

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

**FINANCIAL REPORT**

**JUNE 30, 2014 and 2013**

**NC State Natural Resources Foundation, Inc.**

**Financial Report  
For the Years Ended June 30, 2014 and 2013**

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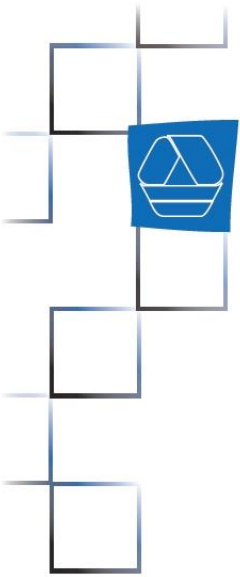
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Williams Overman Pierce, LLP  
Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
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, 2014 and 2013, 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.

Raleigh • Greensboro

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## 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, 2014 and 2013, 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 26, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
December 17, 2014

**NC State Natural Resources Foundation, Inc.**

**Statements of Financial Position  
June 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents (Note 1)	\$ 3,617,993	\$ 3,214,335
Accounts receivable (Note 1)	21,897	137,775
Intermediate investments (Note 1)	1,237,602	1,235,009
Long-term investments (Notes 1 and 3)	24,931,038	21,952,408
Pledges receivable (Notes 1 and 5)	854,611	335,158
Cash surrender value of life insurance	129,656	95,979
Land and timber (Note 1)	764,673	764,673
Land improvements, net of accumulated depreciation of \$28,916 and \$20,654 at 2014 and 2013 respectively (Note 1)	136,319	144,581
Equipment, net of accumulated depreciation of \$524,838 and \$483,890 at 2014 and 2013 respectively (Note 1)	83,736	124,684
<b>Total assets</b>	<b>\$ 31,777,525</b>	<b>\$ 28,004,602</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable - North Carolina State University (Note 1)	\$ 376	\$ 2,608
Accounts payable (Note 1)	145,375	17,042
Due to others (Note 1)	194,418	465,400
Life income funds payable (Note 6)	985,103	1,006,197
<b>Total liabilities</b>	<b>1,325,272</b>	<b>1,491,247</b>
Net Assets:		
Unrestricted:		
Undesignated	1,135,541	618,347
Board designated - endowments (Note 2)	5,234,695	4,628,096
Temporarily restricted (Note 9)	9,579,082	8,214,119
Permanently restricted (Note 10)	14,502,935	13,052,793
<b>Total net assets</b>	<b>30,452,253</b>	<b>26,513,355</b>
<b>Total liabilities and net assets</b>	<b>\$ 31,777,525</b>	<b>\$ 28,004,602</b>

See Notes to Financial Statements.

NC State Natural Resources Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Income from Hofmann Forest operations (Note 7)	\$ 4,575,145	\$ -	\$ -	\$ 4,575,145
Contributions	51,261	897,698	653,352	1,602,311
Change in pledges receivable	-	(111,257)	630,710	519,453
Donated salaries and facilities (Note 8)	23,900	-	-	23,900
Net investment gains	770,934	2,500,652	45,929	3,317,515
Interest and dividends	25,750	8,222	26,036	60,008
Change in value of split interest agreement	-	-	(66,970)	(66,970)
Other income	20,101	324,920	9,560	354,581
Net assets released from restrictions (Note 11)	1,642,205	(1,642,205)	-	-
<b>Total revenues, gains and other income</b>	<b>7,109,296</b>	<b>1,978,030</b>	<b>1,298,617</b>	<b>10,385,943</b>
Grants to support the University:				
Program:				
Scholarships and fellowships	508,853	-	-	508,853
Faculty support and professorships	564,091	-	-	564,091
Departmental support	306,051	-	-	306,051
Other current services	288,452	-	-	288,452
Hofmann Forest operations (Note 7)	1,247,130	-	-	1,247,130
Hofmann Forest management (Note 7)	835,305	-	-	835,305
College support	1,427,165	-	-	1,427,165
Special projects	314,581	-	-	314,581
<b>Total program support</b>	<b>5,491,628</b>	<b>-</b>	<b>-</b>	<b>5,491,628</b>
Administrative	72,652	-	-	72,652
Fundraising	452,639	-	-	452,639
<b>Total other support</b>	<b>525,291</b>	<b>-</b>	<b>-</b>	<b>525,291</b>
<b>Total support</b>	<b>6,016,919</b>	<b>-</b>	<b>-</b>	<b>6,016,919</b>
<b>Excess of revenues, gains and other income over support</b>	<b>1,092,377</b>	<b>1,978,030</b>	<b>1,298,617</b>	<b>4,369,024</b>
Net transfers:				
To other University-associated entities	(8,250)	(422,101)	225	(430,126)
Among funds (Note 12)	39,666	(190,966)	151,300	-
<b>Total net transfers</b>	<b>31,416</b>	<b>(613,067)</b>	<b>151,525</b>	<b>(430,126)</b>
<b>Change in net assets</b>	<b>1,123,793</b>	<b>1,364,963</b>	<b>1,450,142</b>	<b>3,938,898</b>
Net assets:				
Beginning	5,246,443	8,214,119	13,052,793	26,513,355
Ending	\$ 6,370,236	\$ 9,579,082	\$ 14,502,935	\$ 30,452,253

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
<b>Revenues, gains, and other income:</b>				
Income from Hofmann Forest operations (Note 7)	\$ 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
<b>Net asset reclassification -</b>				
underwater endowments (Note 2)	5,490	(5,490)	-	-
Net investment gains	519,303	1,743,455	10,820	2,273,578
Interest and dividends	31,508	6,687	38,578	76,773
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)	-	-
<b>Total revenues, gains and other income</b>	<b>5,294,596</b>	<b>2,024,079</b>	<b>184,020</b>	<b>7,502,695</b>
<b>Grants to support the University:</b>				
<b>Program:</b>				
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 (Note 7)	1,712,556	-	-	1,712,556
Hofmann Forest management (Note 7)	889,959	-	-	889,959
College support	1,377,435	-	-	1,377,435
Special projects	98,100	-	-	98,100
<b>Total program support</b>	<b>5,352,526</b>	<b>-</b>	<b>-</b>	<b>5,352,526</b>
Administrative	70,800	-	-	70,800
Fundraising	460,613	-	-	460,613
<b>Total other support</b>	<b>531,413</b>	<b>-</b>	<b>-</b>	<b>531,413</b>
<b>Total support</b>	<b>5,883,939</b>	<b>-</b>	<b>-</b>	<b>5,883,939</b>
<b>Excess (deficit) of revenues, gains and other income over support</b>	<b>(589,343)</b>	<b>2,024,079</b>	<b>184,020</b>	<b>1,618,756</b>
<b>Net transfers:</b>				
To other University-associated entities	(2,750)	(13,750)	(59,322)	(75,822)
Among funds (Note 12)	(214,842)	(22,612)	237,454	-
<b>Total net transfers</b>	<b>(217,592)</b>	<b>(36,362)</b>	<b>178,132</b>	<b>(75,822)</b>
<b>Change in net assets</b>	<b>(806,935)</b>	<b>1,987,717</b>	<b>362,152</b>	<b>1,542,934</b>
<b>Net assets:</b>				
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.**

**Statements of Cash Flows**

**Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Cash Flows From Operating Activities:</b>		
Change in net assets:	\$ 3,938,898	\$ 1,542,934
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net investment gains	(3,317,515)	(2,273,578)
Gain on equipment sale	-	(8,900)
Contributions restricted for permanent endowment	(653,352)	(225,844)
Investment income restricted for split interest agreements	(26,036)	(38,578)
Actuarial change in value of split interest agreements	66,970	94,196
Depreciation	49,210	76,049
(Increase) decrease in:		
Accounts receivable	115,878	(80,924)
Pledges receivable	(519,453)	(14,630)
Cash surrender value of life insurance	(33,677)	(4,457)
Land and timber	-	8,738
Increase (decrease) in:		
Accounts payable - North Carolina State University	(2,232)	(150)
Accounts payable	128,333	17,042
Due to others	(270,982)	(178,641)
<b>Net cash used in operating activities</b>	<b>(523,958)</b>	<b>(1,086,743)</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sales of investments	1,249,635	1,470,833
Proceeds from sales of equipment	-	8,900
Purchases of investments	(913,343)	(864,085)
Purchases of equipment	-	(39,220)
<b>Net cash provided by investing activities</b>	<b>336,292</b>	<b>576,428</b>
<b>Cash Flows From Financing Activities:</b>		
Contributions restricted for permanent endowment	653,352	225,844
Investment income restricted for split interest agreements	26,036	38,578
Payments to beneficiaries of life income funds	(88,064)	(104,823)
Transfer of life income fund liability	-	(284,682)
<b>Net cash provided by (used in) financing activities</b>	<b>591,324</b>	<b>(125,083)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>403,658</b>	<b>(635,398)</b>
<b>Cash and cash equivalents</b>		
Beginning	3,214,335	3,849,733
Ending	\$ 3,617,993	\$ 3,214,335
<b>Supplemental Disclosures of Noncash Activity:</b>		
Donated salaries and facilities	\$ 23,900	\$ 23,900
Transfers among funds	\$ 190,966	\$ 237,454

See Notes to Financial Statements.



**NC State Natural Resources Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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**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 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, 2014 and 2013.

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 \$1,237,602 and \$1,235,009 at June 30, 2014 and 2013, respectively. The cost of these investments was \$1,306,096 as of June 30, 2014 and 2013.

**NC State Natural Resources Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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

Long-term investments: Long-term investments are stated at fair value based on readily determinable fair values, when available. Investments for which readily determinable fair values are not available are carried at estimated fair values as provided by the respective fund managers of the investments. The Foundation, in accordance with investment policies promulgated by its Board of Directors ("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 \$82,000 and \$77,000 for the years ended June 30, 2014 and 2013, respectively. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

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

**NC State Natural Resources Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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

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 at June 30, 2014 and 2013.

Due to others: Due to others at June 30, 2014 and 2013, consists of \$194,418 and \$465,400, respectively, and consists of monies due to the NCSU Foundation, accrued payroll, and trade payables due to vendors.

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 2014 and 2013. 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, 2014, 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 2010.

**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.

**NC State Natural Resources Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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**Note 2. Endowment (continued)**

Interpretation of relevant law:

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. UPMIFA defines a prudence standard for management and investment of institutional funds. As a result of the Foundation's interpretation of UPMIFA, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's endowment spending policy.

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value. These deficiencies generally result from unfavorable market fluctuations, which produce unrealized losses to the fund. Deficiencies of this nature are reported in unrestricted net assets, and were \$0 as of June 30, 2014 and 2013.

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 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, 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 \$596,145 and \$673,100 for fiscal years 2014 and 2015, respectively.

NC State Natural Resources Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

**Note 2. Endowment (continued)**

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.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,628,096	\$ 5,141,166	\$ 13,052,793	\$ 22,822,055
Net asset reclassification - underwater endowments	-	-	-	-
Endowment net assets after reclassification	4,628,096	5,141,166	13,052,793	22,822,055
Total investment return	770,794	2,176,213	71,965	3,018,972
Contributions, including change in accrued pledges	-	-	1,293,622	1,293,622
Appropriations of endowment assets for expenditure	(164,195)	(589,925)	-	(754,120)
Change in value of split interest agreements	-	-	(66,970)	(66,970)
Other changes:				
Transfers	-	-	151,525	151,525
<b>Endowment net assets, end of year</b>	<b>\$ 5,234,695</b>	<b>\$ 6,727,454</b>	<b>\$ 14,502,935</b>	<b>\$ 26,465,084</b>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 5,234,695	\$ -	\$ -	\$ 5,234,695
Donor restricted endowment funds	-	6,727,454	14,502,935	21,230,389
<b>Total funds</b>	<b>\$ 5,234,695</b>	<b>\$ 6,727,454</b>	<b>\$ 14,502,935</b>	<b>\$ 26,465,084</b>

**NC State Natural Resources Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013**

**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	545,486	1,665,539	49,398	2,260,423
Contributions, including change in accrued pledges	-	-	228,818	228,818
Appropriations of endowment assets for expenditure	(476,202)	(451,145)	-	(927,347)
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

**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 at June 30, 2014 and 2013 consisted of:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 112,434	\$ 112,434	\$ 2,285	\$ 2,285
NC State Investment Fund, Inc.	16,852,854	23,158,902	17,043,217	20,373,921
Wells Fargo - Life Income Funds	1,530,220	1,659,702	1,546,674	1,576,202
	\$ 18,495,508	\$ 24,931,038	\$ 18,592,176	\$ 21,952,408

## NC State Natural Resources Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2014 and 2013

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#### **Note 3. Long-Term Investments (continued)**

Investments held by the NCSIF at June 30, 2014 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, 2014, approximately 87.9% of these limited partnerships were with the UNC Management Company, 5.1% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 6.8% was invested in the LPP, and 0.2% was invested in the STIF. NCSIF’s net assets were valued at approximately \$597,884,000 and \$484,974,000 at June 30, 2014 and 2013, respectively. The Foundation’s investment in the NCSIF represents approximately 3.9% and 4.2% of the member equity of NCSIF at June 30, 2014 and 2013, respectively.

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

#### **Note 4. Fair Value Measurement**

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (“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)

**NC State Natural Resources Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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

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

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 112,434	\$ -	\$ -	\$ 112,434
Commonfund Intermediate Term Fund	-	1,237,602	-	1,237,602
NC State Investment Fund, Inc.	-	-	23,158,902	23,158,902
Wells Fargo - Life Income Funds	-	1,659,702	-	1,659,702
Beneficial Interest in Life Insurance Policies	-	-	129,656	129,656
	<b>\$ 112,434</b>	<b>\$ 2,897,304</b>	<b>\$ 23,288,558</b>	<b>\$ 26,298,296</b>

	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
	<b>\$ 2,285</b>	<b>\$ 2,811,211</b>	<b>\$ 20,469,900</b>	<b>\$ 23,283,396</b>

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:

	2014		2013	
	NC State Investment Fund, Inc.	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc.	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 20,373,921	\$ 95,979	\$ 18,388,821	\$ 91,522
Unrealized gain on investments	2,975,343	6,998	2,015,744	4,457
Realized gain on investments	276,147	-	238,469	-
Purchases	740,000	26,679	480,000	-
Sales	(1,206,509)	-	(749,113)	-
Ending balance	<b>\$ 23,158,902</b>	<b>\$ 129,656</b>	<b>\$ 20,373,921</b>	<b>\$ 95,979</b>

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 but calculate NAV.



NC State Natural Resources Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

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

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.

**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:

	2014	2013
Receivable in less than one year	\$ 117,998	\$ 117,847
Receivable in one to five years	802,701	231,149
Receivable in greater than five years	2,000	8,500
Total gross pledges receivable	922,699	357,496
Less allowance for uncollectible pledges	(47,000)	(18,000)
Less unamortized discount	(21,088)	(4,338)
Net pledges receivable	<u>\$ 854,611</u>	<u>\$ 335,158</u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

## NC State Natural Resources Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2014 and 2013

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#### 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, 2014 and 2013 have asset balances of \$1,659,702 and \$1,576,202, 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 \$985,103 and \$1,006,197 at June 30, 2014 and 2013, respectively. Payments from these funds were \$88,064 and \$104,823 during the years ended June 30, 2014 and 2013, 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 for the years ended June 30, 2014 and 2013, have been reflected in the financial statements.

#### Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purposes:

	2014	2013
Scholarships	\$ 347,629	\$ 422,589
Fellowships	147,361	110,615
Professorships	223,115	185,052
Research support	519,562	383,098
Endowment cumulative balance	6,727,454	5,141,166
Other	1,613,961	1,971,599
	<u>\$ 9,579,082</u>	<u>\$ 8,214,119</u>

Temporarily 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, 2014 and 2013

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**Note 10. Permanently Restricted Net Assets**

Permanently restricted net assets at June 30, 2014 and 2013 are restricted to:

	2014	2013
Investment in perpetuity, the income from which is expendable to support		
Scholarships	\$ 12,406,541	\$ 10,480,291
Fellowships	2,005,224	1,797,282
Professorships	3,074,922	2,760,247
Research	180,986	147,146
Amounts reported as unrestricted or temporarily restricted net assets	(11,962,149)	(9,769,262)
Other	8,797,411	7,637,089
	<u>\$ 14,502,935</u>	<u>\$ 13,052,793</u>

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

**Note 11. Net Assets Released From 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:

	2014	2013
Scholarships and fellowships	\$ 417,626	\$ 434,616
Professorships	51,341	65,106
Research and related support	264,941	166,334
Other	908,297	430,656
	<u>\$ 1,642,205</u>	<u>\$ 1,096,712</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, 2014 and 2013 net endowment transfers among funds were \$151,300 and \$237,454, respectively.

**NC State Natural Resources Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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**Note 13. Prior Year Reclassifications**

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 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. The buyer was unable to finalize the financial contingencies of the contract and, as a result, the proposed sale was terminated subsequent to year end on December 4, 2014.

As of October 16, 2014, UNCMC revised their redemption policy. The policies surrounding normal spending distributions and withdrawals less than \$10 million will remain at a thirty day notice period. For withdrawals in excess of \$10 million (excluding spending distributions), a ninety day notice is expected to be required and funds may be withdrawn on a quarterly basis. The change in redemption policy is effective January 1, 2015.

The Foundation has evaluated subsequent events through December 17, 2014, 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, 2014

	Approved Budget	Actual	Variance Over/(Under)
<b>Hofmann Forest Receipts:</b>			
Farm	\$ 150,000	\$ 171,759	\$ 21,759
Game hunting	265,395	270,242	4,847
Miscellaneous	15,000	29,140	14,140
Mitigation credit- Hofmann	-	19,445	19,445
Mitigation credit- Bachelor's Delight	-	151,607	151,607
Stumpage:			
Natural harvest	250,000	265,388	15,388
Plantation harvest	3,000,000	3,174,836	174,836
Thinnings	800,000	492,728	(307,272)
<b>Total Hofmann Forest receipts</b>	<b>4,480,395</b>	<b>4,575,145</b>	<b>94,750</b>
<b>Hofmann Forest Expenditures</b>	<b>2,517,200</b>	<b>2,082,435</b>	<b>(434,765)</b>
<b>Hofmann receipts less expenditures</b>	<b>1,963,195</b>	<b>2,492,710</b>	<b>529,515</b>
<b>Other Foundation Receipts:</b>			
Investment income	26,000	21,454	(4,546)
Annual Fund	35,000	51,261	16,261
Endowment Spending Budget from Quasi	153,490	153,490	-
Endowment assessments	21,165	21,165	-
Endowment assessments - Advancement	21,165	21,165	-
<b>Total other foundation receipts</b>	<b>256,820</b>	<b>268,535</b>	<b>11,715</b>
<b>Other Foundation Expenditures:</b>			
College of Natural Resources support	1,526,185	1,418,216	(107,969)
Foundation administration and development support	450,965	467,155	16,190
Special projects	85,000	281,682	196,682
	<b>2,062,150</b>	<b>2,167,053</b>	<b>104,903</b>
<b>Receipts less expenditures</b>	<b>157,865</b>	<b>594,192</b>	<b>436,327</b>

(Continued)

NC State Natural Resources Foundation, Inc.

General Fund Budget vs. Actual - Unaudited (continued)

Year Ended June 30, 2014

	Approved Budget	Actual	Variance Over/(Under)
General Fund Balance - Beginning			
Cash	339,080	339,080	-
CNR Endowment	2,429,479	2,429,479	-
Hofmann Forest Endowment	2,151,171	2,151,171	-
<b>Total beginning general fund balance</b>	<b>4,919,730</b>	<b>4,919,730</b>	<b>-</b>
Net change in market value on quasi endowments	-	560,330	560,330
General Fund Balance - Ending			
Cash	496,945	933,272	436,327
CNR Endowment	2,429,479	2,726,665	297,186
Hofmann Forest Endowment	2,151,171	2,414,315	263,144
<b>Total ending general fund balance</b>	<b>\$ 5,077,595</b>	<b>\$ 6,074,252</b>	<b>\$ 996,657</b>

NC State Natural Resources Foundation, Inc.  
 Details of General Fund Expenses Budget vs. Actual - Unaudited  
 Year Ended June 30, 2014

	Approved Budget	Actual	Variance Over/(Under)
<b>Hofmann Forest :</b>			
Administrative:			
Supplies	\$ 15,000	\$ 10,754	\$ (4,246)
Building maintenance	25,000	31,745	6,745
Hofmann Forest administration	510,000	555,136	45,136
Legal	5,000	-	(5,000)
Property/general liability insurance	15,000	15,472	472
Hofmann technical liaison	90,000	61,636	(28,364)
Development office salary allocation	75,000	65,014	(9,986)
Hofmann General and Administration	50,000	74,185	24,185
Treasurer's Division support	21,200	21,200	-
<b>Total Hofmann Forest administration</b>	<b>806,200</b>	<b>835,142</b>	<b>28,942</b>
Operations:			
Boundary maintenance	10,000	11,806	1,806
Regeneration	1,062,500	718,549	(343,951)
Water management	150,000	159,062	9,062
Prescribed burning	2,000	-	(2,000)
Timber stand improvement	125,000	130,019	5,019
Farm maintenance	5,000	-	(5,000)
Fire protection	50,000	13,242	(36,758)
Equipment maintenance	60,000	53,619	(6,381)
Road maintenance	125,000	76,567	(48,433)
Wildlife management program	1,500	600	(900)
Contracted Forestry services	10,000	515	(9,485)
Hofmann environmental expense	10,000	5,561	(4,439)
Fuel	70,000	77,753	7,753
Equipment purchases	30,000	-	(30,000)
<b>Total Hofmann Forest operations</b>	<b>1,711,000</b>	<b>1,247,293</b>	<b>(463,707)</b>
<b>Total Hofmann Forest administration and operations</b>	<b>2,517,200</b>	<b>2,082,435</b>	<b>(434,765)</b>
<b>Special Projects:</b>			
Hofmann Special Projects	15,000	218,895	203,895
Centennial Golf Course	50,000	50,000	-
Bachelor's Delight Mitigation Bank	20,000	12,787	(7,213)
<b>Total special projects</b>	<b>85,000</b>	<b>281,682</b>	<b>196,682</b>

(Continued)



**NC State Natural Resources Foundation, Inc.**  
**Details of General Fund Expenses Budget vs. Actual - Unaudited (continued)**  
**Year Ended June 30, 2014**

	Approved Budget	Actual	Variance Over/(Under)
<b>College of Natural Resources Program Budget</b>			
Student tutorials	4,000	3,557	(443)
Student recruitment	74,255	72,765	(1,490)
Teaching and advising award	1,050	-	(1,050)
Pinetum	3,000	3,000	-
Communications	90,000	88,773	(1,227)
CNR academic affairs	93,720	79,491	(14,229)
CNR diversity	15,000	12,828	(2,172)
Program enhancement	128,500	127,739	(761)
CNR discretionary fund	2,000	75	(1,925)
<b>Total College of Natural Resources program support</b>	<b>411,525</b>	<b>388,228</b>	<b>(23,297)</b>
<b>Forestry Department Budget</b>			
Continuing education	45,000	76,719	31,719
Environmental support	5,000	5,000	-
Graduate student support	60,000	60,000	-
Development recruiting	25,000	25,000	-
Student activities	10,000	10,066	66
Departmental support	19,920	19,920	-
Scholarships	75,000	80,000	5,000
FER Hofmann graduate fellowships	130,000	125,000	(5,000)
Program enhancement	218,000	186,281	(31,719)
Fish and wildlife enhancement	20,000	20,000	-
FER discretionary fund	5,000	5,000	-
<b>Total Forestry department support</b>	<b>612,920</b>	<b>612,986</b>	<b>66</b>
<b>Parks, Recreation &amp; Tourism Management Budget</b>			
Scholarships and graduate fellowships	20,000	20,000	-
PRTM Hofmann graduate fellowships	100,000	69,094	(30,906)
Program enhancement	88,000	66,992	(21,008)
Natural resources mapping	35,000	35,000	-
Program support, IPARC	30,000	30,488	488
<b>Total Parks, Recreation &amp; Tourism Management support</b>	<b>273,000</b>	<b>221,574</b>	<b>(51,426)</b>
<b>Wood &amp; Paper Science Budget</b>			
Student recruitment	25,000	18,877	(6,123)
Alumni scholarships	10,000	9,000	(1,000)
Program enhancement	41,740	41,740	-
WPS discretionary fund	2,000	1,999	(1)
WPS Hofmann graduate fellowships	150,000	123,812	(26,188)
<b>Total Wood &amp; Paper Science support</b>	<b>228,740</b>	<b>195,428</b>	<b>(33,312)</b>
<b>Total College of Natural Resources support</b>	<b>1,526,185</b>	<b>1,418,216</b>	<b>(107,969)</b>

(Continued)

NC State Natural Resources Foundation, Inc.  
 Details of General Fund Expenses Budget vs. Actual - Unaudited (continued)  
 Year Ended June 30, 2014

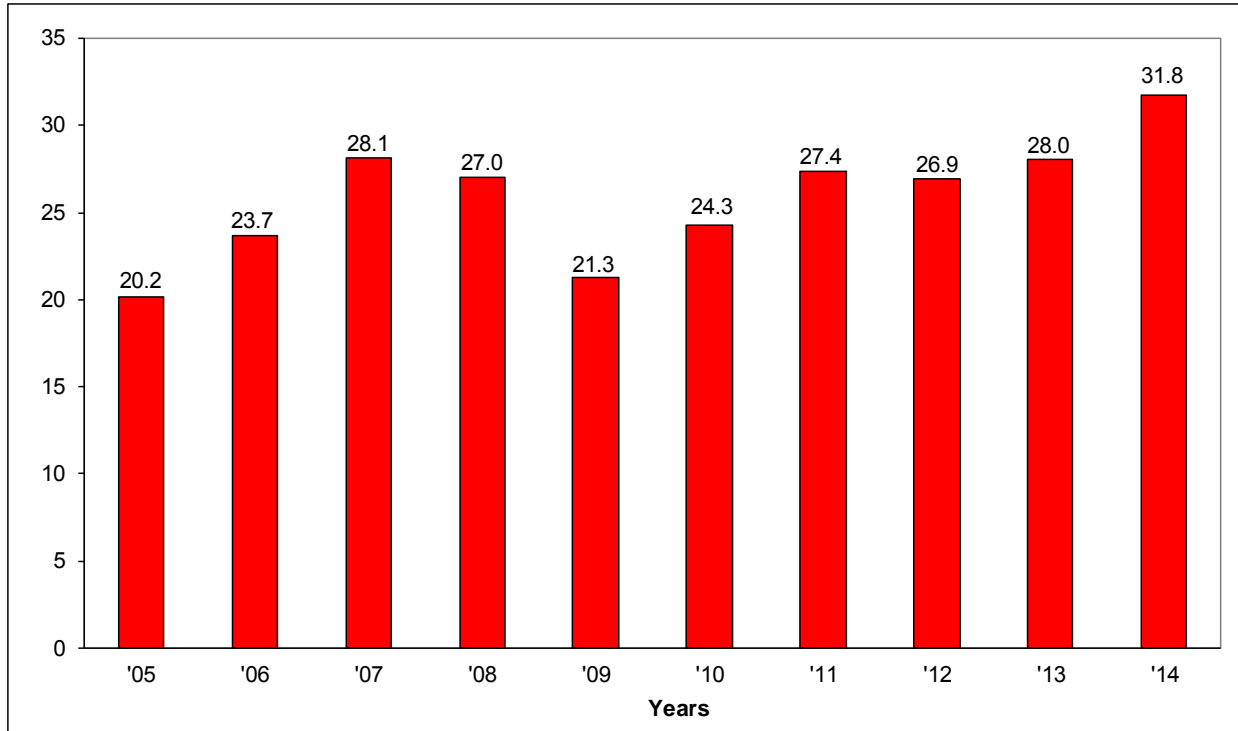
	Approved Budget	Actual	Variance Over/(Under)
<b>Foundation Administration and Development:</b>			
Registration for solicitation	10,000	8,173	(1,827)
Audit and tax preparation expenses	19,500	19,500	-
Legal	5,000	3,352	(1,648)
Meeting expenses	10,000	2,630	(7,370)
Office supplies, printing and enhancements	-	8,885	8,885
Telephone and postage	15,000	9,397	(5,603)
Salaries and benefits	235,000	263,706	28,706
Insurance	6,500	6,945	445
Car insurance	5,000	9,049	4,049
Travel	20,000	14,335	(5,665)
Campaign assessment fee	21,165	21,165	-
Treasurer's Division support	37,800	37,800	-
Donor/prospect relations	60,000	56,218	(3,782)
NCSU Real Estate Office services	6,000	6,000	-
<b>Total Foundation administration and fundraising support</b>	<b>450,965</b>	<b>467,155</b>	<b>16,190</b>
<b>Total General Fund expenses</b>	<b>\$ 4,579,350</b>	<b>\$ 4,249,488</b>	<b>\$ (329,862)</b>

**NC State Natural Resources Foundation, Inc.**

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

**Total Assets**

(Dollars in Millions)



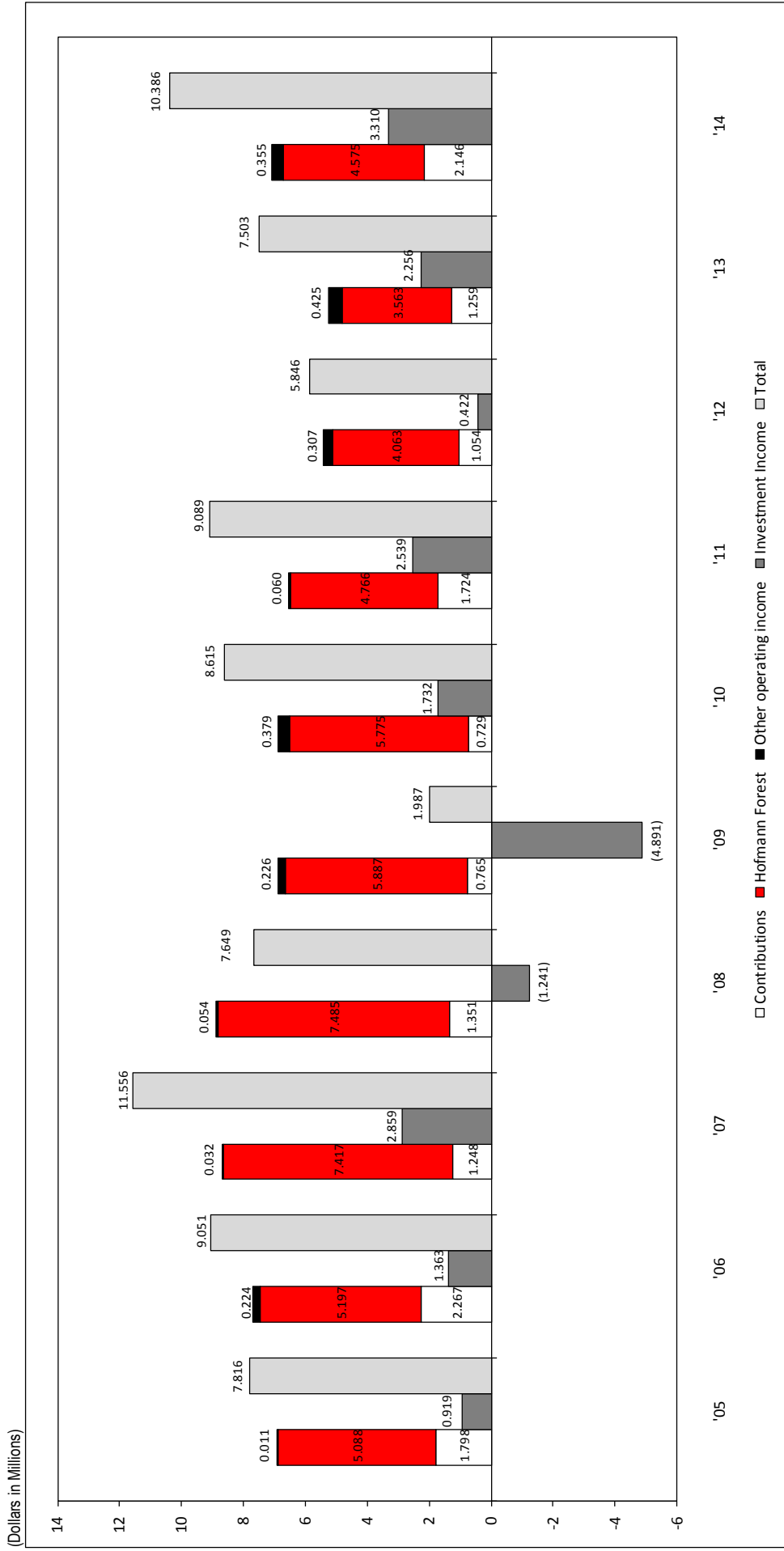
The North Carolina Forestry Foundation, Inc. and Pulp and Paper Foundation, Inc. merged on July 1, 2008 to form the NC State Natural Resources Foundation, Inc. The chart on this page and pages 25 to 26 reflects the data for the new foundation beginning with fiscal year 2009. For prior fiscal years, the numbers for each of the merged foundations have been combined.

\*Fiscal years 2011 - 2014 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**

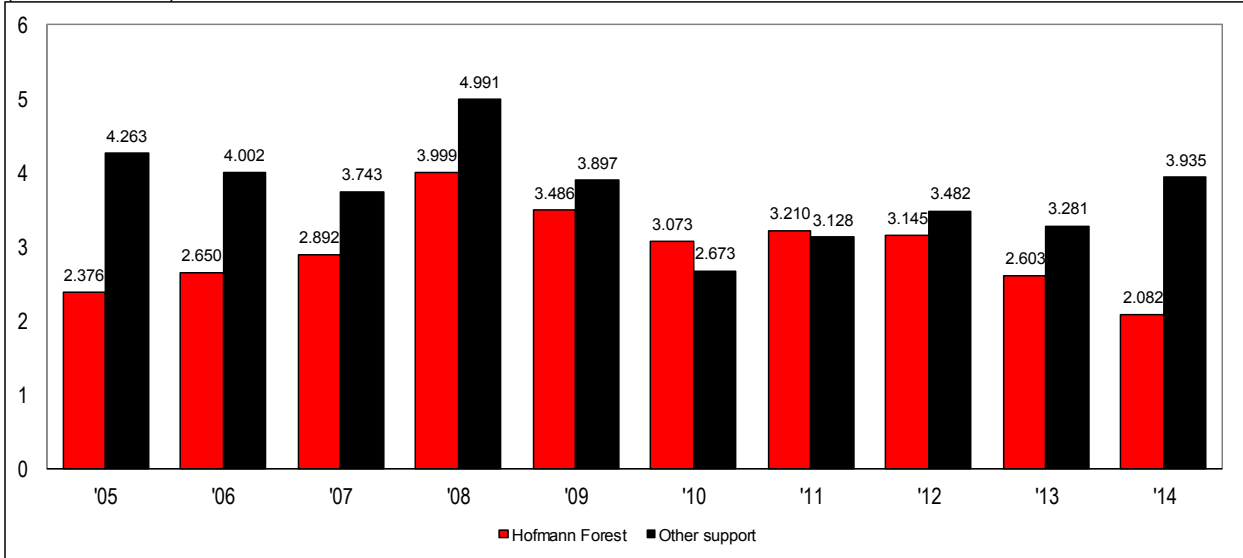


**NC State Natural Resources Foundation, Inc.**

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

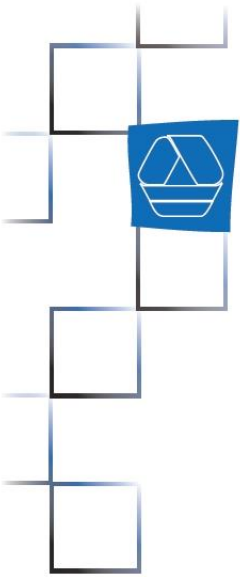
**Total Support**

(Dollars in Millions)



\*Fiscal years 2011 - 2014 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 17, 2014

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, 2014, and have issued our report thereon date December 17, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 10, 2014. 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 2014. 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the 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 17, 2014.

### **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*