

**NORTH CAROLINA STATE UNIVERSITY
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2015 and 2014

North Carolina State University Foundation, Inc.
Consolidated Financial Statements
For the years ended June 30, 2015 and 2014

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Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of North Carolina State University Foundation, Inc. ("Foundation"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Carolina State University Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity 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 consolidated financial statements as a whole. The supplementary information on pages 22 through 24, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Dverman Pierce, LLP

Raleigh, North Carolina
October 5, 2015

North Carolina State University Foundation, Inc.

Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Note 1)	\$ 17,037,267	\$ 14,590,070
Cash and cash equivalents - Executive Education, LLC (Notes 1 and 15)	21,537	277,569
Intermediate investments (Note 1)	5,712,063	2,086,332
Long-term investments (Notes 1 and 3)	232,711,949	207,226,331
Pledges receivable (Notes 1 and 6)	68,693,917	68,812,475
Receivable - charitable lead trusts (Note 1)	3,278,608	593,344
Externally managed irrevocable trust (Note 5)	20,682,509	21,697,842
Executive Education, LLC accounts receivable, net (Note 15)	49,000	181,016
Receivable from University-associated entities (Note 1)	605,347	1,279,270
Donated property and land (Note 1)	1,509,587	1,509,587
Land and property held for others (Note 1)	1,159,023	1,159,023
University Club, net of accumulated depreciation of \$1,888,239 and \$1,686,063 for 2015 and 2014, respectively (Notes 1 and 14)	6,761,879	4,854,771
Other assets (Note 1)	441,446	326,703
Total assets	\$ 358,664,132	\$ 324,594,333
LIABILITIES AND NET ASSETS		
Accounts payable - North Carolina State University (Note 1)	\$ 85,490	\$ 214,926
Accounts payable (Note 1)	122,616	174,088
Due to others (Note 1)	1,397,743	1,423,384
Life income funds payable (Note 5)	3,597,145	3,954,470
Life income funds payable - externally managed irrevocable trust (Note 5)	11,983,720	12,967,419
Agency funds held in custody for others (Note 8)	925,409	816,848
Executive Education, LLC payables (Note 15)	199,558	443,537
Total liabilities	18,311,681	19,994,672
Net Assets:		
Unrestricted:		
Undesignated	563,918	696,957
Undesignated nonexpendable - University Club	6,761,879	4,854,771
Board-designated - endowments (Note 2)	5,872,544	5,067,288
Designated - Executive Education, LLC (Note 15)	(129,021)	15,048
Temporarily restricted (Note 9)	106,341,472	91,905,561
Permanently restricted (Note 10)	220,941,659	202,060,036
Total net assets	340,352,451	304,599,661
Total liabilities and net assets	\$ 358,664,132	\$ 324,594,333

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions	\$ 26,583	\$ 15,617,051	\$ 11,035,857	\$ 26,679,491
Change in pledges receivable	-	(3,883,398)	3,764,840	(118,558)
Donated services and salaries (Note 7)	1,147,000	-	-	1,147,000
Leasehold improvements	2,109,284	-	-	2,109,284
Net investment income	861,898	16,535,399	(887,670)	16,509,627
Change in value of split interest agreements	-	-	872,909	872,909
Change in value of charitable lead trusts	-	-	2,685,264	2,685,264
Interest and dividends	173,824	143,159	104,457	421,440
Executive Education, LLC income (Note 15)	1,446,878	-	-	1,446,878
Other income	332,581	2,543,210	22,788	2,898,579
Net assets released from restrictions (Note 11)	14,765,929	(14,765,929)	-	-
Total revenues, gains, and other income	20,863,977	16,189,492	17,598,445	54,651,914
Grants to support the University:				
Program:				
Scholarships and fellowships	5,384,661	-	-	5,384,661
Faculty support	4,245,917	-	-	4,245,917
Departmental support	2,010,812	-	-	2,010,812
Facility support	777,913	-	-	777,913
Other contracted services	1,319,535	-	-	1,319,535
Other current services	273,467	-	-	273,467
Executive Education, LLC expenses (Note 15)	1,592,522	-	-	1,592,522
Total program support	15,604,827	-	-	15,604,827
Administrative	626,413	-	-	626,413
Fundraising	2,603,857	-	-	2,603,857
Total other support	3,230,270	-	-	3,230,270
Total support	18,835,097	-	-	18,835,097
Excess of revenues, gains, and other income over total support	2,028,880	16,189,492	17,598,445	35,816,817
Net transfers:				
To other University-associated entities	-	(60,472)	(3,555)	(64,027)
Among funds (Note 13)	406,376	(1,693,109)	1,286,733	-
Total net transfers	406,376	(1,753,581)	1,283,178	(64,027)
Change in net assets	2,435,256	14,435,911	18,881,623	35,752,790
Net assets:				
Beginning	10,634,064	91,905,561	202,060,036	304,599,661
Ending	\$ 13,069,320	\$ 106,341,472	\$ 220,941,659	\$ 340,352,451

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions	\$ 3,727	\$ 8,003,701	\$ 32,192,443	\$ 40,199,871
Change in pledges receivable	-	18,530,004	469,572	18,999,576
Donated services and salaries (Note 7)	1,108,000	-	-	1,108,000
Donated property	-	-	358,960	358,960
Leasehold improvements	484,617	-	-	484,617
Net asset reclassification - underwater endowments (Note 2)	14,866	(14,866)	-	-
Net investment income	1,725,466	22,303,076	1,561,243	25,589,785
Change in value of split interest agreements	-	-	(723,223)	(723,223)
Change in value of charitable lead trust	-	-	(82,339)	(82,339)
Interest and dividends	60,227	276,524	90,453	427,204
Executive Education, LLC income (Note 15)	1,088,524	-	-	1,088,524
Other income	284,427	2,257,064	14,935	2,556,426
Net assets released from restrictions (Note 11)	14,894,542	(14,894,542)	-	-
T total revenues, gains, and other income	19,664,396	36,460,961	33,882,044	90,007,401
Grants to support the University:				
Program:				
Scholarships and fellowships	3,524,306	-	-	3,524,306
Faculty support	3,296,329	-	-	3,296,329
Departmental support	2,229,384	-	-	2,229,384
Facility support	3,110,998	-	-	3,110,998
Other contracted services	1,359,715	-	-	1,359,715
Other current services	350,646	-	-	350,646
Executive Education, LLC expenses (Note 15)	936,117	-	-	936,117
T total program support	14,807,495	-	-	14,807,495
Administrative	581,535	-	-	581,535
Fundraising	2,652,929	-	-	2,652,929
T total other support	3,234,464	-	-	3,234,464
T total support	18,041,959	-	-	18,041,959
 Excess of revenues, gains, and other income over total support	 1,622,437	 36,460,961	 33,882,044	 71,965,442
Net transfers:				
To other University-associated entities	-	(755,289)	(17,582)	(772,871)
Among funds (Note 13)	456,312	(815,426)	359,114	-
T total net transfers	456,312	(1,570,715)	341,532	(772,871)
 Change in net assets	 2,078,749	 34,890,246	 34,223,576	 71,192,571
Net assets:				
Beginning	8,555,315	57,015,315	167,836,460	233,407,090
Ending	\$ 10,634,064	\$ 91,905,561	\$202,060,036	\$304,599,661

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets:	\$ 35,752,790	\$ 71,192,571
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	203,035	150,244
Net investment gains	(17,524,960)	(24,157,915)
Investment income restricted for split interest agreements	(104,457)	(90,453)
Actuarial change in value of split interest agreements	110,790	256,629
Actuarial change in value of externally managed irrevocable trust	(983,699)	466,594
Externally managed irrevocable trust	1,015,333	(1,431,870)
Contributions restricted for permanent endowment	(11,035,857)	(32,192,443)
(Increase) decrease in:		
Pledges receivable	118,558	(18,999,576)
Receivable - charitable lead trusts	(2,685,264)	82,339
Executive Education, LLC accounts receivable, net	132,016	(17,061)
Receivable from University-associated entities	673,923	51,013
Donated property and land	-	(358,960)
University Club and other assets, net	(2,224,886)	(492,586)
Increase (decrease) in:		
Accounts payable - North Carolina State University	(129,436)	130,969
Accounts payable	(51,472)	126,328
Due to others	(25,641)	187,067
Agency funds held in custody for others	108,561	5,738
Executive Education, LLC payables	(243,979)	107,898
Executive Education, LLC deferred revenue	-	(8,156)
Net cash provided by (used in) operating activities	3,105,355	(4,991,630)
Cash Flows From Investing Activities:		
Proceeds from sales of investments	13,179,388	8,381,329
Purchases of investments	(24,765,777)	(37,798,390)
Net cash used in investing activities	(11,586,389)	(29,417,061)
Cash Flows From Financing Activities:		
Contributions restricted for permanent endowment	11,035,857	32,192,443
Investment income restricted for split interest agreements	104,457	90,453
Payments on life income fund obligations	(483,858)	(480,111)
Proceeds from life income fund obligations	15,743	47,119
Net cash provided by financing activities	10,672,199	31,849,904
Net increase (decrease) in cash and cash equivalents	2,191,165	(2,558,787)
Cash and cash equivalents:		
Beginning	14,867,639	17,426,426
Ending	<u>\$ 17,058,804</u>	<u>\$ 14,867,639</u>
Supplemental Disclosure of Noncash Activities:		
Donated services and salaries	\$ 1,147,000	\$ 1,108,000
Leasehold improvements	\$ 2,109,284	\$ 484,617
T transfers among funds	\$ 1,693,109	\$ 815,426

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Notes To Consolidated Financial Statements For the years ended June 30, 2015 and 2014

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina State University Foundation, Inc., (the "Foundation") is one of a group of foundations which provides financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, founded in 1942, supports, by financial assistance and otherwise, the various colleges within the University, the libraries, and other University-connected functions. Effective July 1, 2003, North Carolina State University considers the Foundation to be a component unit.

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

Basis of accounting and presentation: The consolidated 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 consolidated 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.

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and NC State Executive Education, LLC, which was organized to further the purposes of its sole member, the Foundation. All significant intercompany balances and transactions have been eliminated in the consolidation. Additional details regarding the financial position and activities of NC State Executive Education, LLC are contained in Note 15.

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 (the "STIF"), Paragon Bank, and Wells Fargo Bank, N.A. The STIF account maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Intermediate investments: Intermediate investments consist of taxable municipal bonds purchased, the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF"), and an account with the commonfund Intermediate Term Fund for funds that can be invested for longer periods, but which are available in the event of short-term needs. These investments were reported at readily determinable fair values of \$5,712,063 and \$2,086,332 at June 30, 2015 and 2014, respectively. The costs of these investments were \$5,963,927 and \$2,288,013 as of June 30, 2015 and 2014, respectively.

North Carolina State University Foundation, Inc.

**Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014**

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 (the "Board"), invests with the NC State Investment Fund, Inc. Long Term Investment Pool (the "LTIP"). The Foundation also invests specific endowment assets in the NC State Socially Responsible Investment Fund (the "SRI Fund").

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.

Receivable – charitable lead trusts: The receivable for the split-interest agreements is carried at fair value, which the Foundation has estimated based on the present value of its expected future cash inflows.

Receivable from University-associated entities: Receivable from University-associated entities consisted of amounts due to the Foundation from other University-associated foundations.

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

Land and property held for others: Property held for others is land gifts held for sale for which the sale proceeds will be due to others.

University Club: The value of the North Carolina State University Club (the "Club") is stated at cost and leasehold improvements are recorded at cost. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. The Club has been renovated over the past five years, and the increase in value is attributable to these renovations. The Foundation and the Club entered into an operating agreement in 1979 based on a lease originally established between the State of North Carolina and the Foundation in 1960. For the leasehold improvements completed during fiscal year 2015, the Club is responsible for financing and payment. Leasehold improvements capitalized were \$2,109,284 and \$484,617 during the years June 30, 2015 and 2014, respectively. Refer to Note 14 for additional information regarding the Foundation's role in the Club's financing of the renovations.

Other assets: Other assets include beneficiary interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender values less any loans outstanding on the policies. Cash surrender values of these policies were \$282,986 and \$263,182 at June 30, 2015 and 2014, respectively. Other assets also include closely held stock, leasehold improvements, sales tax receivable, accrued interest on municipal bonds, and a mortgage receivable.

Accounts payable - North Carolina State University: Accounts payable to the University include amounts disbursed by the University on behalf of the Foundation for payment of various normal operating expenses.

Accounts payable: Accounts payable represents trade payables due to vendors at June 30, 2015 and 2014.

Due to others: Due to others at June 30, 2015 and 2014 consisted of \$397,743 and \$416,173, respectively, due to remainder beneficiaries of life income funds. Also included in due to others at June 30, 2015 and 2014 was \$1,000,000 and \$1,007,211, respectively, received by the Foundation on behalf of other organizations.

North Carolina State University Foundation, Inc.

**Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014**

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

Contributions: Restricted contributions are segregated for income and expense reporting purposes; however, the assets are commingled. When a donor or grantor restriction expires because the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the consolidated 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, temporarily restricted, or permanently restricted, as appropriate. Earnings from investments are net of investment fees of \$807,758 and \$607,357 for the years ended June 30, 2015 and 2014, 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 University Advancement and 0.25% designated to college-level fundraising efforts. In addition, an assessment of 0.55% is charged by the Foundation on the average twenty-quarter market value of assets held in the investment portfolio, for the support of University Advancement.

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

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2015 and 2014. Therefore, no provision for income taxes has been reflected in the accompanying consolidated 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, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying consolidated 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 2011.

Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014

Note 2. Endowment

The Foundation's endowment consists of approximately 580 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. UPMIFA defines a prudence standard for management and investment of institutional funds. As a result of the Foundation's interpretation of UPMIFA, 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 would be reported in unrestricted net assets.

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 Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP and the SRI Fund 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 \$2,839,525 and \$3,006,645 for fiscal years 2015 and 2016, respectively.

North Carolina State University Foundation, Inc.

Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014

Note 2. Endowment (continued)

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,132,973	\$ 55,590,157	\$202,060,036	\$262,783,166
Total investment return	1,268,334	15,980,418	(783,213)	16,465,539
Contributions, including change in accrued pledges & other income	1,033	4,000	14,823,485	14,828,518
Appropriations of endowment assets for expenditure	(454,985)	(3,913,445)	-	(4,368,430)
Change in value of split interest agreements & charitable lead trust	-	-	3,558,173	3,558,173
Other changes:				
Transfers	-	199,175	1,283,178	1,482,353
Endowment net assets, end of year	<u>\$ 5,947,355</u>	<u>\$ 67,860,305</u>	<u>\$220,941,659</u>	<u>\$294,749,319</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 5,872,544	\$ -	\$ -	\$ 5,872,544
Donor restricted endowment funds	74,811	67,860,305	220,941,659	288,876,775
Total Funds	<u>\$ 5,947,355</u>	<u>\$ 67,860,305</u>	<u>\$220,941,659</u>	<u>\$294,749,319</u>

North Carolina State University Foundation, Inc.

Notes To Consolidated Financial Statements For the years ended June 30, 2015 and 2014

Note 2. Endowment (continued)

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	\$ 3,510,692	\$ 36,119,079	\$167,836,460	\$207,466,231
Net asset reclassification - underwater endowments	14,866	(14,866)	-	-
Endowment net assets after reclassification	3,525,558	36,104,213	167,836,460	207,466,231
Total investment return	2,047,142	22,309,059	1,651,696	26,007,897
Contributions, including change in accrued pledges & other income	1,008	54,120	33,035,910	33,091,038
Appropriations of endowment assets for expenditure	(440,735)	(2,877,235)	-	(3,317,970)
Change in value of split interest agreements & charitable lead trust	-	-	(805,562)	(805,562)
Other changes:				
Transfers	-	-	341,532	341,532
Endowment net assets, end of year	\$ 5,132,973	\$ 55,590,157	\$202,060,036	\$262,783,166

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	\$ 5,067,288	\$ -	\$ -	\$ 5,067,288
Donor restricted endowment funds	65,685	55,590,157	202,060,036	257,715,878
Total Funds	\$ 5,132,973	\$ 55,590,157	\$202,060,036	\$262,783,166

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.

North Carolina State University Foundation, Inc.

Notes To Consolidated Financial Statements For the years ended June 30, 2015 and 2014

Note 3. Long-Term Investments (continued)

Investments at June 30, 2015 and 2014 consisted of:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 503,377	\$ 503,377	\$ 197,717	\$ 197,717
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	162,477,187	215,143,988	152,220,636	189,494,314
SRI Fund	9,638,358	10,270,416	10,139,738	10,269,104
Wells Fargo - Life Income Funds	6,378,921	6,794,168	6,630,291	7,265,196
	\$178,997,843	\$232,711,949	\$169,188,382	\$207,226,331

Investments held by the LTIP at June 30, 2015 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, 2015, approximately 89.4% of these limited partnerships were with the UNC Management Company, 4.1% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 6.2% was invested in the LPP, and 0.3% was invested in the STIF. The LTIP's net assets were valued at approximately \$676,716,000 and \$597,884,000 at June 30, 2015 and 2014, respectively. The Foundation's investment in the LTIP represents approximately 31.8% and 31.7% of the member equity of the LTIP at June 30, 2015 and 2014, respectively.

The SRI Fund assets are invested in a socially responsible manner through a diversified portfolio of managers that consider environmental, social, and governance issues. As of June 30, 2015, approximately 43.3% of total assets were invested with RBC SRI Wealth Management Group (RBC), 48.4% with Generation IM Global Equity A Fund, 8.2% with Calvert Bond Portfolio Fund and 0.1% in the STIF.

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.

North Carolina State University Foundation, Inc.

**Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014**

Note 4. Fair Value Measurement (continued)

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

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

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

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

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

	2015			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 503,377	\$ -	\$ -	\$ 503,377
Municipal Bonds	-	566,983	-	566,983
commonfund Intermediate Term Fund	-	1,692,945	-	1,692,945
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	3,452,135	-	3,452,135
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	215,143,988	215,143,988
SRI Fund	-	10,270,416	-	10,270,416
Wells Fargo - Life Income Funds	-	6,794,168	-	6,794,168
Externally Managed Irrevocable Trust	-	20,682,509	-	20,682,509
Beneficial Interest in Life Insurance Policies	-	-	282,986	282,986
	\$ 503,377	\$ 43,459,156	\$ 215,426,974	\$ 259,389,507

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 197,717	\$ -	\$ -	\$ 197,717
Municipal Bonds	-	382,486	-	382,486
commonfund Intermediate Term Fund	-	1,703,846	-	1,703,846
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	189,494,314	189,494,314
SRI Fund	-	10,269,104	-	10,269,104
Wells Fargo - Life Income Funds	-	7,265,196	-	7,265,196
Externally Managed Irrevocable Trust	-	21,697,842	-	21,697,842
Beneficial Interest in Life Insurance Policies	-	-	263,182	263,182
	\$ 197,717	\$ 41,318,474	\$ 189,757,496	\$ 231,273,687

North Carolina State University Foundation, Inc.

**Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014**

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:

	2015		2014	
	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies	NC State Investment Fund, Inc. (LTIP)	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 189,494,314	\$ 263,182	\$ 136,879,024	\$ 235,296
Participant additions	15,115,000	-	32,630,000	-
Investment income	64,821	-	84,073	-
Realized gains	2,543,595	-	2,108,301	-
Unrealized appreciation	15,393,123	19,804	21,873,881	27,886
Participant withdrawals	(6,684,295)	-	(3,483,594)	-
Expenses	(782,570)	-	(597,371)	-
Ending balance	\$ 215,143,988	\$ 282,986	\$ 189,494,314	\$ 263,182

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.

Municipal Bonds – Valued by the custodian using a computerized pricing service or, for less actively traded issues, using a yield-based matrix system.

commonfund Intermediate Term Fund – Valued using the net asset value (“NAV”) per share of the fund provided by the fund manager. The Foundation considers this the best estimate of fair value for investments that do not have a quoted market price.

NC State Investment Fund, Inc. Intermediate Term Fund (“ITF”) – This investment is a combination of publicly traded mutual funds valued at quoted market prices.

NC State Investment Fund, Inc. Long Term Investment Pool (“LTIP”) – The LTIP’s investment in UNCMC is valued using the net asset value per share of the fund provided by the fund manager. The LTIP’s private equity investments are initially valued based on transaction price with subsequent valuation adjustments based on trading multiples of comparable public companies adjusted for differences in factors such as liquidity. The LTIP’s investment in LPP is valued at the closing price of the exchange-traded fund’s shares. The LTIP also has an investment in the STIF, valued as described above.

SRI Fund – This investment is a combination of equity and fixed income securities valued using quoted market prices or net asset values per share provided by fund manager.

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

North Carolina State University Foundation, Inc.

**Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014**

Note 4. Fair Value Measurement (continued)

Externally Managed Irrevocable Trust – Determined by the custodian on a trade date basis and based on projected settled balances for cash, deposits, and money market funds.

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. Life Income Funds

The consolidated financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2015 and 2014 have asset balances of \$6,794,168 and \$7,265,196, respectively.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$3,597,145 and \$3,954,470 at June 30, 2015 and 2014, respectively. Payments from these funds were \$483,858 and \$480,111 during the years ended June 30, 2015 and 2014, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 5% from all new CGAs established in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 5% of the total value of the Foundation's CGA pool. As of June 30, 2015 and 2014, the CGA reserve balance was \$5,903 and \$23,481, respectively.

In addition to the above life income funds, the Foundation was named the recipient of an externally managed trust in 2011 which represents irrevocable life income funds with a market value totaling \$20,682,509 and \$21,697,842 and life income funds payable of \$11,983,720 and \$12,967,419 as of June 30, 2015 and 2014, respectively. The Foundation is not serving as trustee for these funds. These life income funds have been reflected in the accompanying consolidated financial statements at their fair value. Estimated future distributions to the beneficiaries have been reflected in the accompanying consolidated financial statements and were computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries.

North Carolina State University Foundation, Inc.

Notes To Consolidated Financial Statements For the years ended June 30, 2015 and 2014

Note 6. Pledges Receivable

Pledges receivable are stated at their present value, estimated by discounting the future cash flows using Federal Reserve rates of return, ranging from .28% to 2.36% for June 2015, and are as follows:

	2015	2014
Receivable in less than one year	\$ 7,763,142	\$ 7,681,378
Receivable in one to five years	62,334,633	61,835,440
Receivable in greater than five years	1,157,120	2,011,450
Total gross pledges receivable	71,254,895	71,528,268
Less allowance for uncollectible pledges	(472,000)	(237,000)
Less unamortized discount	(2,088,978)	(2,478,793)
Net pledges receivable	\$ 68,693,917	\$ 68,812,475

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding three large pledges for which signed memorandums of understanding exist and therefore the Foundation is reasonably assured of collecting. Such pledges represented approximately \$61.8 million and \$66.8 million of total pledges receivable at years ended June 30, 2015 and 2014, respectively. Active past due pledges receivable are reviewed semi-annually by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

Note 7. Donated Services and Salaries

Donated services in the amount of \$544,000 and \$493,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the consolidated financial statements for services provided by the University Treasurer's Division. In addition, donated salaries paid by the University for college development personnel in the amount of \$603,000 and \$615,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the accompanying consolidated financial statements.

Note 8. Agency Funds

The Foundation acts as funds custodian for the North Carolina State University Greek Court funds. The funds are for the sole benefit for the redevelopment of the Greek Court and totaled \$159,715 and \$155,465 at June 30, 2015 and 2014, respectively, and are for Kappa Sigma, Sigma Alpha Epsilon, Chi Psi, Delta Gamma, and Lambda Chi Alpha. The Foundation also holds debt service and operating surplus funds for the University Club (see Note 14), which totaled \$765,694 and \$661,383 at June 30, 2015 and 2014, respectively.

North Carolina State University Foundation, Inc.

**Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014**

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following purposes:

	2015	2014
Scholarships	\$ 3,097,945	\$ 2,960,341
Fellowships	920,799	1,070,027
Professorships	326,552	241,736
Library support	1,215,685	637,378
Research support	1,071,532	1,254,988
Gregg Museum of Art and Design Building	3,185,506	1,089,572
Pledges receivable	19,140,703	23,024,101
Endowment cumulative balance	67,860,305	55,590,157
Other	9,522,445	6,037,261
	<u>\$ 106,341,472</u>	<u>\$ 91,905,561</u>

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

Note 10. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014 are restricted to:

	2015	2014
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	\$ 154,339,894	\$ 160,423,658
Fellowships	6,415,254	5,873,281
Professorships	944,985	899,718
Library support	9,687,020	8,882,822
Research support	257,704	201,131
Pledges	49,553,214	45,788,374
Life income funds	11,895,812	12,041,149
NCSU Foundation enhancement endowment	12,091,411	11,420,351
Amounts reported as unrestricted or temporarily restricted net assets	(73,807,660)	(91,701,250)
Other	49,564,025	48,230,802
	<u>\$ 220,941,659</u>	<u>\$ 202,060,036</u>

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

North Carolina State University Foundation, Inc.

Notes To Consolidated Financial Statements For the years ended June 30, 2015 and 2014

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:

	2015	2014
Scholarships	\$ 4,634,767	\$ 2,982,514
Fellowships	174,319	163,672
Professorships	180,169	114,292
Library support	225,826	410,850
Research support	592,386	648,136
Facility support	777,913	3,110,998
Other	8,180,549	7,464,080
	<u>\$ 14,765,929</u>	<u>\$ 14,894,542</u>

The grouping "Other" includes amounts spent for general college support, and general University support.

Note 12. Description of Leasing Arrangements

The Foundation had operating leases with total payments for the years ended June 30, 2015 and 2014 of \$22,084 and \$26,188, respectively. Future minimum rental payments under the noncancelable operating leases are as follows:

Years ending June 30:	
2016	\$ 24,044
2017	20,108
2018	8,960
Minimum lease payments	<u>\$ 53,112</u>

Note 13. 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, 2015 and 2014, net endowment transfers were \$1,286,733 and \$359,114, respectively.

Note 14. University Club

In June 2008, to assist with financing the construction, renovation, and expansion of the University Club, the Board of the Foundation approved a resolution to authorize the Foundation to serve as the guarantor for \$3 million of a \$4 million loan from First Citizens Bank & Trust Company to the Club to be obtained in conjunction with Phase I of the renovation of the Club's facilities. The term of the loan and guarantee is ten years. The loan had a fixed interest rate of 5.96% and, as of November 2012, was modified to a new rate of 3.95%. The amount outstanding on the loan, as of June 30, 2015 and 2014, was \$2,690,527 and \$3,109,466, respectively.

North Carolina State University Foundation, Inc.

**Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014**

Note 14. University Club (continued)

In February 2013, the University Club obtained a \$2.5 million loan with an interest rate of 3.95% to fund Phase II improvements and expansion of the Club that matures in March 2019. The amount outstanding on the loan, as of June 30, 2015 and 2014, was \$1,601,555 and \$0, respectively. The Foundation is not a guarantor on this loan.

A Memorandum of Understanding between the Foundation and the Club was established for the Phase I loan, which imposes certain requirements on the Club as a condition to the Foundation serving as guarantor. See note 8 for the amounts the Foundation holds on behalf of the University Club.

Note 15. NC State Executive Education, LLC

NC State Executive Education, LLC (the "LLC") was organized on June 6, 2008 to further the purposes of its sole member, the Foundation, and is consolidated for the purposes of these financial statements. The purposes of the LLC are exclusively charitable within the meaning of paragraph 501(c)(3) of the Internal Revenue Code of 1986, and more specifically are to support the educational mission of the University by operating an executive education program in conjunction with the University's Poole College of Management.

The Statements of Financial Position for NC State Executive Education, LLC at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 21,537	\$ 277,569
Accounts receivable, net	49,000	181,016
Total assets	<u>\$ 70,537</u>	<u>\$ 458,585</u>
LIABILITIES AND NET ASSETS		
Accounts payable - North Carolina State University	\$ 4,283	\$ 237,605
Other payables	195,275	205,932
Total liabilities	<u>199,558</u>	<u>443,537</u>
Net Assets:		
Unrestricted	(129,021)	15,048
Total net assets	<u>(129,021)</u>	<u>15,048</u>
Total liabilities and net assets	<u>\$ 70,537</u>	<u>\$ 458,585</u>

North Carolina State University Foundation, Inc.

Notes To Consolidated Financial Statements
For the years ended June 30, 2015 and 2014

Note 15. NC State Executive Education, LLC (continued)

The Statements of Activities for NC State Executive Education, LLC for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Revenues, gains, and other income:		
Custom program revenue	\$ 1,446,878	\$ 1,087,423
Interest and dividends	1,575	1,101
Total revenues, gains, and other income	<u>1,448,453</u>	<u>1,088,524</u>
Expenses:		
Program:		
Labor costs	544,439	340,134
Rental costs	26,236	18,575
Contract fees	883,279	497,063
Other	138,568	80,345
Total expenses	<u>1,592,522</u>	<u>936,117</u>
Change in net assets	(144,069)	152,407
Net assets:		
Beginning	15,048	(137,359)
Ending	<u>\$ (129,021)</u>	<u>\$ 15,048</u>

Note 16. Prior Year Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation with no effect on the previously reported total net assets.

Note 17. Subsequent Events

The Foundation has evaluated subsequent events through October 5, 2015, the date which the consolidated financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University Foundation, Inc.

Fund for Excellence Budget vs. Actual - Unaudited
Year Ended June 30, 2015

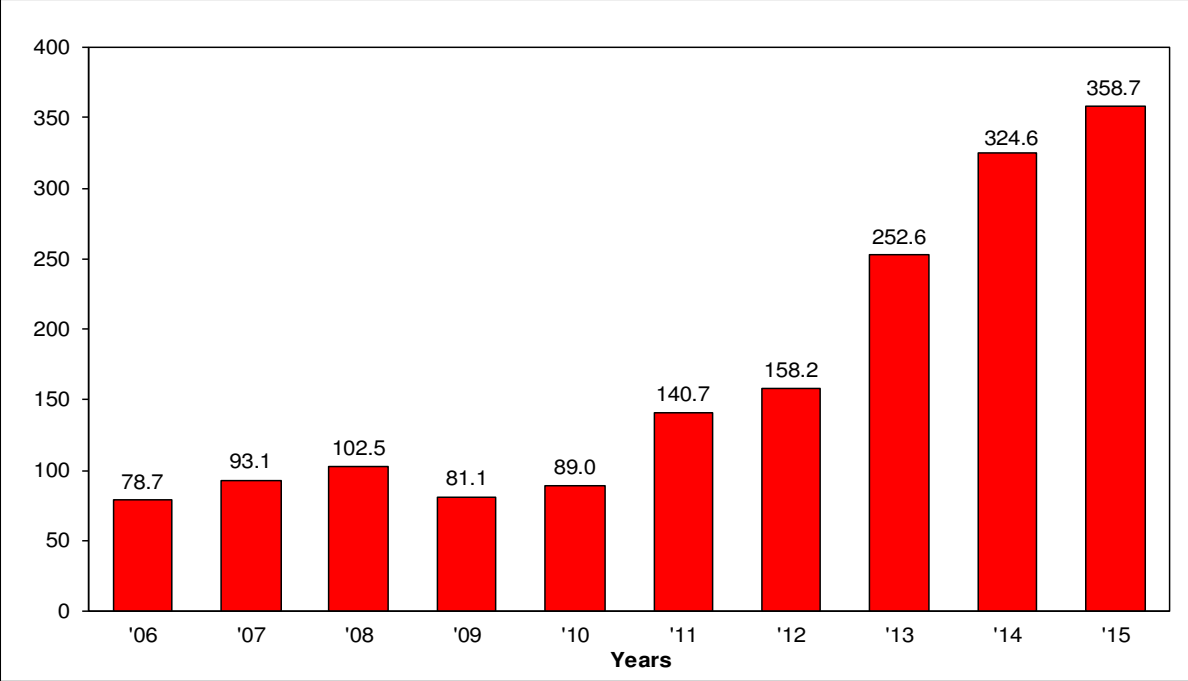
	Budget	Actual	Over (Under) Variance
Income:			
Endowment spending budget	\$ 418,710	\$ 418,710	\$ -
General Fund contributions	-	25,747	25,747
Interest and dividends	92,000	124,993	32,993
Endowment assessment	332,830	332,830	-
Alumni endowment assessment	82,160	82,160	-
Alumni marketing	250,000	250,000	-
Total income	1,175,700	1,234,440	58,740
Support:			
Program support	986,250	973,163	(13,087)
Foundation administration	189,400	167,201	(22,199)
Total support	1,175,650	1,140,364	(35,286)
Income less support	50	94,076	94,026
Fund balance:			
Beginning	506,199	526,699	20,500
Ending	\$ 506,249	\$ 620,775	\$ 114,526

North Carolina State University Foundation, Inc.

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

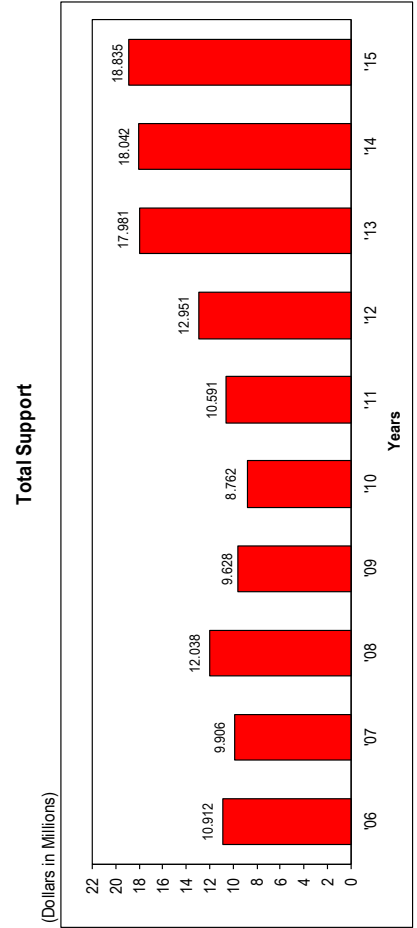
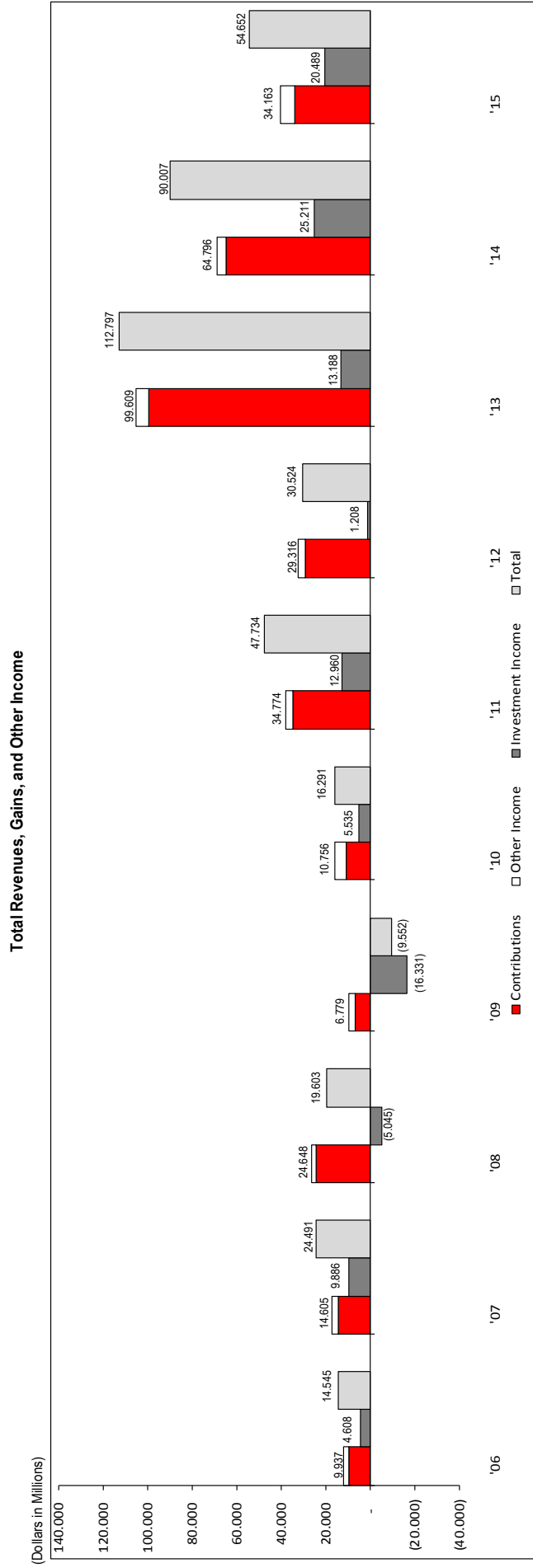
Total Assets

(Dollars in Millions)



North Carolina State University Foundation, Inc.

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



OTHER INFORMATION



Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

October 5, 2015

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

We have audited the consolidated financial statements of North Carolina State University Foundation, Inc. ("Foundation"), a nonprofit organization, for the year ended June 30, 2015, and have issued our report thereon dated October 5, 2015. 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 9, 2015. 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 North Carolina State University Foundation, Inc. are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. 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 consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated 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 consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The consolidated 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. No material misstatements were identified as a result of audit procedures and, as such, no adjustments were necessary.



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 consolidated 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 October 5, 2015.

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 consolidated 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 North Carolina State University 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 North Carolina State University Foundation, Inc.

Williams Dverman Pierce, LLP