

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

FINANCIAL REPORT

JUNE 30, 2013 and 2012

NC State Natural Resources Foundation, Inc.

**Financial Report
For the years ended June 30, 2013 and 2012**

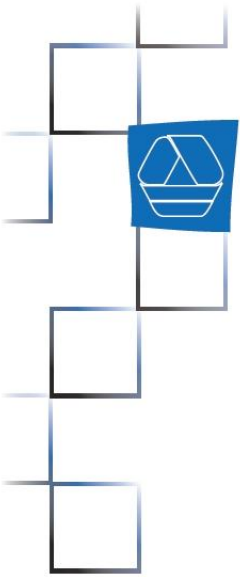
Contents

Independent Auditors' Report	1 – 2
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Financial Statements	
Statements of financial position	3
Statements of activities	4 – 5
Statements of cash flows	6
Notes to financial statements	7 – 18

Supplementary Information	
General fund budget vs. actual – unaudited	19 – 20
Details of general fund expenses budget vs. actual – unaudited	21 – 23
Ten year summary of asset growth – unaudited	24
Ten year summary of revenues and support – unaudited	25

Other Information	
Independent Auditors' Communication with the Board of Directors	26 – 28



Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of NC State Natural Resources Foundation, Inc. ("Foundation"), a nonprofit organization, as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NC State Natural Resources Foundation, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 through 25, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Overman Pierce, LLP

Raleigh, North Carolina
December 9, 2013

NC State Natural Resources Foundation, Inc.

Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents (Note 1)	\$ 3,214,335	\$ 3,849,733
Accounts receivable (Note 1)	137,775	56,851
Intermediate investments (Note 1)	1,235,009	1,219,786
Long-term investments (Notes 1 and 3)	21,952,408	20,300,801
Pledges receivable (Notes 1 and 5)	335,158	320,528
Cash surrender value of life insurance	95,979	91,522
Land and timber (Note 1)	764,673	773,411
Land improvements, net of accumulated depreciation of \$20,654 and \$12,393 at 2013 and 2012, respectively (Note 1)	144,581	152,842
Equipment, net of accumulated depreciation of \$483,890 and \$443,468 at 2013 and 2012, respectively (Note 1)	124,684	153,252
Total assets	\$ 28,004,602	\$ 26,918,726
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable - North Carolina State University (Note 1)	\$ 2,608	\$ 2,758
Accounts payable (Note 1)	17,042	-
Due to others (Note 1)	465,400	644,041
Life income funds payable (Note 6)	1,006,197	1,301,506
Total liabilities	1,491,247	1,948,305
Net Assets:		
Unrestricted:		
Undesignated (Note 1)	618,347	1,500,056
Undesignated - underwater endowments (Note 2)	-	(5,490)
Board designated - endowments (Note 2)	4,628,096	4,558,812
Temporarily restricted (Note 9)	8,214,119	6,226,402
Permanently restricted (Note 10)	13,052,793	12,690,641
Total net assets	26,513,355	24,970,421
Total liabilities and net assets	\$ 28,004,602	\$ 26,918,726

See Notes to Financial Statements.

NC State Natural Resources Foundation, Inc.

Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Income from Hofmann Forest operations	\$ 3,562,679	\$ -	\$ -	\$ 3,562,679
Contributions	41,401	952,851	225,844	1,220,096
Change in pledges receivable	-	16,113	(1,483)	14,630
Donated salaries and facilities (Note 8)	23,900	-	-	23,900
Net asset reclassification - underwater endowments (Note 2)	5,490	(5,490)	-	-
Net investment gains	550,811	1,750,142	49,398	2,350,351
Change in value of split interest agreement	-	-	(94,196)	(94,196)
Gain on disposal of donated property	8,900	-	-	8,900
Other income	4,703	407,175	4,457	416,335
Net assets released from restrictions (Note 11)	1,096,712	(1,096,712)	-	-
Total revenues, gains and other income	5,294,596	2,024,079	184,020	7,502,695
Grants to support the University:				
Program:				
Scholarships and fellowships	467,990	-	-	467,990
Faculty support and professorships	337,884	-	-	337,884
Departmental support	222,422	-	-	222,422
Other current services	246,180	-	-	246,180
Hofmann Forest operations	1,712,556	-	-	1,712,556
Hofmann Forest management	889,959	-	-	889,959
College support	1,377,435	-	-	1,377,435
Special projects	98,100	-	-	98,100
Total program support	5,352,526	-	-	5,352,526
Administrative	70,800	-	-	70,800
Fundraising	460,613	-	-	460,613
Total other support	531,413	-	-	531,413
Total support	5,883,939	-	-	5,883,939
Excess (deficit) of revenues, gains and other income over support	(589,343)	2,024,079	184,020	1,618,756
Net transfers:				
To other University-associated entities	(2,750)	(13,750)	(59,322)	(75,822)
Among funds (Note 12)	(214,842)	(22,612)	237,454	-
Total net transfers	(217,592)	(36,362)	178,132	(75,822)
Change in net assets	(806,935)	1,987,717	362,152	1,542,934
Net assets:				
Beginning	6,053,378	6,226,402	12,690,641	24,970,421
Ending	\$ 5,246,443	\$ 8,214,119	\$ 13,052,793	\$ 26,513,355

See Notes to Financial Statements.

NC State Natural Resources Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Income from Hofmann Forest operations	\$ 4,062,976	\$ -	\$ -	\$ 4,062,976
Contributions	43,886	622,836	271,983	938,705
Change in pledges receivable	-	153,371	(52,953)	100,418
Donated salaries (Note 8)	15,000	-	-	15,000
Net asset reclassification - underwater endowments (Note 2)	17,811	(17,811)	-	-
Net investment gains	239,737	(119,150)	357,136	477,723
Change in value of split interest agreement	-	-	(55,857)	(55,857)
Other income	6,377	296,329	4,270	306,976
Net assets released from restrictions (Note 11)	1,201,417	(1,201,417)	-	-
Total revenues, gains and other income	5,587,204	(265,842)	524,579	5,845,941
Grants to support the University:				
Program:				
Scholarships and fellowships	523,339	-	-	523,339
Faculty support and professorships	359,759	-	-	359,759
Departmental support	174,924	-	-	174,924
Other current services	615,659	-	-	615,659
Facility support	34,686	-	-	34,686
Hofmann Forest operations	2,265,042	-	-	2,265,042
Hofmann Forest management	879,491	-	-	879,491
College support	1,032,113	-	-	1,032,113
Special projects	283,668	-	-	283,668
Total program support	6,168,681	-	-	6,168,681
Administrative	48,800	-	-	48,800
Fundraising	409,444	-	-	409,444
Total other support	458,244	-	-	458,244
Total support	6,626,925	-	-	6,626,925
Excess (deficit) of revenues, gains and other income over support	(1,039,721)	(265,842)	524,579	(780,984)
Net transfers:				
To other University-associated entities	-	(40,390)	-	(40,390)
Among funds (Note 12)	141,607	(220,364)	78,757	-
Total net transfers	141,607	(260,754)	78,757	(40,390)
Change in net assets	(898,114)	(526,596)	603,336	(821,374)
Net assets:				
Beginning	6,951,492	6,752,998	12,087,305	25,791,795
Ending	\$ 6,053,378	\$ 6,226,402	\$ 12,690,641	\$ 24,970,421

See Notes to Financial Statements.

NC State Natural Resources Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets:	\$ 1,542,934	\$ (821,374)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net investment gains	(2,350,351)	(477,723)
Gain on disposal of donated property	(8,900)	-
Contributions restricted for permanent endowment	(225,844)	(271,983)
Investment income restricted for split interest agreements	(38,578)	(38,764)
Actuarial change in value of split interest agreements	94,196	55,857
Depreciation	76,049	100,680
(Increase) decrease in:		
Accounts receivable	(80,924)	38,006
Pledges receivable	(14,630)	(100,418)
Cash surrender value of life insurance	(4,457)	(4,531)
Land and timber	8,738	8,026
Increase (decrease) in:		
Accounts payable - North Carolina State University	(150)	299
Accounts payable	17,042	217,832
Due to others	(178,641)	200,291
Net cash used in operating activities	(1,163,516)	(1,093,802)
Cash Flows From Investing Activities:		
Decrease in mitigation trust	-	34,336
Proceeds from sales of investments	1,470,833	1,819,323
Proceeds from sales of equipment	8,900	-
Purchases of investments	(787,312)	(915,862)
Purchases of equipment	(39,220)	(57,874)
Net cash provided by investing activities	653,201	879,923
Cash Flows From Financing Activities:		
Contributions restricted for permanent endowment	225,844	271,983
Investment income restricted for split interest agreements	38,578	38,764
Payments to beneficiaries of life income funds	(104,823)	(122,583)
Transfer of life income fund liability	(284,682)	-
Net cash (used in) provided by financing activities	(125,083)	188,164
Net decrease in cash and cash equivalents	(635,398)	(25,715)
Cash and cash equivalents		
Beginning	3,849,733	3,875,448
Ending	\$ 3,214,335	\$ 3,849,733
Supplemental Disclosures of Noncash Activity:		
Donated salaries and facilities	\$ 23,900	\$ 15,000
Transfers among funds	\$ 237,454	\$ 220,364

See Notes to Financial Statements.

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements For the Years Ended June 30, 2013 and 2012

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 ("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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations

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

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

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

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

Accounts receivable: Accounts receivable represents trade receivables due to the Foundation primarily as a result of Hofmann Forest operations at June 30, 2013 and 2012.

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 cash needs. These investments are reported at readily determinable fair values of \$1,235,009 and \$1,219,786 at June 30, 2013 and 2012, respectively. The cost of these investments was \$1,306,096 as of June 30, 2013 and 2012.

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012**

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

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

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

Land and timber: Land and timber are recorded at appraised value at the date of contribution, plus capitalized expenditures, less allocated cost of timber sold, 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. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets, which is typically five years.

Contributions: Restricted contributions are segregated for income and expense reporting purposes; however, the assets are commingled. When a donor or grantor restriction expires because the stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities.

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

Investment income: Investment income is allocated on the basis of average fund balances for unrestricted and temporarily restricted net assets. For endowments, investment income is allocated on the "unit value" method of valuing interest in an investment portfolio and the investment earnings are recorded as unrestricted or temporarily restricted, as appropriate. Earnings from investments are net of investment fees of approximately \$77,000 for the years ended June 30, 2013 and 2012. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

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

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.

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012**

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

Accounts payable: Accounts payable represents trade payables due to vendors at June 30, 2013 and 2012.

Due to others: Due to others at June 30, 2013 and 2012 was \$465,400 and \$644,041, respectively, and consisted primarily of monies due to the NCSU Foundation and a payable associated with the Bachelor's Delight Mitigation Bank.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2013 and 2012. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2013, 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 2009.

Note 2. Endowment

The Foundation's endowment consists of approximately 215 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. UPMIFA defines a prudence standard for management and investment of institutional funds. As a result of the Foundation's interpretation of UPMIFA, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation's endowment spending policy.

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements For the Years Ended June 30, 2013 and 2012

Note 2. Endowment (continued)

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value. These deficiencies generally result from unfavorable market fluctuations, which produce unrealized losses to the fund. Deficiencies of this nature are reported in unrestricted net assets, and were \$0 and \$(5,490) as of June 30, 2013 and 2012, 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 NCSIF 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 preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, many endowments are not able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, up to 15% of the corpus of an endowment may be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$643,720 and \$596,145 for fiscal years 2013 and 2014, respectively.

Strategies employed for achieving investment objectives:

For the long term, the primary investment objective for the NCSIF 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 NCSIF and to meet the spending needs of the University. To meet this investment objective, the NCSIF 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.

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

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012

Note 2. Endowment (continued)

The following represents changes in endowment net assets for the fiscal year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,553,322	\$ 3,932,262	\$ 12,690,641	\$ 21,176,225
Net asset reclassification - underwater endowments	5,490	(5,490)	-	-
Endowment net assets after reclassification	4,558,812	3,926,772	12,690,641	21,176,225
Total investment return	299,774	1,665,539	49,398	2,014,711
Contributions, including change in accrued pledges	-	-	228,818	228,818
Appropriations of endowment assets for expenditure	(230,490)	(451,145)	-	(681,635)
Change in value of split interest agreements	-	-	(94,196)	(94,196)
Other changes:				
Transfers	-	-	178,132	178,132
Endowment net assets, end of year	\$ 4,628,096	\$ 5,141,166	\$ 13,052,793	\$ 22,822,055

The following represents endowment net asset composition by type of fund, as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 4,628,096	\$ -	\$ -	\$ 4,628,096
Donor restricted endowment funds	-	5,141,166	13,052,793	18,193,959
Total funds	\$ 4,628,096	\$ 5,141,166	\$ 13,052,793	\$ 22,822,055

The following represents changes in endowment net assets for the fiscal year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,432,294	\$ 5,154,326	\$ 12,087,305	\$ 21,673,925
Net asset reclassification - underwater endowments	17,811	(17,811)	-	-
Endowment net assets after reclassification	4,450,105	5,136,515	12,087,305	21,673,925
Total investment return	16,507	1,439,449	357,136	1,813,092
Contributions, including change in accrued pledges	-	-	223,300	223,300
Appropriations of endowment assets for expenditure	86,710	(2,643,702)	-	(2,556,992)
Change in value of split interest agreements	-	-	(55,857)	(55,857)
Other changes:				
Transfers	-	-	78,757	78,757
Endowment net assets, end of year	\$ 4,553,322	\$ 3,932,262	\$ 12,690,641	\$ 21,176,225

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 2. Endowment (continued)

The following represents endowment net asset composition by type of fund, as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated - underwater endowments	\$ (5,490)	\$ -	\$ -	\$ (5,490)
Board-designated endowment funds	4,558,812	-	-	4,558,812
Donor restricted endowment funds	-	3,932,262	12,690,641	16,622,903
Total funds	\$ 4,553,322	\$ 3,932,262	\$ 12,690,641	\$ 21,176,225

Note 3. Long-Term Investments

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

Long-term investments at June 30, 2013 and 2012 consisted of:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 2,285	\$ 2,285	\$ 6,066	\$ 6,066
NC State Investment Fund, Inc.	17,043,217	20,373,921	17,073,862	18,388,821
Wells Fargo - Life Income Funds	1,546,674	1,576,202	1,946,882	1,905,914
	\$ 18,592,176	\$ 21,952,408	\$ 19,026,810	\$ 20,300,801

Investments held by the NCSIF at June 30, 2013 were made up of limited partnerships, an investment with a Blackrock Liquid Policy Portfolio ("LPP"), a bundle of exchange-traded funds, and the STIF. As of June 30, 2013, approximately 88.5% of these limited partnerships were with the UNC Management Company, 6.3% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 4.7% was invested in the LPP, and 0.5% was invested in the STIF. NCSIF's net assets were valued at approximately \$484,974,000 and \$397,192,000 at June 30, 2013 and 2012, respectively. The Foundation's investment in the NCSIF represents approximately 4.2% and 4.6% of the member equity of NCSIF at June 30, 2013 and 2012, respectively.

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

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012**

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 are measured at fair value on a recurring basis.

	2013			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 2,285	\$ -	\$ -	\$ 2,285
Commonfund Intermediate Term Fund	-	1,235,009	-	1,235,009
NC State Investment Fund, Inc.	-	-	20,373,921	20,373,921
Wells Fargo - Life Income Funds	-	1,576,202	-	1,576,202
Beneficial Interest in Life Insurance Policies	-	-	95,979	95,979
	<u>\$ 2,285</u>	<u>\$ 2,811,211</u>	<u>\$ 20,469,900</u>	<u>\$ 23,283,396</u>

	2012			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 6,066	\$ -	\$ -	\$ 6,066
Commonfund Intermediate Term Fund	-	1,219,786	-	1,219,786
NC State Investment Fund, Inc.	-	-	18,388,821	18,388,821
Wells Fargo - Life Income Funds	-	1,905,914	-	1,905,914
Beneficial Interest in Life Insurance Policies	-	-	91,522	91,522
	<u>\$ 6,066</u>	<u>\$ 3,125,700</u>	<u>\$ 18,480,343</u>	<u>\$ 21,612,109</u>

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012**

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:

	2013		2012	
	NC State Investment Fund, Inc.	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc.	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 18,388,821	\$ 91,522	\$ 18,649,625	\$ 86,991
Unrealized gain on investments	2,015,744	4,457	374,576	4,531
Realized gain on investments	238,469	-	137,081	-
Purchases	480,000	-	465,000	-
Sales	(749,113)	-	(1,237,461)	-
Ending balance	<u>\$ 20,373,921</u>	<u>\$ 95,979</u>	<u>\$ 18,388,821</u>	<u>\$ 91,522</u>

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

STIF – Categorized in Level 1 of the fair value hierarchy because it 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 but calculate NAV.

NC State Investment Fund, Inc. – The NCSIF’s investment in UNCMC is valued using the net asset value per share of the fund provided by the fund manager. While categorized as a Level 3 investment, the NCSIF has full redemption privileges from UNCMC with a 60-day notice requirement. The NCSIF’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 NCSIF’s investment in LPP is valued at the closing price of the exchange-traded fund’s shares. The NCSIF also has an investment in the STIF, valued as described above.

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

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

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements For the Years Ended June 30, 2013 and 2012

Note 5. Pledges Receivable

Pledges receivable are stated at their present value, estimated by discounting the future cash flows using Federal Reserve rates of return, and are as follows:

	2013	2012
Receivable in less than one year	\$ 117,847	\$ 105,432
Receivable in one to five years	231,149	231,167
Receivable in greater than five years	8,500	5,500
Total gross pledges receivable	357,496	342,099
Less allowance for uncollectible pledges	(18,000)	(18,000)
Less unamortized discount	(4,338)	(3,571)
Net pledges receivable	\$ 335,158	\$ 320,528

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.

Note 6. 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. Life income funds at June 30, 2013 and 2012 have asset balances of \$1,576,202 and \$1,905,914, 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 \$1,006,197 and \$1,301,506 at June 30, 2013 and 2012, respectively. Payments from these funds were \$104,823 and \$122,583 during the years ended June 30, 2013 and 2012, respectively.

Note 7. Forestry Operations

The Foundation manages the Hofmann Forest (the "Forest") for The Endowment Fund of North Carolina State University under a 1987 agreement with no term. The operations of the Forest consist primarily of harvesting timber and other forest management activities and are reflected in unrestricted net assets. According to the agreement, the income from the 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 8. Donated Salaries and Facilities

Donated salaries and facilities provided by the University for college development personnel in the amount of \$23,900 and \$15,000 for the years ended June 30, 2013 and 2012, respectively, have been reflected in the financial statements.

NC State Natural Resources Foundation, Inc.

Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and June 30, 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 422,589	\$ 553,485
Fellowships	110,615	50,540
Professorships	185,052	154,113
Research support	383,098	380,505
Endowment cumulative balance	5,141,166	3,932,262
Other	1,971,599	1,155,497
	<u>\$ 8,214,119</u>	<u>\$ 6,226,402</u>

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

Note 10. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2013 and June 30, 2012 are restricted to:

	<u>2013</u>	<u>2012</u>
Investment in perpetuity, the income from which is expendable to support		
Scholarships	\$ 10,480,291	\$ 9,304,868
Fellowships	1,797,282	1,638,605
Professorships	2,760,247	2,567,505
Research	147,146	118,734
Amounts reported as unrestricted or temporarily restricted net assets	(9,769,262)	(8,485,584)
Other	7,637,089	7,546,513
	<u>\$ 13,052,793</u>	<u>\$ 12,690,641</u>

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

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012**

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:

	2013	2012
Scholarships and fellowships	\$ 434,616	\$ 162,889
Professorships	65,106	77,065
Research and related support	166,334	136,879
Other	430,656	824,584
	<u>\$ 1,096,712</u>	<u>\$ 1,201,417</u>

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

Note 12. Transfers Among Funds to Permanently Restricted

The Foundation's policy requires a minimum gift amount to establish an endowment. Contributions received toward setting up an endowment which are less than the minimum amount are initially recorded as temporarily restricted net assets, as it is understood by the donor that if the endowment minimum is not reached, the corpus can be used for the intended purpose. When the endowment reaches the minimum endowment level, due to additional contributions, the endowment is transferred to permanently restricted net assets. For the years ended June 30, 2013 and 2012 net endowment transfers among funds were \$237,454 and \$78,757, respectively.

Note 13. Prior Year Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation with no effect on previously reported net assets.

Note 14. Subsequent Events

Hofmann Forest is an approximately 78,902-acre tract of land in Onslow County and Jones County, North Carolina. The Foundation acquired Hofmann Forest in 1934. The Foundation subsequently transferred Hofmann Forest to The Endowment Fund of North Carolina State University ("Endowment Fund") by gift deed in 1977, under which the Foundation retained a reversionary interest to ensure the proceeds of any future sale of Hofmann Forest would benefit the College of Natural Resources. The Foundation also holds an interest in two Mitigation Banks on Hofmann Forest land - Hofmann Forest Wetlands Mitigation Bank and Bachelor's Delight Mitigation Bank. Further, the Foundation currently manages Hofmann Forest for the Endowment Fund under a separate management agreement (see Note 7).

On October 25, 2013 the Endowment Fund (as owner and seller) and the Foundation (to release its above described interests in Hofmann Forest) entered into an agreement for the purchase and sale of the Hofmann Forest. Closing is to occur on or before June 30, 2014, subject to the satisfaction of the contingencies set forth in the agreement.

NC State Natural Resources Foundation, Inc.

**Notes To Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 14. Subsequent Events (continued)

Once the sale is complete, the Hofmann Forest management contract with the Foundation is expected to cease. As such, operations related to the Hofmann Forest are anticipated to cease to be a part of the Foundation's activities during fiscal year 2014. Certain land improvements and equipment related to the management of Hofmann Forest operations will transfer upon closing of the anticipated sale.

The Foundation has evaluated subsequent events through December 9, 2013 the date which the financial statements were available to be issued, and there were no additional subsequent events to report.

SUPPLEMENTARY INFORMATION

NC State Natural Resources Foundation, Inc.
 General Fund Budget vs. Actual - Unaudited
 Year Ended June 30, 2013

	Approved Budget	Actual	Variance Over/(Under)
Hofmann Forest Receipts:			
Farm	\$ 100,000	\$ 178,980	\$ 78,980
Game hunting	260,000	265,395	5,395
Miscellaneous	15,000	28,249	13,249
Mitigation credit	200,000	109,355	(90,645)
Stumpage:			
Natural harvest	375,000	71,086	(303,914)
Plantation harvest	2,625,000	2,230,084	(394,916)
Thinnings	850,000	685,363	(164,637)
Total Hofmann Forest receipts	4,425,000	3,568,512	(856,488)
Hofmann Forest Expenditures	2,632,460	2,641,737	9,277
Hofmann receipts less expenditures	1,792,540	926,775	(865,765)
Other Foundation Receipts:			
Investment income	39,000	29,433	(9,567)
Annual Fund	35,000	41,401	6,401
Endowment Spending Budget from Quasi	180,350	180,350	-
Endowment assessments	25,070	25,070	-
Endowment assessments - Advancement	25,070	25,070	-
Total other foundation receipts	304,490	301,324	(3,166)
Other Foundation Expenditures:			
College of Natural Resources support	1,526,185	1,417,679	(108,506)
Foundation administration and development support	417,870	470,059	52,189
Special projects	155,000	148,100	(6,900)
	2,099,055	2,035,838	(63,217)
Receipts less expenditures	(2,025)	(807,739)	(805,714)

(Continued)

NC State Natural Resources Foundation, Inc.
 General Fund Budget vs. Actual - Unaudited (continued)
 Year Ended June 30, 2013

	Approved Budget	Actual	Variance Over/(Under)
General Fund Balance - Beginning			
Cash	1,146,819	1,146,819	-
CNR Endowment	2,245,506	2,245,506	-
Hofmann Forest Endowment	1,989,467	1,989,467	-
Total beginning general fund balance	5,381,792	5,381,792	-
Net change in market value on quasi endowments	-	345,677	345,677
General Fund Balance - Ending			
Cash	1,144,794	339,080	(805,714)
CNR Endowment	2,245,506	2,429,479	183,973
Hofmann Forest Endowment	1,989,467	2,151,171	161,704
Total ending general fund balance	\$ 5,379,767	\$ 4,919,730	\$ (460,037)

NC State Natural Resources Foundation, Inc.
 Details of General Fund Expenses Budget vs. Actual - Unaudited
 Year Ended June 30, 2013

	Approved Budget	Actual	Variance Over/(Under)
Hofmann Forest :			
Administrative:			
Supplies	\$ 15,000	\$ 7,561	\$ (7,439)
Building maintenance	25,000	30,919	5,919
Hofmann Forest administration	550,000	588,179	38,179
Legal	15,000	-	(15,000)
Property/general liability insurance	11,260	19,021	7,761
Hofmann technical liaison	90,000	92,937	2,937
Development office salary allocation	75,000	64,600	(10,400)
Hofmann General and Administration	75,000	65,543	(9,457)
Treasurer's Division support	21,200	21,200	-
Total Hofmann Forest administration	877,460	889,960	12,500
Operations:			
Boundary maintenance	5,000	4,960	(40)
Regeneration	1,000,000	1,029,536	29,536
Water management	150,000	181,682	31,682
Prescribed burning	5,000	-	(5,000)
Timber stand improvement	100,000	86,855	(13,145)
Farm maintenance	5,000	-	(5,000)
Fire protection	50,000	44,817	(5,183)
Equipment maintenance	75,000	63,825	(11,175)
Road maintenance	200,000	199,199	(801)
New roads	5,000	-	(5,000)
Wildlife management program	5,000	850	(4,150)
Contracted Forestry services	20,000	1,113	(18,887)
Hofmann environmental expense	15,000	26,387	11,387
Fuel	70,000	73,333	3,333
Equipment purchases	50,000	39,220	(10,780)
Total Hofmann Forest operations	1,755,000	1,751,777	(3,223)
Total Hofmann Forest administration and operations	2,632,460	2,641,737	9,277
Special Projects:			
Hofmann Special Projects	100,000	97,051	(2,949)
Centennial Golf Course	50,000	50,000	-
Bachelor's Delight Mitigation Bank	-	1,049	1,049
Tree improvement co-op membership	5,000	-	(5,000)
Total special projects	155,000	148,100	(6,900)

(Continued)

NC State Natural Resources Foundation, Inc.
 Details of General Fund Expenses Budget vs. Actual - Unaudited (continued)
 Year Ended June 30, 2013

	Approved Budget	Actual	Variance Over/(Under)
College of Natural Resources Program Budget			
Student tutorials	4,000	1,779	(2,221)
Student recruitment	74,255	44,302	(29,953)
Teaching and advising award	1,050	-	(1,050)
Pinetum	3,000	-	(3,000)
Communications	90,000	91,512	1,512
CNR academic affairs	93,720	62,792	(30,928)
CNR diversity	15,000	14,341	(659)
Program enhancement	128,500	89,076	(39,424)
CNR discretionary fund	2,000	2,050	50
Total College of Natural Resources program support	411,525	305,852	(105,673)
Forestry Department Budget			
Continuing education	45,000	45,000	-
Environmental support	5,000	5,000	-
Graduate student support	60,000	60,000	-
Development recruiting	25,000	25,000	-
Student activities	10,000	10,000	-
Departmental support	19,920	19,920	-
Scholarships	75,000	75,000	-
FER Hofmann graduate fellowships	130,000	130,000	-
Program enhancement	218,000	218,000	-
Fish and wildlife enhancement	20,000	20,000	-
FER discretionary fund	5,000	5,000	-
Total Forestry department support	612,920	612,920	-
Parks, Recreation & Tourism Management Budget			
Scholarships and graduate fellowships	20,000	2,230	(17,770)
PRTM Hofmann graduate fellowships	100,000	102,598	2,598
Program enhancement	88,000	90,586	2,586
Natural resources mapping	35,000	24,391	(10,609)
Program support, IPARC	30,000	27,219	(2,781)
Total Parks, Recreation & Tourism Management support	273,000	247,024	(25,976)
Wood & Paper Science Budget			
Student recruitment	25,000	46,369	21,369
Alumni scholarships	10,000	10,000	-
Program enhancement	41,740	41,780	40
WPS discretionary fund	2,000	2,000	-
WPS Hofmann graduate fellowships	150,000	151,734	1,734
Total Wood & Paper Science support	228,740	251,883	23,143
Total College of Natural Resources support	1,526,185	1,417,679	(108,506)

(Continued)

NC State Natural Resources Foundation, Inc.
 Details of General Fund Expenses Budget vs. Actual - Unaudited (continued)
 Year Ended June 30, 2013

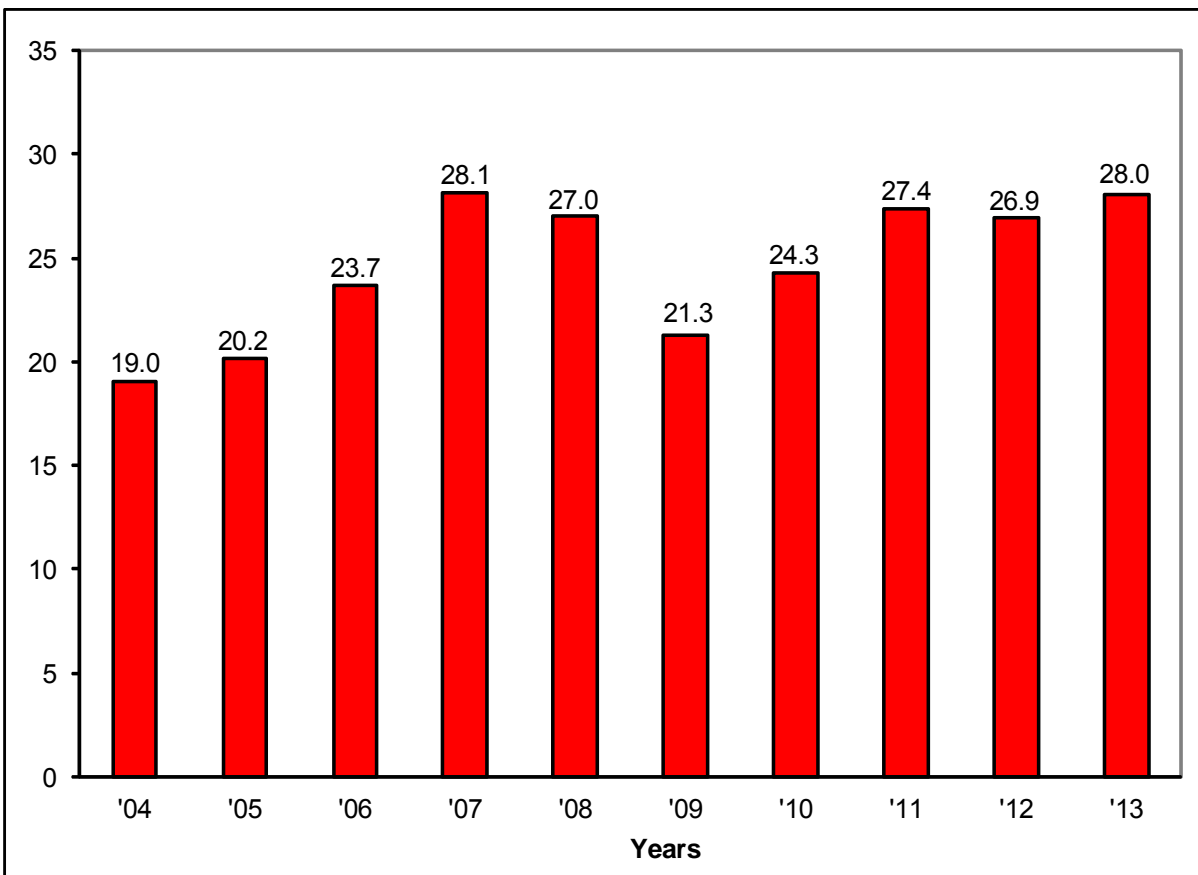
	Approved Budget	Actual	Variance Over/(Under)
Foundation Administration and Development:			
Registration for solicitation	-	6,523	6,523
Audit and tax preparation expenses	21,000	21,000	-
Legal	5,000	-	(5,000)
Meeting expenses	1,000	13,855	12,855
Office supplies, printing and enhancements	-	5,695	5,695
Telephone and postage	10,000	16,485	6,485
Salaries and benefits	235,000	238,344	3,344
Insurance	12,000	6,429	(5,571)
Car insurance	-	4,830	4,830
Travel	30,000	15,893	(14,107)
Campaign assessment fee	25,070	25,070	-
Treasurer's Division support	37,800	37,800	-
Donor/prospect relations	35,000	72,135	37,135
NCSU Real Estate Office services	6,000	6,000	-
Total Foundation administration and fund raising support	417,870	470,059	52,189
Total General Fund expenses	\$ 4,731,515	\$ 4,677,575	\$ (53,940)

NC State Natural Resources Foundation, Inc.

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

Total Assets

(Dollars in Millions)

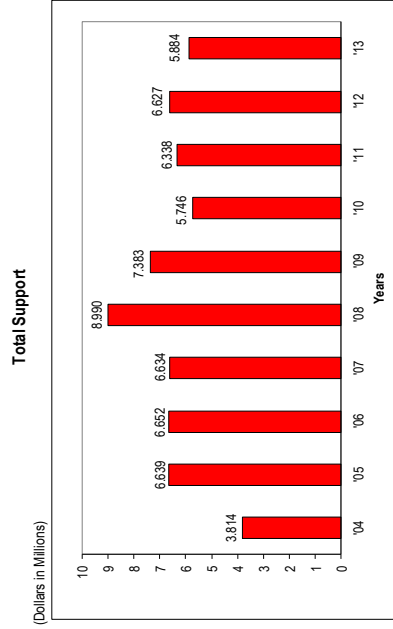
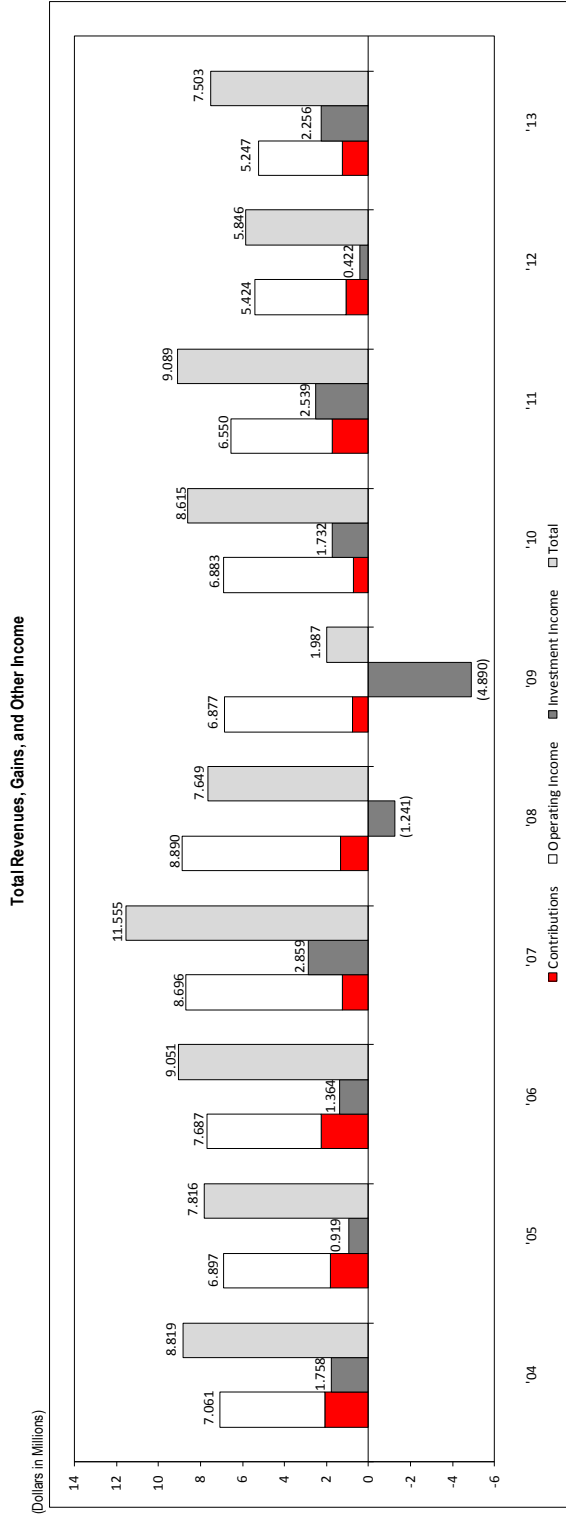


The North Carolina Forestry Foundation, Inc. and Pulp and Paper Foundation, Inc. merged on July 1, 2008 to form the NC State Natural Resources Foundation, Inc. The chart on this page and those on the next page reflect the data for the new foundation beginning with fiscal year 2009. For prior fiscal years, the numbers for each of the merged foundations have been combined.

*Fiscal years 2011 through 2013 are reported using accrual basis of accounting, preceding years are reported using modified cash basis.

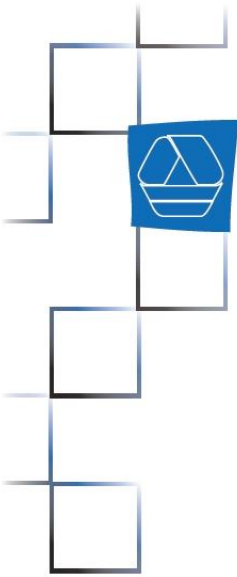
NC State Natural Resources Foundation, Inc.

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



*Fiscal years 2011 through 2013 are reported using accrual basis of accounting, preceding years are reported using modified cash basis.

OTHER INFORMATION



Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

December 9, 2013

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

We have audited the financial statements of NC State Natural Resources Foundation, Inc. ("Foundation"), a nonprofit organization, for the year ended June 30, 2013, and have issued our report thereon dated December 9, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 13, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NC State Natural Resources Foundation, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements detected as a result of audit



procedures. Management has determined that their effects are immaterial, both individually and in the aggregate, to the Foundation's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the Board of Directors and management of NC State Natural Resources Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Closing

We are happy to respond to any questions you may have concerning this communication. We appreciate the opportunity to continue to serve NC State Natural Resources Foundation, Inc.

Williams Dverman Pierce, LLP

Raleigh • Greensboro

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NC State Natural Resources Foundation, Inc.
Summary of Passed Adjustments
Year Ended June 30, 2013

	Effect of Misstatement Overstatement (Understatement)				
	<u>Assets</u>	<u>Liabilities</u>	<u>Beginning Net Assets</u>	<u>Change in Net Assets</u>	<u>Ending Net Assets</u>
Year ended June 30, 2012:					
Due to others overstatement	\$ -	\$ 58,592	\$ -	\$ (58,592)	\$ (58,592)
Cumulative financial statement adjustment at June 30, 2012	<u>\$ -</u>	<u>\$ 58,592</u>	<u>\$ -</u>	<u>\$ (58,592)</u>	<u>\$ (58,592)</u>
Year ended June 30, 2013:					
Correction of prior year audit difference	\$ -	\$ -	\$ (58,592)	\$ 58,592	\$ -
Cumulative financial statement adjustment at June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (58,592)</u>	<u>\$ 58,592</u>	<u>\$ -</u>