

**NC STATE NATURAL
RESOURCES FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2019 and 2018

**NC State Natural Resources Foundation, Inc.
Financial Report
For the Years Ended June 30, 2019 and 2018**

Contents

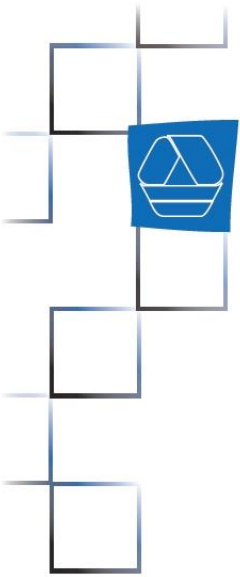
Independent Auditors' Report	1 - 2
-------------------------------------	-------

Financial Statements

Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 19

Supplementary Information

General Fund Budget vs. Actual - Unaudited	20
Details of General Fund Budget vs. Actual - Unaudited	21
Ten Year Summary of Asset Growth - Unaudited	22
Ten Year Summary of Revenues - Unaudited	23
Ten Year Summary of Support - Unaudited	24



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NC State Natural Resources Foundation, Inc.

We have audited the accompanying financial statements of NC State Natural Resources 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 NC State Natural Resources 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 24, 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 November 28, 2018 expressed an unmodified opinion on those statements.

Williams Overman Pierce, LLP

Raleigh, North Carolina
November 8, 2019

NC State Natural Resources Foundation, Inc.

**Statements of Financial Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Cash and cash equivalents (Note 1)	\$ 3,786,620	\$ 3,511,932
Intermediate investments (Note 1)	1,213,807	1,195,195
Long-term investments (Notes 1 and 3)	34,577,604	33,175,806
Pledges receivable, net (Notes 1 and 6)	362,294	325,455
Accounts receivable (Note 1)	-	92,209
Land and timber (Note 1)	764,673	764,673
Land improvements, net of accumulated depreciation of \$70,225 and \$61,963 as of June 30, 2019 and 2018, respectively (Note 1)	95,010	103,272
Equipment, net of accumulated depreciation of \$339,224 and \$323,672 as of June 30, 2019 and 2018, respectively (Note 1)	17,535	33,087
Other assets (Note 1)	180,039	153,188
Total Assets	\$ 40,997,582	\$ 39,354,817
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 16,442	\$ 31,737
Accounts payable (Note 1)	-	364
Life income funds payable (Note 7)	912,120	960,173
Total Liabilities	928,562	992,274
Net Assets		
Without Donor Restrictions:		
Undesignated	1,350,336	1,484,004
Board-designated endowments (Note 2)	4,806,159	4,913,694
With Donor Restrictions:		
Perpetual in nature (Note 10)	19,489,653	18,685,991
Purpose restricted (Note 10)	14,422,872	13,278,854
Total Net Assets	40,069,020	38,362,543
Total Liabilities and Net Assets	\$ 40,997,582	\$ 39,354,817

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 114,803	\$ 1,310,807	\$ 1,425,610
Change in pledges receivable, net (Note 6)	-	36,839	36,839
Donated salaries and facilities (Note 9)	409,000	-	409,000
Net investment income	466,139	1,841,841	2,307,980
Interest and dividends	81,563	43,437	125,000
Change in value of split interest agreements	-	(31,942)	(31,942)
Hofmann Forest operations (Note 8)	595,827	-	595,827
Other income	-	190,110	190,110
Net assets released from restrictions (Note 11)	1,662,336	(1,662,336)	-
Total Revenues, Gains, and Other Income	3,329,668	1,728,756	5,058,424
Grants to Support the University			
Program:			
Scholarships and fellowships	1,040,525	-	1,040,525
Faculty support and professorships	377,676	-	377,676
Departmental support	743,355	-	743,355
Hofmann Forest operations (Note 8)	77,592	-	77,592
Special projects	33,560	-	33,560
Total Program Support	2,272,708	-	2,272,708
Administrative	117,009	-	117,009
Fundraising	960,530	-	960,530
Total Other Support	1,077,539	-	1,077,539
Total Support (Note 12)	3,350,247	-	3,350,247
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(20,579)	1,728,756	1,708,177
Net Transfers			
To other University-associated entities	-	(1,700)	(1,700)
Among funds	(220,624)	220,624	-
Total Net Transfers	(220,624)	218,924	(1,700)
Change in Net Assets	(241,203)	1,947,680	1,706,477
Net Assets			
Beginning of year	6,397,698	31,964,845	38,362,543
End of year	\$ 6,156,495	\$ 33,912,525	\$ 40,069,020

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 82,790	\$ 2,500,495	\$ 2,583,285
Change in pledges receivable, net (Note 6)	-	(2,909)	(2,909)
Donated salaries and facilities (Note 9)	388,000	-	388,000
Net investment income	684,827	2,622,502	3,307,329
Interest and dividends	57,991	38,396	96,387
Change in value of split interest agreements	-	(94,492)	(94,492)
Gain on sale of equipment	92,209	-	92,209
Hofmann Forest operations (Note 8)	315,696	-	315,696
Other income	-	67,922	67,922
Net assets released from restrictions (Note 11)	1,687,362	(1,687,362)	-
Total Revenues, Gains, and Other Income	3,308,875	3,444,552	6,753,427
Grants to Support the University			
Program:			
Scholarships and fellowships	921,623	-	921,623
Faculty support and professorships	472,659	-	472,659
Departmental support	769,257	-	769,257
Hofmann Forest operations (Note 8)	79,272	-	79,272
Special projects	36,800	-	36,800
Total Program Support	2,279,611	-	2,279,611
Administrative	115,109	-	115,109
Fundraising	912,770	-	912,770
Total Other Support	1,027,879	-	1,027,879
Total Support (Note 12)	3,307,490	-	3,307,490
Excess of Revenues, Gains, and Other Income Over Total Support	1,385	3,444,552	3,445,937
Net Transfers			
To other University-associated entities	-	(12,955)	(12,955)
Among funds	115,333	(115,333)	-
Total Net Transfers	115,333	(128,288)	(12,955)
Change in Net Assets	116,718	3,316,264	3,432,982
Net Assets			
Beginning of year	6,280,980	28,648,581	34,929,561
End of year	\$ 6,397,698	\$ 31,964,845	\$ 38,362,543

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

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

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 1,706,477	\$ 3,432,982
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for permanent endowment	(534,163)	(1,607,886)
Net investment income	(2,307,980)	(3,307,329)
Investment income restricted for split interest agreements	(22,319)	(17,617)
Change in value of split interest agreements	31,942	94,492
Gain on sale of equipment	-	(92,209)
Depreciation	23,814	27,736
Decrease (increase) in:		
Pledges receivable, net	(36,839)	2,909
Accounts receivable	92,209	(89,212)
Other assets	(26,851)	(5,917)
Increase (decrease) in:		
Accounts payable - North Carolina State University	(15,295)	14,839
Accounts payable	(364)	(10,607)
Net Cash Used in Operating Activities	(1,089,369)	(1,557,819)
Cash Flows From Investing Activities		
Proceeds from sales of investments	1,778,555	1,900,871
Purchases of investments	(890,985)	(1,853,157)
Proceeds from sales of equipment	-	92,209
Net Cash Provided by Investing Activities	887,570	139,923
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	534,163	1,607,886
Investment income restricted for split interest agreements	22,319	17,617
Payments on life income fund obligations	(79,995)	(81,888)
Net Cash Provided by Financing Activities	476,487	1,543,615
Net Increase in Cash and Cash Equivalents	274,688	125,719
Cash and Cash Equivalents		
Beginning of year	3,511,932	3,386,213
End of year	\$ 3,786,620	\$ 3,511,932
Supplemental Disclosures of Noncash Activities		
Donated salaries and facilities	\$ 409,000	\$ 388,000

See notes to financial statements.

NC State Natural Resources Foundation, Inc.

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

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: NC State Natural Resources Foundation, Inc., (the “Foundation”) is one of a group of foundations that provides financial support exclusively to one or more of the colleges at North Carolina State University (the “University”). The Foundation was formed July 1, 2008 with the merger of The North Carolina Forestry Foundation, Inc. and the Pulp and Paper Foundation, Inc. The Foundation promotes education and research in the College of Natural Resources of North Carolina State University through tutorial services, faculty development programs, assistance in constructing needed facilities, and various other means as well as aids and promotes, by financial assistance and otherwise, all types of education, research, and extension in the College of Natural Resources.

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

Basis of accounting and presentation: The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In preparing its financial statements, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the 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 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 needs. These investments are reported at readily determinable fair values of \$1,213,807 and \$1,195,195 at June 30, 2019 and 2018, respectively. The cost of these investments was \$1,296,824 and \$1,298,769 at June 30, 2019 and 2018, respectively.

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

NC State Natural Resources 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)

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 represents amounts due from auction sales of Hofmann Forest equipment.

Land and timber: Land and timber are recorded at appraised value at the date of contribution and are to be used for research, public recreation, and education in the natural sciences. Certain land and timber contributions are restricted and cannot be sold by the Foundation.

Land improvements: Land improvements are stated at cost. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets, which is typically twenty years.

Equipment: Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets, which is typically five years.

Other assets: Other assets include beneficiary interest 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 values. Cash surrender values of these policies were \$172,914 and \$153,188 at June 30, 2019 and 2018, respectively. Other assets also include a prepayment on one of the policies and sales tax receivable.

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 and sales tax payable.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For years ended June 30, 2019 and 2018, a one-time fee of 7% was 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 \$147,000 and \$139,000 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.

NC State Natural Resources 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)

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 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts.

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

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Service Revenue ("IRS") 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 and 2018, 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 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 to net asset classes.

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, as previously presented:			
Unrestricted:			
Undesignated	\$ 1,484,004	\$ -	\$ 1,484,004
Board-designated endowments	4,913,694	-	4,913,694
Temporarily restricted	-	13,278,854	13,278,854
Permanently restricted	-	18,685,991	18,685,991
Total Net Assets	<u>\$ 6,397,698</u>	<u>\$ 31,964,845</u>	<u>\$ 38,362,543</u>

NC State Natural Resources Foundation, Inc.

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

Note 2. Endowment

The Foundation's endowment consists of approximately 245 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's 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. The Foundation has interpreted UPMIFA as requiring 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 permanent 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 either spending of corpus in accordance to the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies of this nature reported in net assets with donor restrictions for the years ended June 30, 2019 and 2018.

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% MCSI ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

Spending policy: The 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 proceeding 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 endowment. Spending budgets were calculated at \$803,570 and \$1,060,570 for fiscal years 2019 and 2020, respectively.

NC State Natural Resources Foundation, Inc.

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

Note 2. Endowment (continued)

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 or manager will have a disproportionate impact on the performance of the total fund.

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 by hiring 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	\$ 5,021,436	\$ 28,143,539	\$ 33,164,975
Total investment return	441,588	1,884,541	2,326,129
Contributions, including change in accrued pledges and other income	-	650,340	650,340
Appropriations of endowment assets for expenditure	(519,875)	(1,113,160)	(1,633,035)
Change in value of split interest agreements and charitable lead trust	-	(31,942)	(31,942)
Other changes:			
Transfers	-	253,087	253,087
Endowment net assets, end of year	<u>\$ 4,943,149</u>	<u>\$ 29,786,405</u>	<u>\$ 34,729,554</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 19,489,653	\$ 19,489,653
Appreciation	136,990	10,296,752	10,433,742
Board-designated endowment funds	4,806,159	-	4,806,159
Total funds	<u>\$ 4,943,149</u>	<u>\$ 29,786,405</u>	<u>\$ 34,729,554</u>

NC State Natural Resources Foundation, Inc.

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

Note 2. Endowment (continued)

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	\$ 5,055,353	\$ 24,856,005	\$ 29,911,358
Total investment return	698,669	2,661,692	3,360,361
Contributions, including change in accrued pledges and other income	-	1,602,289	1,602,289
Appropriations of endowment assets for expenditure	(732,586)	(986,906)	(1,719,492)
Change in value of split interest agreements	-	(94,492)	(94,492)
Other changes:			
Transfers	-	104,951	104,951
Endowment net assets, end of year	<u>\$ 5,021,436</u>	<u>\$ 28,143,539</u>	<u>\$ 33,164,975</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 18,685,991	\$ 18,685,991
Appreciation	107,742	9,457,548	9,565,290
Board-designated endowment funds	4,913,694	-	4,913,694
Total funds	<u>\$ 5,021,436</u>	<u>\$ 28,143,539</u>	<u>\$ 33,164,975</u>

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 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	\$ 9,309	\$ 9,309	\$ 30,145	\$ 30,145
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	17,794,592	33,105,873	18,207,217	31,667,319
Life Income Funds	1,395,953	1,462,422	1,378,943	1,478,342
	<u>\$ 19,199,854</u>	<u>\$ 34,577,604</u>	<u>\$ 19,616,305</u>	<u>\$ 33,175,806</u>

NC State Natural Resources Foundation, Inc.

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

Note 4. Fair Value Measurement

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

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	\$ 9,309	\$ -	\$ -	\$ 9,309
commonfund Intermediate Term Fund	-	1,213,807	-	1,213,807
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	33,105,873	33,105,873
Life Income Funds	-	1,462,422	-	1,462,422
Beneficial Interest in Life Insurance Policies	-	-	172,914	172,914
	\$ 9,309	\$ 2,676,229	\$ 33,278,787	\$ 35,964,325

	2018			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 30,145	\$ -	\$ -	\$ 30,145
commonfund Intermediate Term Fund	-	1,195,195	-	1,195,195
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	31,667,319	31,667,319
Life Income Funds	-	1,478,342	-	1,478,342
Beneficial Interest in Life Insurance Policies	-	-	153,188	153,188
	\$ 30,145	\$ 2,673,537	\$ 31,820,507	\$ 34,524,189

NC State Natural Resources Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

STIF - This investment has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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. 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 ("LPP") is valued at the closing price of the exchange-traded fund's shares. The LTIP also has an investment in the STIF, valued as described above.

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

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

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

	2019		2018	
	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 31,667,319	\$ 153,188	\$ 28,337,148	\$ 147,271
Participant additions	810,000	-	1,790,000	-
Investment income	14,267	-	13,850	-
Realized gains	541,663	-	373,404	-
Unrealized appreciation	1,851,179	19,726	3,013,181	5,917
Participant withdrawals	(1,633,035)	-	(1,723,005)	-
Expenses	(145,520)	-	(137,259)	-
Ending balance	\$ 33,105,873	\$ 172,914	\$ 31,667,319	\$ 153,188

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

NC State Natural Resources Foundation, Inc.

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

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. 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 excess cash in short-term investments and money market funds.

The Foundation has board-designated endowments of approximately \$4.8 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, 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 \$133,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$176,000 of appropriations from the board-designated endowments and \$38,000 of appropriations from unrestricted donor-designated endowments will be available within the next 12 months.

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

Total assets, less nonfinancial assets	\$	40,120,364
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions:		
Restricted by donor in perpetuity		(18,724,980)
Subject to appropriation and satisfaction of donor restrictions		(14,389,387)
Board-designated endowments		(4,629,679)
Accrued liabilities		(928,562)
		<hr/>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>1,447,756</u>

Note 6. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 133,598	\$ 123,094
Receivable in one to five years	262,715	241,917
Receivable in greater than five years	1,200	-
	<hr/>	<hr/>
Total pledges receivable, gross	397,513	365,011
Less allowance for uncollectible pledges	(20,000)	(19,000)
Less unamortized discount (discount rate of 1.78% to 2.00%)	(15,219)	(20,556)
	<hr/>	<hr/>
Pledges receivable, net	\$ 362,294	\$ 325,455

NC State Natural Resources Foundation, Inc.

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

Note 6. Pledges Receivable (continued)

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.

Two donors represented \$270,000 of the total undiscounted pledges receivable at June 30, 2019. One donor represented \$200,000 of the total undiscounted pledges receivable at June 30, 2018.

Note 7. Life Income Funds

The financial statements include assets and liabilities of unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their deaths. These life income funds are recorded at fair value at the date of gift and marked to market thereafter. Life income funds at June 30, 2019 and 2018 have asset balances of \$1,462,422 and \$1,478,342, respectively.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreement, and the life expectancy of the beneficiaries, and totaled \$912,120 and \$960,173 at June 30, 2019 and 2018, respectively. Payments from these funds were \$79,995 and \$81,888 during the years ended June 30, 2019 and 2018, respectively.

Note 8. Hofmann Forest Operations

The Foundation manages the operations of the Hofmann Forest (the "Forest") on behalf of The Endowment Fund of North Carolina State University (the "Endowment Fund") under a 1987 agreement with no terms. The operations of the Forest consist primarily of land use leases and other forest management activities. All rights, title and interest in and to timber and timber byproducts were relinquished effective June 30, 2016 upon the signing of a timber deed. Any income from Forest operations is used at the Foundation's discretion to maintain the Forest and to support programs in the College of Natural Resources. The Foundation's board periodically approves amounts of unrestricted net assets to be designated for future Forest expenditures.

Note 9. Donated Salaries and Facilities

Donated salaries and facilities provided by the University for college development personnel in the amount of \$409,000 and \$388,000 respectively, for the years ended June 30, 2019 and 2018, have been reflected in the accompanying financial statements.

NC State Natural Resources Foundation, Inc.

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

Note 10. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 1,432,061	\$ 1,341,167
Faculty support and professorships	1,041,651	1,058,101
Research support	311,628	319,877
Pledges receivable	221,937	293,951
Other	1,104,969	808,187
	<u>4,112,246</u>	<u>3,821,283</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	172,914	153,188
Assets held under split-interest agreements, net	550,302	518,169
	<u>723,216</u>	<u>671,357</u>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	21,397,091	20,200,550
Faculty support and professorships	3,922,199	3,822,179
Research support	393,863	356,827
Pledges receivable	140,357	31,504
Other	3,223,553	3,061,145
	<u>29,077,063</u>	<u>27,472,205</u>
Total Net Assets With Donor Restrictions	<u>\$ 33,912,525</u>	<u>\$ 31,964,845</u>

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

Note 11. 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 years ended June 30:

	<u>2019</u>	<u>2018</u>
Scholarships and fellowships	\$ 1,040,525	\$ 921,623
Faculty support and professorships	377,676	472,659
Departmental	112,331	178,812
Administrative and fundraising	131,804	114,268
	<u>\$ 1,662,336</u>	<u>\$ 1,687,362</u>

NC State Natural Resources Foundation, Inc.

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

Note 12. Functional Expense

The Foundation's primary program is to provide financial support to the College of Natural Resources. 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	\$ 1,466,825	\$ -	\$ 520,458	\$ 1,987,283
Legal	-	-	6,559	6,559
Accounting	-	88,000	-	88,000
Advertising	6,342	-	-	6,342
Office Expenses	8,907	-	3,226	12,133
Occupancy	7,035	-	246	7,281
Travel	138,619	-	11,541	150,160
Conferences and Meetings	53,680	-	1,829	55,509
Depreciation	23,814	-	-	23,814
Insurance	47,547	7,009	5,348	59,904
Departmental Equipment	80,343	-	508	80,851
Equip Rental and Maintenance	31,138	-	3,954	35,092
Contracted Services	11,180	-	-	11,180
Miscellaneous Services and Fees	291,684	22,000	399,216	712,900
Printing and Binding	8,465	-	43	8,508
Dues and Subscriptions	11,177	-	3,505	14,682
Supplies	85,952	-	4,097	90,049
Total	\$ 2,272,708	\$ 117,009	\$ 960,530	\$ 3,350,247

NC State Natural Resources Foundation, Inc.

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

Note 12. 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	\$ 1,539,332	\$ -	\$ 491,298	\$ 2,030,630
Legal	5,973	-	80	6,053
Accounting	-	88,000	-	88,000
Advertising	4,700	-	-	4,700
Office Expenses	10,996	-	3,912	14,908
Occupancy	8,084	-	1,170	9,254
Travel	111,699	-	11,571	123,270
Conferences and Meetings	52,508	-	4,485	56,993
Depreciation	27,736	-	-	27,736
Insurance	42,595	7,109	5,808	55,512
Departmental Equipment	62,013	-	1,473	63,486
Equip Rental and Maintenance	59,999	-	1,756	61,755
Contracted Services	7,953	-	-	7,953
Miscellaneous Services and Fees	259,951	20,000	385,204	665,155
Printing and Binding	6,849	-	-	6,849
Dues and Subscriptions	4,313	-	1,481	5,794
Supplies	74,910	-	4,532	79,442
Total	<u>\$ 2,279,611</u>	<u>\$ 115,109</u>	<u>\$ 912,770</u>	<u>\$ 3,307,490</u>

Note 13. Subsequent Events

The Foundation has evaluated events through November 8, 2019, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

NC State Natural Resources Foundation, Inc.

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

	Approved Budget	Actual	Variance Over/(Under)
Income			
Hofmann income	\$ 340,000	\$ 595,827	\$ 255,827
Investment income	45,000	48,806	3,806
CNR Enhancement Fund	90,000	106,399	16,399
Contributions	-	361	361
Endowment Spending Budget from Quasi	168,295	168,295	-
Additional withdrawal from Quasi	815,484	138,625	(676,859)
Total Income	1,458,779	1,058,313	(400,466)
Expenses			
Hofmann expenses	100,000	77,592	(22,408)
Other expenses	1,627,110	1,227,100	(400,010)
Total Expenses	1,727,110	1,304,692	(422,418)
Receipts Less Expenditures	(268,331)	(246,379)	21,952
General Fund Balance - Beginning of year			
Cash	307,859	307,859	-
CNR Endowment	4,746,739	4,746,739	-
Total Beginning General Fund Balance	5,054,598	5,054,598	-
Net change in market value on quasi endowment	-	(124,799)	(124,799)
General Fund Balance - End of year			
Cash	39,528	61,480	21,952
CNR Endowment	4,746,739	4,621,940	(124,799)
Total Ending General Fund Balance	\$ 4,786,267	\$ 4,683,420	\$ (102,847)

NC State Natural Resources Foundation, Inc.

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

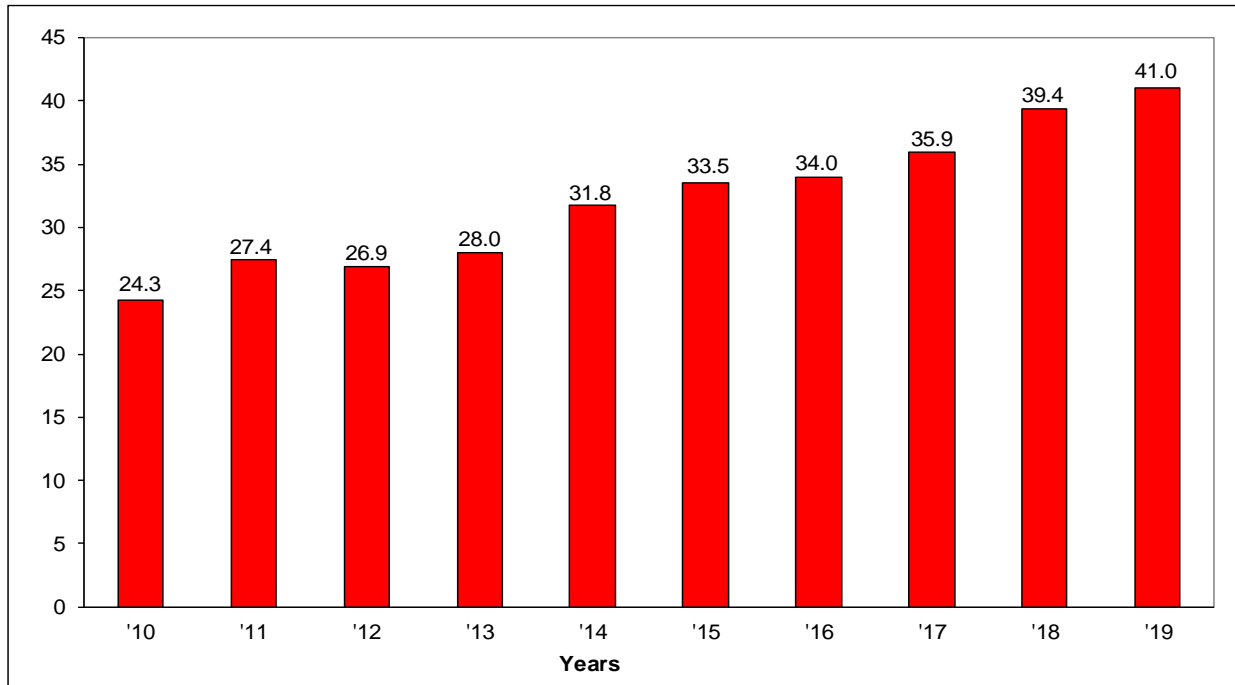
	Approved Budget	Actual	Variance (Under)/Over
Hofmann Income			
Farm receipts	\$ 140,000	\$ 63,206	\$ (76,794)
Miscellaneous receipts	50,000	18,797	(31,203)
Mitigation credit - Bachelor's Delight	150,000	513,824	363,824
Total Hofmann Income	\$ 340,000	\$ 595,827	\$ 255,827
Hofmann Expenses			
Maintenance	\$ 40,000	\$ 21,482	\$ (18,518)
On-site operating	15,000	14,056	(944)
Special projects	25,000	14,200	(10,800)
Property/general liability insurance	20,000	27,854	7,854
Total Hofmann Expenses	\$ 100,000	\$ 77,592	\$ (22,408)
Other Expenses			
Exec director - salary, benefits, operating	\$ 400,000	\$ 401,429	\$ 1,429
Natural Resources scholarships	40,000	38,560	(1,440)
College enhancement	50,000	50,000	-
Faculty startups	1,000,000	615,209	(384,791)
Registration for solicitation	2,000	6,559	4,559
Auto expense	15,000	9,517	(5,483)
Meeting expenses	20,000	10,817	(9,183)
Audit and tax preparation expenses	19,500	19,500	-
Legal	5,000	-	(5,000)
Directors and officers insurance	7,110	7,009	(101)
Treasurer's Division support	68,500	68,500	-
Total Other Expenses	\$ 1,627,110	\$ 1,227,100	\$ (400,010)

NC State Natural Resources Foundation, Inc.

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

Total Assets*

(Dollars in Millions)



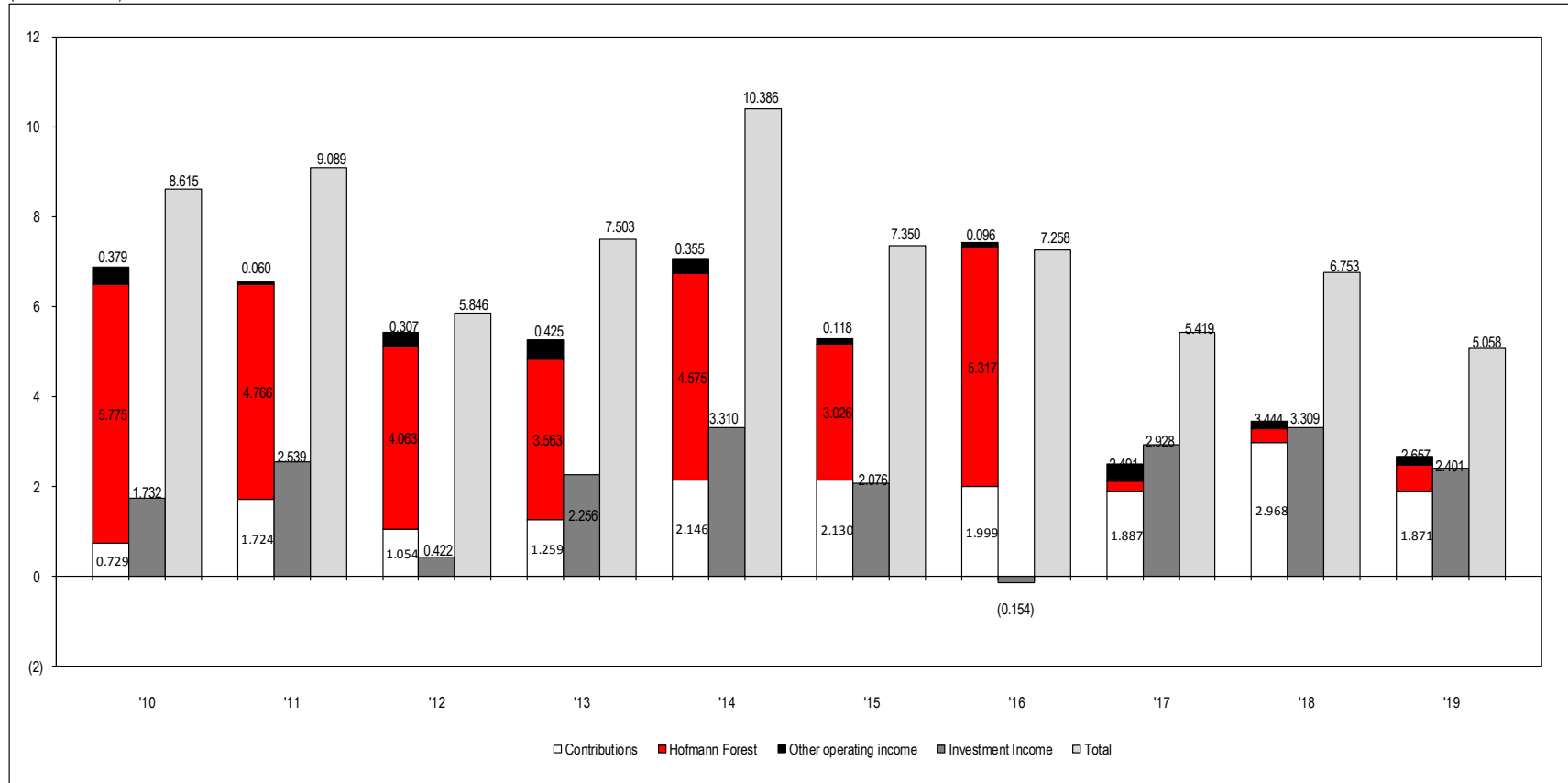
*Fiscal years 2011 - 2019 are reported using accrual basis of accounting, preceding years are reported using modified cash basis.

NC State Natural Resources Foundation, Inc.

Ten Year Summary of Revenues - Unaudited
Years Ended June 30

Total Revenues, Gains, and Other Income*

(Dollars in Millions)



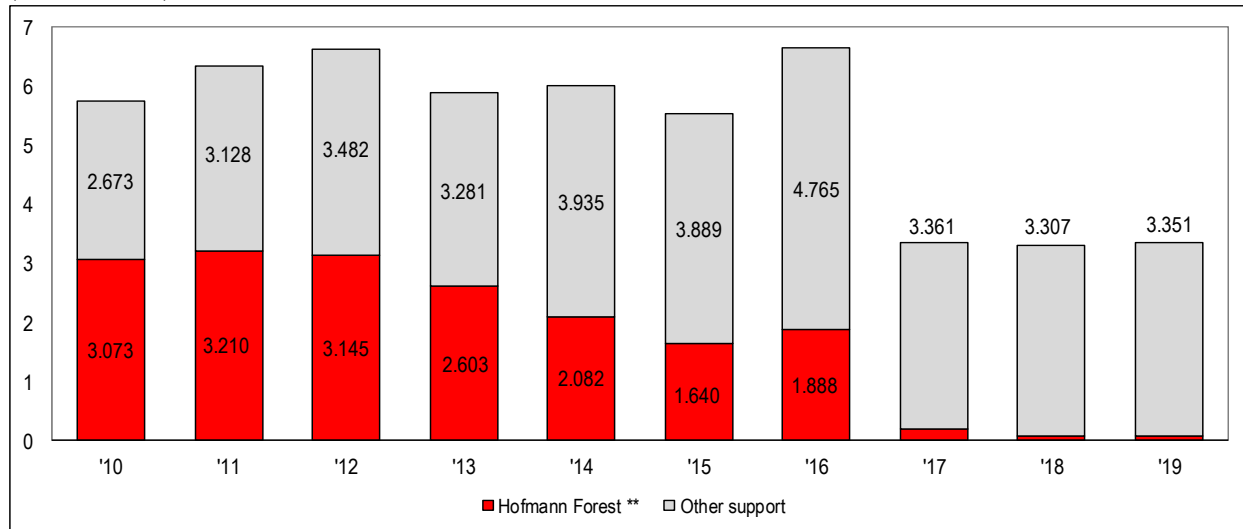
*Fiscal years 2011 - 2019 are reported using accrual basis of accounting, preceding years are reported using modified cash basis.

NC State Natural Resources Foundation, Inc.

**Ten Year Summary of Support - Unaudited
Years Ended June 30**

Total Support*

(Dollars in Millions)



*Fiscal years 2011 - 2019 are reported using accrual basis of accounting, preceding years are reported using modified cash basis.