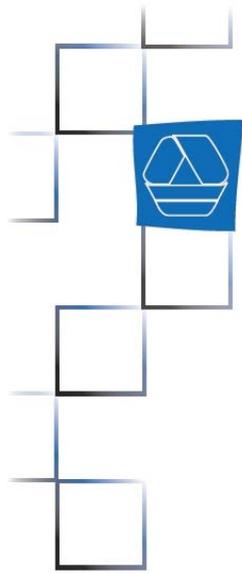
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Williams Overman Pierce, LLP  
Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

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

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, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina State University College of Sciences Foundation, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Disclaimer of Opinion on Supplementary Information***

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

### ***Prior Year Financial Statements***

The 2018 financial statements of the Foundation were audited by other auditors, whose report dated October 5, 2018 expressed an unmodified opinion on those statements.

*Williams Overman Pierce, LLP*

Raleigh, North Carolina  
October 11, 2019

North Carolina State University College of Sciences Foundation, Inc.

Statements of Financial Position  
June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 3,041,594	\$ 3,212,936
Intermediate investments (Note 1)	2,437,123	2,397,731
Long-term investments (Notes 1 and 3)	21,961,036	19,841,844
Pledges receivable, net (Notes 1 and 7)	436,251	524,135
Copyright, net of accumulated amortization of \$828,099 and \$676,281 as of June 30, 2019 and 2018, respectively (Note 1)	-	151,818
Other assets (Note 1)	27,621	26,514
<b>Total Assets</b>	<b>\$ 27,903,625</b>	<b>\$ 26,154,978</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - North Carolina State University (Note 1)	\$ 12,662	\$ 6,190
Life income funds payable (Note 6)	768,584	791,028
<b>Total Liabilities</b>	<b>781,246</b>	<b>797,218</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	1,956,216	1,967,031
Board-designated - endowments (Note 2)	231,666	187,889
With donor restrictions:		
Perpetual in nature (Note 9)	12,725,175	11,372,913
Purpose restricted (Note 9)	12,209,322	11,829,927
<b>Total Net Assets</b>	<b>27,122,379</b>	<b>25,357,760</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 27,903,625</b>	<b>\$ 26,154,978</b>

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income:</b>			
Contributions (Note 1)	\$ 409,219	\$ 1,285,920	\$ 1,695,139
Change in pledges receivable, net (Note 7)	-	(87,884)	(87,884)
Donated services, salaries, and facilities (Note 8)	268,000	-	268,000
Net investment income	154,920	1,306,918	1,461,838
Interest and dividends	119,545	23,191	142,736
Change in value of split interest agreements	-	(23,485)	(23,485)
Royalties	-	307,558	307,558
Other income	-	60,427	60,427
Net assets released from restrictions (Note 10)	1,196,307	(1,196,307)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>2,147,991</b>	<b>1,676,338</b>	<b>3,824,329</b>
<b>Grants to Support the University Program:</b>			
Scholarships and fellowships	634,755	-	634,755
Faculty support & professorships	207,133	-	207,133
Departmental support	510,417	-	510,417
<b>Total Program Support</b>	<b>1,352,305</b>	<b>-</b>	<b>1,352,305</b>
Administrative	82,520	-	82,520
Fundraising	624,885	-	624,885
<b>Total Other Support</b>	<b>707,405</b>	<b>-</b>	<b>707,405</b>
<b>Total Support (Note 11)</b>	<b>2,059,710</b>	<b>-</b>	<b>2,059,710</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>88,281</b>	<b>1,676,338</b>	<b>1,764,619</b>
<b>Net Transfers</b>			
Among funds	(55,319)	55,319	-
<b>Total Net Transfers</b>	<b>(55,319)</b>	<b>55,319</b>	<b>-</b>
<b>Change in net assets</b>	<b>32,962</b>	<b>1,731,657</b>	<b>1,764,619</b>
<b>Net Assets</b>			
Beginning of year	2,154,920	23,202,840	25,357,760
End of year	\$ 2,187,882	\$ 24,934,497	\$ 27,122,379

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income:</b>			
Contributions (Note 1)	\$ 359,242	\$ 2,593,731	\$ 2,952,973
Change in pledges receivable, net (Note 7)	-	200,564	200,564
Donated services, salaries, and facilities (Note 8)	233,000	-	233,000
Return of donated property and land	-	(1,473,000)	(1,473,000)
Net investment income	156,283	1,797,393	1,953,676
Interest and dividends	78,137	23,163	101,300
Change in value of split interest agreements	-	(68,828)	(68,828)
Royalties	-	272,428	272,428
Other income	-	13,221	13,221
Net assets released from restrictions (Note 10)	1,291,655	(1,291,655)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>2,118,317</b>	<b>2,067,017</b>	<b>4,185,334</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	410,710	-	410,710
Faculty support & professorships	219,998	-	219,998
Departmental support	730,030	-	730,030
<b>Total Program Support</b>	<b>1,360,738</b>	<b>-</b>	<b>1,360,738</b>
Administrative	76,449	-	76,449
Fundraising	646,095	-	646,095
<b>Total Other Support</b>	<b>722,544</b>	<b>-</b>	<b>722,544</b>
<b>Total Support (Note 11)</b>	<b>2,083,282</b>	<b>-</b>	<b>2,083,282</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>35,035</b>	<b>2,067,017</b>	<b>2,102,052</b>
<b>Net Transfers</b>			
From other University-associated entities	-	48,531	48,531
Among funds	(27,673)	27,673	-
<b>Total Net Transfers</b>	<b>(27,673)</b>	<b>76,204</b>	<b>48,531</b>
<b>Change in net assets</b>	<b>7,362</b>	<b>2,143,221</b>	<b>2,150,583</b>
<b>Net Assets</b>			
Beginning of year	2,147,558	21,059,619	23,207,177
End of year	\$ 2,154,920	\$ 23,202,840	\$ 25,357,760

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

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

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,764,619	\$ 2,150,583
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization expense	151,818	165,620
Contributions restricted for permanent endowment	(1,071,026)	(1,390,497)
Return of donated property and land	-	1,473,000
Net investment income	(1,461,838)	(1,953,676)
Investment income restricted for split interest agreements	(13,751)	(10,396)
Change in value of split interest agreements	23,485	68,828
(Increase) decrease in:		
Pledges receivable, net	87,884	(200,564)
Accounts receivable	-	6,244
Other assets	(1,107)	(794)
Increase (decrease) in:		
Accounts payable - North Carolina State University	6,472	(32,523)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(513,444)</b>	<b>275,825</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	1,157,794	925,858
Purchases of investments	(1,854,540)	(1,636,411)
<b>Net Cash Used in Investing Activities</b>	<b>(696,746)</b>	<b>(710,553)</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	1,071,026	1,390,497
Investment income restricted for split interest agreements	13,751	10,396
Payments on life income fund obligations	(45,929)	(46,687)
<b>Net Cash Provided by Financing Activities</b>	<b>1,038,848</b>	<b>1,354,206</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(171,342)</b>	<b>919,478</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	3,212,936	2,293,458
End of year	<u>\$ 3,041,594</u>	<u>\$ 3,212,936</u>
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated services, salaries, and facilities	<u>\$ 268,000</u>	<u>\$ 233,000</u>

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

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

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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 provide 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:

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

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

Intermediate investments: Intermediate investments consist of the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF") and an account with the common/fund 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 \$2,437,123 and \$2,397,731 as of June 30, 2019 and 2018, respectively. The cost of these investments was \$2,681,681 and \$2,685,037 as of June 30, 2019 and 2018, respectively.

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

Pledges receivable: Unconditional pledges receivable are recognized as support and assets in the period received. Conditional pledges are recognized when the conditions on which they depend are substantially met.

North Carolina State University College of Sciences Foundation, Inc.

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

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

Software license: A donated software license is recorded net of accumulated amortization totaling \$536,352 as of June 30, 2019 and 2018. As of June 30, 2019 and 2018, the software license was fully amortized.

Copyright: A donated copyright is recorded net of accumulated amortization of \$828,099 and \$676,281 as of June 30, 2019 and 2018, 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 \$27,621 and \$26,514 at June 30, 2019 and 2018, 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.

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

The University has a gift assessment program that supports Central Development and college-level fund-raising efforts. For years ended June 30, 2019 and 2018, a one-time fee of 7% is assessed on gifts that support current operations and facilities, with 4% designated for Central Development and 3% designated to the fundraising entity receiving the gift.

Investment income: Investment income is allocated on the basis of average fund balances for net assets with and without donor restrictions. For endowments, investment income is allocated on the “unit value” method of valuing interest in an investment portfolio and the investment earnings are recorded as with or without donor restrictions, as appropriate. Earnings from investments are net of investment fees of approximately \$93,000 and \$86,000 for the years ended June 30, 2019 and 2018, respectively. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

As part of the University's gift assessment program, an annual fee is assessed on the average twenty-quarter market value of assets held in the endowment investment portfolio. For years ended June 30, 2019 and 2018, the annual fee was of 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts.

Royalties: Royalties are generated by the software license and copyright owned by the Foundation.

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.

North Carolina State University College of Sciences Foundation, Inc.

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

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

Income taxes and uncertain tax positions: The 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 2019 and 2018. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

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

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

	<b>ASU 2016-14 Classifications</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Net Assets, as previously presented:			
Unrestricted:			
Undesignated	\$ 1,967,031	\$ -	\$ 1,967,031
Undesignated - underwater endowments	(851)	-	(851)
Board-designated endowments	187,889	-	187,889
Temporarily restricted	-	11,830,778	11,830,778
Permanently restricted	-	11,372,913	11,372,913
Total Net Assets	2,154,069	23,203,691	25,357,760
Reclassifications to implement ASU 2016-14:			
Underwater endowments	851	(851)	-
Net Assets, as reclassified	<u>\$ 2,154,920</u>	<u>\$ 23,202,840</u>	<u>\$ 25,357,760</u>

**Note 2. Endowment**

The Foundation's endowment consists of approximately 160 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, 2019 and 2018**

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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. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets perpetual in nature (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment funds that is not classified as net assets perpetual in nature is classified as purpose 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 (underwater endowments). These deficiencies generally result from unfavorable market fluctuations which produce unrealized losses to the fund or spending of corpus in accordance to the gift agreement. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. Deficiencies of this nature are reported in net assets with donor restrictions and were (\$3,473) and (\$851) as of June 30, 2019 and 2018, 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, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation’s policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the 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 endowments. Spending budgets were calculated at \$561,545 and \$637,625 for fiscal years 2019 and 2020, respectively.

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

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 859,060	\$ 18,460,216	\$ 19,319,276
Total investment return	156,509	1,284,668	1,441,177
Contributions, including change in accrued pledges, royalties and other income	-	1,335,715	1,335,715
Appropriations of endowment assets for expenditure	(84,655)	(746,905)	(831,560)
Change in value of split interest agreements	-	(23,485)	(23,485)
Other changes:			
Transfers	-	148,832	148,832
Endowment net assets, end of year	\$ 930,914	\$ 20,459,041	\$ 21,389,955

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 231,666	\$ -	\$ 231,666
Donor-designated endowment funds			
Corpus	-	12,725,175	12,725,175
Appreciation	699,248	7,737,339	8,436,587
Underwater endowments	-	(3,473)	(3,473)
Total funds	\$ 930,914	\$ 20,459,041	\$ 21,389,955

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 705,203	\$ 15,863,359	\$ 16,568,562
Total investment return	234,243	1,837,161	2,071,404
Contributions, including change in accrued pledges, royalties and other income	-	1,456,596	1,456,596
Appropriations of endowment assets for expenditure	(80,386)	(684,765)	(765,151)
Change in value of split interest agreements	-	(68,828)	(68,828)
Other changes:			
Transfers	-	56,693	56,693
Endowment net assets, end of year	\$ 859,060	\$ 18,460,216	\$ 19,319,276

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 187,889	\$ -	\$ 187,889
Donor-designated endowment funds			
Corpus	-	11,372,913	11,372,913
Appreciation	671,171	7,088,154	7,759,325
Underwater endowments	-	(851)	(851)
Total funds	\$ 859,060	\$ 18,460,216	\$ 19,319,276

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 consisted of the following at June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 4,722	\$ 4,722	\$ 2,457	\$ 2,457
NC State Investment Fund, Inc. Long-Term Investment Pool (LT IP)	13,086,248	21,067,045	12,104,361	18,943,472
Life Income Funds	845,778	889,269	833,854	895,915
	<u>\$ 13,936,748</u>	<u>\$ 21,961,036</u>	<u>\$ 12,940,672</u>	<u>\$ 19,841,844</u>

Note 4. Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 820, provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

North Carolina State University College of Sciences Foundation, Inc.

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

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

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

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

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

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

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

	2019			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 4,722	\$ -	\$ -	\$ 4,722
commonfund Intermediate Term Fund	-	2,049,131	-	2,049,131
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	387,992	-	387,992
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	21,067,045	21,067,045
Life Income Funds	-	889,269	-	889,269
Beneficial Interest in Life Insurance Policies	-	-	27,621	27,621
	<b>\$ 4,722</b>	<b>\$ 3,326,392</b>	<b>\$ 21,094,666</b>	<b>\$ 24,425,780</b>

	2018			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 2,457	\$ -	\$ -	\$ 2,457
commonfund Intermediate Term Fund	-	2,017,709	-	2,017,709
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	380,022	-	380,022
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	18,943,472	18,943,472
Life Income Funds	-	895,915	-	895,915
Beneficial Interest in Life Insurance Policies	-	-	26,514	26,514
	<b>\$ 2,457</b>	<b>\$ 3,293,646</b>	<b>\$ 18,969,986</b>	<b>\$ 22,266,089</b>

North Carolina State University College of Sciences Foundation, Inc.

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

**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 at June 30:

	2019		2018	
	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 18,943,472	\$ 26,514	\$ 16,121,326	\$ 25,720
Participant additions	1,675,000	-	1,623,206	-
Investment income	8,825	-	8,434	-
Realized gains	342,280	-	225,284	-
Unrealized appreciation	1,141,686	1,107	1,812,835	794
Participant withdrawals	(954,754)	-	(765,151)	-
Expenses	(89,464)	-	(82,462)	-
Ending balance	<u>\$ 21,067,045</u>	<u>\$ 27,621</u>	<u>\$ 18,943,472</u>	<u>\$ 26,514</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 a Blackrock Liquid Policy Portfolio (the “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.

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

North Carolina State University College of Sciences Foundation, Inc.

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

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Note 5. Financial Assets and Liquidity Resources

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

The Foundation has a board-designated endowment of approximately \$231,000. Although the Foundation does not intend to spend from its board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation, amounts could be made available if necessary. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$87,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$40,000 of appropriations from board-designated endowments and \$34,000 of appropriations from donor-designated endowments will be available within 12 months.

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

Total financial assets	\$ 27,903,625
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(12,725,175)
Subject to appropriation and satisfaction of donor restrictions	(12,787,127)
Board-designated endowments	(191,666)
Accrued liabilities	(781,246)
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,418,411</u>

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

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

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**Note 6. Life Income Funds**

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements 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 and marked to market thereafter. Life income funds at June 30, 2019 and 2018 had asset balances of \$889,269 and \$895,915, 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 \$768,584 and \$791,028 at June 30, 2019 and 2018, respectively. Payments from these funds to beneficiaries were \$45,929 and \$46,687 during the years ended June 30, 2019 and 2018, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2019 and 2018, there was a zero balance in this reserve.

**Note 7. Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	<b>2019</b>		<b>2018</b>
Receivable in less than one year	<b>\$ 170,684</b>	\$	226,568
Receivable in one to five years	<b>307,704</b>		358,686
Total pledges receivable, gross	<b>478,388</b>		585,254
Less allowance for uncollectible pledges	<b>(24,000)</b>		(30,000)
Less unamortized discount (discount rates of 1.78% to 2.00%)	<b>(18,137)</b>		(31,119)
Pledges receivable, net	<b>\$ 436,251</b>	\$	524,135

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.

One donor represented \$90,000 of the total undiscounted pledges receivable at June 30, 2019. Three donors represented approximately \$228,000 of the total undiscounted pledges receivable at June 30, 2018.

**Note 8. Donated Services, Salaries, and Facilities**

Donated services and facilities in the amounts of \$42,000 and \$36,000 for the years ended June 30, 2019 and 2018, respectively, have been reflected in the financial statements for facilities and accounting services provided by the University Finance Division. In addition, donated salaries paid by the University for Foundation personnel in the amount of \$226,000 and \$197,000 for the years ended June 30, 2019 and 2018, respectively, have been reflected in the accompanying financial statements.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 9. Net Assets With Donor Restrictions

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

	2019	2018
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 1,971,236	\$ 2,239,067
Faculty support and professorships	81,814	45,615
Building fund/facility support	392,897	416,825
Pledges receivable, net	266,369	282,187
Other	1,763,140	1,758,930
	<u>4,475,456</u>	<u>4,742,624</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	27,621	26,514
Assets held under split-interest agreements, net	120,685	104,886
	<u>148,306</u>	<u>131,400</u>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	13,236,119	11,817,046
Faculty support and professorships	529,128	515,548
Wertz Chemistry Endowment	1,385,369	1,208,364
Pledges receivable, net	169,882	241,947
Other	4,990,237	4,545,911
	<u>20,310,735</u>	<u>18,328,816</u>
Total Net Assets With Donor Restrictions	<u>\$ 24,934,497</u>	<u>\$ 23,202,840</u>

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

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 during the year ended June 30:

	2019	2018
Scholarships and fellowships	\$ 612,827	\$ 386,244
Faculty support and professorships	155,134	164,541
Departmental support	336,870	713,680
Administrative and fundraising	91,476	27,190
	<u>\$ 1,196,307</u>	<u>\$ 1,291,655</u>

North Carolina State University College of Sciences Foundation, Inc.

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

**Note 11. Functional Expense**

The Foundation's primary program is to provide financial support for education and research in the College of Sciences at NC State University. Expenses by functional classification for the year ended June 30, 2019 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Management Support	Fundraising Support	
Grants	\$ 816,536	\$ -	\$ 292,951	\$ 1,109,487
Legal	-	3,428	-	3,428
Accounting	-	34,000	-	34,000
Advertising	5,888	-	302	6,190
Office Expenses	1,696	-	3,721	5,417
Travel	34,072	-	14,971	49,043
Conferences and Meetings	8,756	-	24,810	33,566
Depreciation	151,818	-	-	151,818
Insurance	1,760	-	2,096	3,856
Departmental Equipment	5,079	-	-	5,079
Equip Rental and Maintenance	7,001	-	53	7,054
Contracted Services	19,243	-	-	19,243
Miscellaneous Services and Fees	199,758	45,092	262,050	506,900
Printing and Binding	13,866	-	10,051	23,917
Dues and Subscriptions	17,604	-	-	17,604
Supplies	69,228	-	13,880	83,108
<b>Total</b>	<b>\$ 1,352,305</b>	<b>\$ 82,520</b>	<b>\$ 624,885</b>	<b>\$ 2,059,710</b>

North Carolina State University College of Sciences Foundation, Inc.

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

**Note 11. Functional Expense (continued)**

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

	Total Program Support	Supporting Activities		Total Support
		Management Support	Fundraising Support	
Grants	\$ 576,470	\$ -	\$ 325,159	\$ 901,629
Legal	12,296	9,146	-	21,442
Accounting	-	30,500	-	30,500
Advertising	19,914	-	1,022	20,936
Office Expenses	3,793	-	2,004	5,797
Occupancy	3,358	-	-	3,358
Travel	50,385	-	21,399	71,784
Conferences and Meetings	41,420	-	48,337	89,757
Depreciation	165,620	-	-	165,620
Insurance	1,845	-	2,096	3,941
Departmental Equipment	29,255	-	-	29,255
Equip Rental and Maintenance	14,341	-	371	14,712
Contracted Services	32,897	-	16	32,913
Miscellaneous Services and Fees	252,705	36,803	230,469	519,977
Printing and Binding	14,604	-	7,842	22,446
Dues and Subscriptions	35,797	-	360	36,157
Supplies	106,038	-	7,020	113,058
<b>Total</b>	<b>\$ 1,360,738</b>	<b>\$ 76,449</b>	<b>\$ 646,095</b>	<b>\$ 2,083,282</b>

**Note 12. Subsequent Events**

The Foundation has evaluated subsequent events through October 11, 2019, 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, 2019

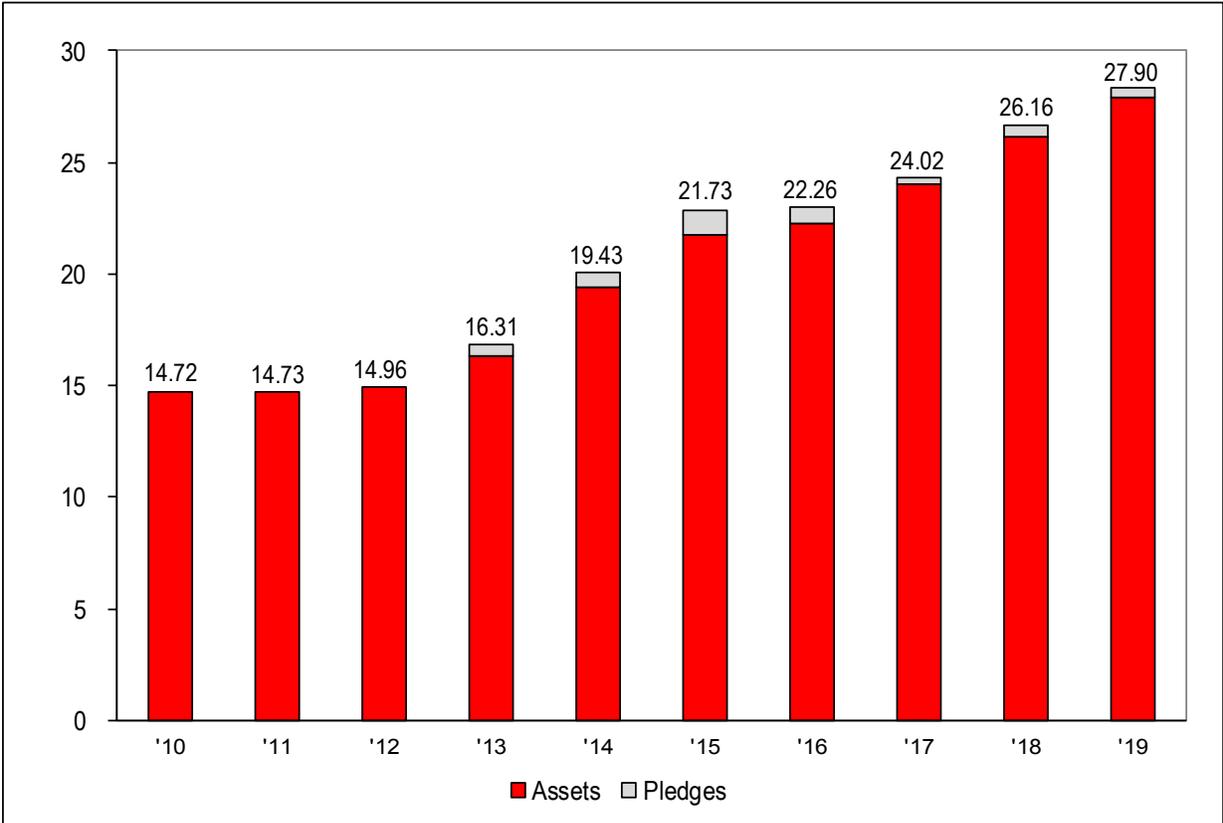
	Approved Budget	Actual	Variance Over/(Under)
<b>Income</b>			
Contributions	\$ 310,000	\$ 380,539	\$ 70,539
Endowment assessments	37,625	37,925	300
Interest income	50,000	52,421	2,421
Transfer from Essentials Building fund	148,535	23,928	(124,607)
<b>Total Income</b>	<u>546,160</u>	<u>494,813</u>	<u>(51,347)</u>
<b>Support</b>			
Program support	150,700	119,583	(31,117)
Foundation administration and development support	395,460	375,230	(20,230)
<b>Total Support</b>	<u>546,160</u>	<u>494,813</u>	<u>(51,347)</u>
<b>Income Less than Support</b>	-	-	-
<b>General Fund Balance</b>			
Beginning of year	1,318,655	1,318,655	-
End of year	<u>\$ 1,318,655</u>	<u>\$ 1,318,655</u>	<u>\$ -</u>

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 '19 are gifts-in-kind of \$2,643,833 which benefit the College of Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

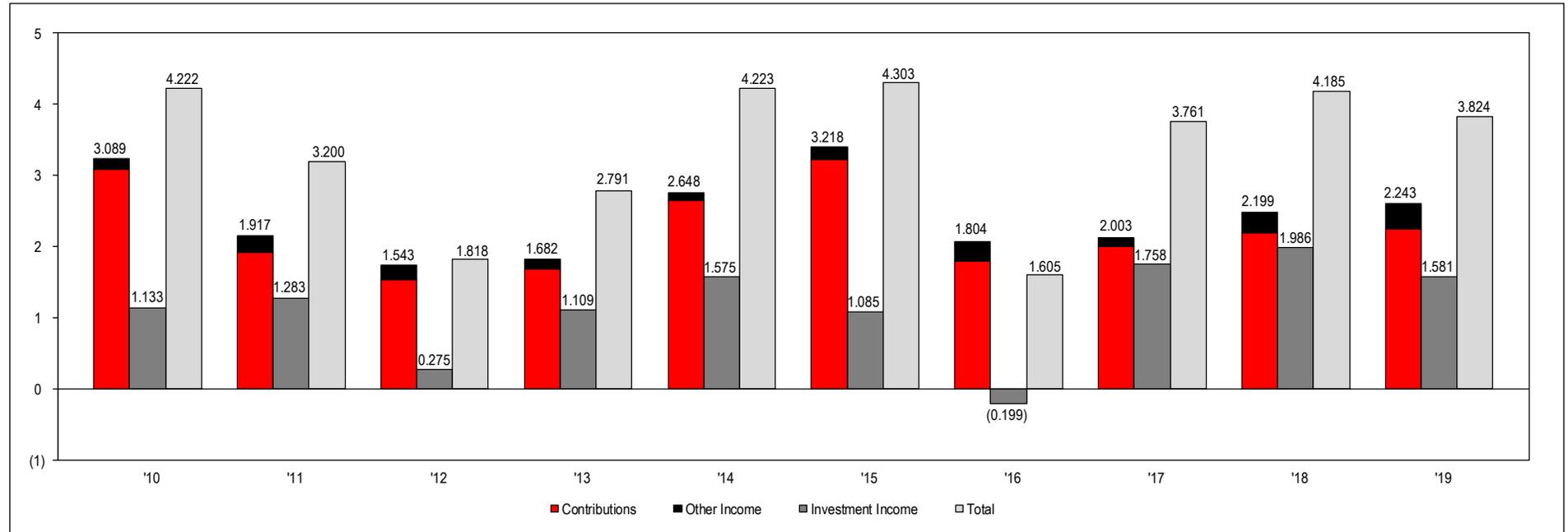
\*Fiscal years 2013 - 2019 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

North Carolina State University College of Sciences Foundation, Inc.

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

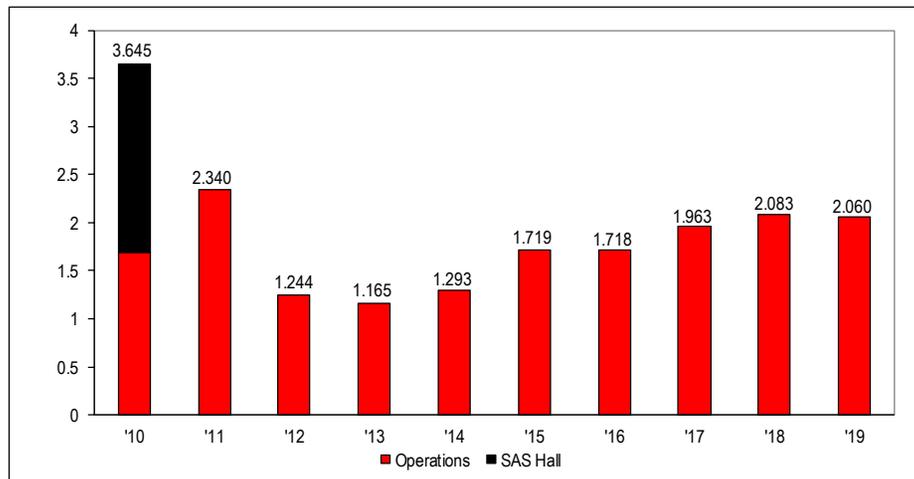
Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)



\*Fiscal years 2013 - 2019 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.