

NORTH CAROLINA TEXTILE
FOUNDATION, INC.

FINANCIAL REPORT

JUNE 30, 2020

North Carolina Textile Foundation, Inc.
Financial Report
For the Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Carolina Textile Foundation, Inc.

We have audited the accompanying financial statements of North Carolina Textile Foundation, Inc. (the "Foundation"), which comprise the statement of assets, liabilities and net assets – modified cash basis as of June 30, 2020, and the related statements of revenues, gains and other income, support and change in net assets – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements – modified cash basis.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of North Carolina Textile Foundation, Inc., as of June 30, 2020, and its revenue, gains and other income and support for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended June 30, 2019 was derived from the financial statements of NC Textile Foundation, Inc. as of June 30, 2019, which were audited by other auditors whose report dated November 8, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements, as restated, from which it has been derived.

Prior Period Adjustment

As discussed in Note 13 to the financial statements, during the year ended June 30, 2020, it was discovered that previously reported net assets without donor restrictions and contributions without donor restrictions were overstated as of and for the year ended June 30, 2019. Accordingly, amounts reported for net assets without donor restrictions and contributions without donor restrictions have been restated in the 2019 summarized comparative information now presented, and adjustments have been made to net assets as of June 30, 2019, to correct the overstatement. Our opinion is not modified with respect to that matter.



Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 through 19, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Overman Pierce, LLP

Greensboro, North Carolina
February 8, 2021

North Carolina Textile Foundation, Inc.

Statement of Assets, Liabilities and Net Assets - Modified Cash Basis

June 30, 2020

(with summarized financial information as of June 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents (Note 1)	\$ 175,881	\$ 51,256
Intermediate investments (Note 1)	2,006,566	990,169
Long-term investments (Notes 1 and 3)	66,058,100	62,359,115
Annuity contract (Notes 1 and 4)	130,162	-
Equipment, net of accumulated depreciation of \$22,237 and \$20,256 as of June 30, 2020 and 2019, respectively (Note 1)	10,668	14,129
Other assets (Note 1)	45,166	45,535
Total Assets	\$ 68,426,543	\$ 63,460,204
Liabilities and Net Assets		
Liabilities		
Life income funds payable (Note 6)	\$ 483,732	\$ 541,535
Total Liabilities	483,732	541,535
Net Assets		
Without donor restrictions:		
Undesignated	5,348,697	5,590,722
With donor restrictions:		
Perpetual in nature (Note 8)	35,371,226	31,602,538
Purpose restricted (Note 8)	27,222,888	25,725,409
Total Net Assets	67,942,811	62,918,669
Total Liabilities and Net Assets	\$ 68,426,543	\$ 63,460,204

See notes to financial statements.

North Carolina Textile Foundation, Inc.

Statement of Revenues, Gains and Other Income, Support and Change in Net Assets – Modified Cash Basis

Year Ended June 30, 2020

(with summarized financial information for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains, and Other Income				
Contributions	\$ 34,807	\$ 6,137,036	\$ 6,171,843	\$ 13,578,912
Net investment income	201,209	1,901,274	2,102,483	4,734,937
Change in value of split interest agreements	5,433	(4,529)	904	6,915
Interest and dividends	32,850	256,198	289,048	270,951
Loss on disposal of fixed assets	-	-	-	(4,357)
Other income	22,075	900	22,975	4,305
Net assets released from restrictions (Note 9)	2,994,225	(2,994,225)	-	-
Total Revenues, Gains, and Other Income	3,290,599	5,296,654	8,587,253	18,591,663
Grants to Support the University				
Program:				
Scholarships and fellowships	1,017,227	-	1,017,227	1,052,047
Departmental support	1,412,728	-	1,412,728	1,831,987
Naming Opportunity Program Designated Purchases	152,204	-	152,204	150,978
Total Program Support	2,582,159	-	2,582,159	3,035,012
Administrative	641,350	-	641,350	541,569
Fundraising	339,602	-	339,602	297,958
Total Other Support	980,952	-	980,952	839,527
Total Support	3,563,111	-	3,563,111	3,874,539
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(272,512)	5,296,654	5,024,142	14,717,124
Net Transfers				
Among funds	30,487	(30,487)	-	-
Total Net Transfers	30,487	(30,487)	-	-
Change in Net Assets	(242,025)	5,266,167	5,024,142	14,717,124
Net Assets				
Beginning of year	5,590,722	57,327,947	62,918,669	48,201,545
End of year	\$ 5,348,697	\$ 62,594,114	\$ 67,942,811	\$ 62,918,669

See notes to financial statements.

North Carolina Textile Foundation, Inc.

Statement of Cash Flows - Modified Cash Basis
Year Ended June 30, 2020

	2020
Cash Flows From Operating Activities	
Change in net assets	\$ 5,024,142
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,461
Net investment income	(2,102,483)
Investment income restricted for split interest agreements	(8,755)
Change in value of split interest agreements	(904)
Contributions restricted for permanent endowment	(3,723,964)
Decrease (increase) in:	
Annuity contract	(130,162)
Other assets	369
Net Cash Used in Operating Activities	<u>(938,296)</u>
Cash Flows From Investing Activities	
Proceeds from sales of investments	9,813,149
Purchases of investments	(12,426,048)
Net Cash Used in Investing Activities	<u>(2,612,899)</u>
Cash Flows From Financing Activities	
Contributions restricted for permanent endowment	3,723,964
Investment income restricted for split interest agreements	8,755
Payments on life income fund obligations	(56,899)
Net Cash Provided by Financing Activities	<u>3,675,820</u>
Net Increase in Cash and Cash Equivalents	124,625
Cash and Cash Equivalents	
Beginning of year	51,256
End of year	<u>\$ 175,881</u>

See notes to financial statements.

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina Textile Foundation, Inc. (the “Foundation”) is a not-for-profit corporation organized in 1942 to promote the welfare, future development and reputation of the College of Textiles (the “College”) at North Carolina State University (the “University”). The Foundation supports the College by providing funds for scholarships to deserving undergraduate and graduate students, recruitment and retention of highly qualified educators and researchers and the acquisition and maintenance of state-of-the-art equipment and facilities for research and education.

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 modified cash basis of accounting. As the Foundation applied this basis, contributions and earnings from interest and dividends are recognized when collected, rather than when rights to receive accrue to the Foundation. Expenses are recognized when paid rather than when incurred. Therefore, accrued investment earnings, pledges receivable and accounts payable are not included in the financial statements. The significant modifications to the cash basis are the recognition of unrealized gains and losses on investments, the recording of the cash surrender value of life insurance policies and the recording of beneficial interest in charitable remainder trust. Therefore, the accompanying financial statements are not intended to present financial position or changes in net assets in conformity with accounting principles generally accepted in the United States of America. In preparing its financial statements, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

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

With donor restrictions – Net assets subject to donor-imposed stipulations that are either to be maintained permanently by the Foundation or will be released either by actions of the Foundation and/or by the passage of time. Generally, the donors of these assets permit the Foundation to use all or part of the earnings on related investments for the donor-restricted purpose.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all highly liquid instruments with an original maturity of 90 days or less to be cash equivalents. Cash designated or restricted for long-term purposes is included with long-term investments. At times, the Foundation places deposits with a high-quality financial institution that may be in excess of federal insurance limits.

Cash and cash equivalents consist of accounts with First Horizon Bank.

Intermediate investments: Intermediate investments consist of cash and short term bond funds. These investments are reported at readily determinable fair values of \$2,006,566 at June 30, 2020. The cost of these investments was \$2,009,495 as of June 30, 2020.

Long-term investments: Long-term investments consist of marketable equity securities, fixed income securities, and mutual funds and are stated at fair value based on readily determinable fair values. In addition, the Foundation has planned giving instruments invested with TIAA Kaspick.

Annuity contract: An annuity contract was purchased to cover the estimated payments on a large charitable gift annuity.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

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

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 5 to 7 years.

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. Cash surrender values of these policies were \$45,166 at June 30, 2020.

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

The Foundation has a gift assessment program that supports Central Development and college-level fundraising efforts. For year ended June 30, 2020, a one-time fee of 7% was assessed on gifts that support current operations and facilities, with 4% designated for Central Development and 3% designated to the fundraising entity receiving the gift.

Investment income: Investment income is allocated on the basis of average fund balances for net assets with and without donor restrictions. For endowments, investment income is allocated on the “unit value” method of valuing interest in an investment portfolio and the investment earnings are recorded as with or without donor restrictions, as appropriate. 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 Foundation’s gift assessment program, an annual fee is assessed on the average three year ending market value of assets held in the endowment investment portfolio. For years ended June 30, 2020, the annual fee was 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts. An additional assessment for operations may be applied annually at the Foundation’s Board of Directors’ (the “Board”) discretion.

Estimates: The preparation of financial statements 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 2020. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to tax year 2016.

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

Reclassifications: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported change in net assets.

Note 2. Endowment

The Foundation's endowment consists of approximately 120 individual funds established for a variety of purposes related to the mission of the University. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

Interpretation of relevant law: The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets perpetual in nature (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment funds that is not classified in net assets perpetual in nature is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation's endowment spending policy.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance to the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions and were (\$558) as of June 30, 2020.

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.

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 endowment assets and to meet the spending needs of the University. To meet this investment objective, the Foundation has employed the investment strategy of diversifying within a modeled asset allocation range and reviewing the investment policy and performance regularly. The composition at any given time is depending upon a number of factors, including the amount available for investment and current market conditions.

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 2. Endowment (continued)

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of a three year rolling average of the market value of the Foundation’s endowments at year-end, less contributions received that year. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation’s policy to allow up to 5% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. Spending budgets were calculated at approximately \$1.44 million and \$2.05 million for fiscal years 2020 and 2021, respectively.

The following represents changes in endowment net assets for the fiscal year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,501,392	\$ 56,184,721	\$ 61,686,113
Total investment return	228,705	2,172,071	2,400,776
Contributions, including other income	-	3,723,964	3,723,964
Appropriations of endowment assets for expenditure	(457,697)	(1,967,694)	(2,425,391)
Change in value of split interest agreements	-	(37,150)	(37,150)
Other changes:			
Transfers	(691)	47,119	46,428
SIA	(8,307)	-	(8,307)
Endowment net assets, end of year	\$ 5,263,402	\$ 60,123,031	\$ 65,386,433

The following represents endowment net asset composition by type of fund, as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 35,371,226	\$ 35,371,226
Appreciation	5,263,402	24,752,363	30,015,765
Underwater endowments	-	(558)	(558)
Total funds	\$ 5,263,402	\$ 60,123,031	\$ 65,386,433

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 3. Long-Term Investments

The Foundation invests in a combination of stocks, fixed income securities, money market funds and other 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 assets, liabilities and net assets – modified cash basis.

Long-term investments consisted of the following at June 30:

	2020	
	Cost	Fair Value
BBH Long-Term Investment Pool	\$ 52,388,460	\$ 65,620,604
Life Income Funds	436,331	437,496
	<u>\$ 52,824,791</u>	<u>\$ 66,058,100</u>

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. 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)

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 4. Fair Value Measurement (continued)

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

	2020			
	Level 1	Level 2	Level 3	Total Fair Value
BBH Intermediate Investment Pool	\$ 1,509,496	\$ 497,070	\$ -	\$ 2,006,566
BBH Long-Term Investment Pool	19,156,626	8,269,115	38,194,863	65,620,604
Life Income Funds	-	437,496	-	437,496
Annuity Contract	-	-	130,162	130,162
Beneficial Interest in Life Insurance Policies	-	-	45,166	45,166
	<u>\$ 20,666,122</u>	<u>\$ 9,203,681</u>	<u>\$ 38,370,191</u>	<u>\$ 68,239,994</u>

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

	2020		
	BBH Long-Term Investment Pool	Annuity Contract	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 39,019,846	\$ -	\$ 45,535
Contributions	7,033,251	130,162	-
Realized gain	1,757,418	-	-
Unrealized gain/(loss)	423,659	-	(369)
Distributions	(10,039,311)	-	-
Ending balance	<u>\$ 38,194,863</u>	<u>\$ 130,162</u>	<u>\$ 45,166</u>

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

Intermediate Investments – A combination of cash and short term bonds valued at quoted market prices.

Long-Term Investments – A combination of cash, fixed income securities, exchange-traded equity and mutual funds valued at quoted at market prices. Alternative investments are measured by the net asset value provided by the investment company.

Life Income Funds – A combination of exchange-traded equity and fixed income securities valued at quoted market prices.

Annuity Contract – Valued using cash purchase price of contract less payments to date.

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.

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 5. Financial Assets and Liquidity Resources

The Foundation endowment funds consist of donor-designated endowments; income of which is restricted for specific purposes and, therefore, is not available for general expenditures. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As described in Note 2, the endowments have a spending rate of 4%. Approximately \$240,000 from unrestricted donor-designated endowments and approximately \$863,000 from assessment fees will be available within the next 12 months.

As of June 30, 2020, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, were as follows:

Total assets, less nonfinancial assets	\$ 68,361,589
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(35,371,226)
Subject to appropriation and satisfaction of donor restrictions	(31,374,748)
Total liabilities	<u>(483,732)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,131,883</u>

Note 6. Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities for which the Foundation is the 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, 2020 have asset balances of \$437,496.

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 \$483,732 at June 30, 2020. Payments from these funds were \$56,899 during the year ended June 30, 2020. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% 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 10% of the total value of the Foundation's CGA pool. As of June 30, 2020, the CGA reserve balance was \$9,120.

Note 7. Donated Facilities and Salaries

For the year ended June 30, 2020, \$56,000 of donated facilities and \$537,000 of donated salaries paid by the University for college development personnel were excluded from the accompanying financial statements.

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 8. Net Assets With Donor Restriction

Net assets with donor restriction were available for the following purposes at June 30:

	<u>2020</u>
Subject to expenditure for specified purpose:	
Scholarships and fellowships	\$ 1,266,520
Other	1,167,662
	<u>2,434,182</u>
Subject to passage of time:	
Assets held under split-interest agreements, net	(55,357)
Annuity contract	130,162
	<u>74,805</u>
Endowments:	
Subject to Foundation endowment spending policy and appropriation:	
Scholarships and fellowships	16,490,106
Wilson College of Textiles Endowment	16,596,873
Naming Opportunity Program Designated Purchases	4,023,213
Other	22,974,935
	<u>60,085,127</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 62,594,114</u></u>

The "Other" grouping includes amounts designated for general college support, general University support and funds with multiple purposes.

Note 9. Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions as restrictions were met via the passage of time or by incurring expenses satisfying the restricted purposes specified by donors as follows during the years ended June 30:

	<u>2020</u>
Scholarships and fellowships	\$ 1,017,227
Departmental support	1,068,980
Naming Opportunity Program Designated Purchases	152,204
Administrative and fundraising	755,814
	<u>\$ 2,994,225</u>

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 10. Functional Expense

The Foundation's primary program is to provide financial support to the various colleges within the University, the libraries, and other University-related functions at NC State University. Expenses by functional classification for the year ended June 30, 2020 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Management Support	Fundraising Support	
Grants	\$ 2,289,073	\$ 558,981	\$ 225,105	\$ 3,073,159
Accounting	-	45,257	-	45,257
Office Expenses	-	6,185	16,358	22,543
Travel	-	4,583	76,848	81,431
Conferences and Meetings	-	2,152	7,236	9,388
Depreciation	3,461	-	-	3,461
Insurance	-	6,274	-	6,274
Miscellaneous Services and Fees	137,421	7,019	14,055	158,495
Dues and Subscriptions	-	2,700	-	2,700
Supplies	-	8,199	-	8,199
Capital Transfers	152,204	-	-	152,204
Total	\$ 2,582,159	\$ 641,350	\$ 339,602	\$ 3,563,111

Grants include scholarships, fellowships and salary support. Miscellaneous Services and Fees include University Advancement's portion of gift assessments.

Note 11. COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19's effects on the Foundation's operational performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Foundation's operations. However, the pandemic could have a material adverse effect on the Foundation's results of operations, financial condition and cash flows.

Note 12. Prior Period Summarized Financial Information

The Financial Statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

North Carolina Textile Foundation, Inc.

Notes to Financial Statement – Modified Cash Basis
For the Year Ended June 30, 2020

Note 13. Prior Period Adjustments

As a result of an internal review of the Foundation's net asset classifications as of June 30, 2019, it was discovered that Net Assets without Donor Restrictions was overstated and Net Assets with Donor Restrictions was understated by an equal and opposite amount. Accordingly, the Foundation restated its results for the year ended June 30, 2019. The effect of the restatement was as follows and had no effect on total net assets.

	June 30, 2019					
	As previously reported			Restated		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
Net Assets - Beginning of Year	6,436,222	41,765,323	48,201,545	6,436,222	41,765,323	48,201,545
Change in Net Assets	12,600,198	2,116,926	14,717,124	(845,500)	15,562,624	14,717,124
Net Assets - End of Year	19,036,420	43,882,249	62,918,669	5,590,722	57,327,947	62,918,669

Note 14. Subsequent Events

The Foundation has evaluated subsequent events through February 8, 2021, the date which the financial statements were available to be issued, and there were none to report.

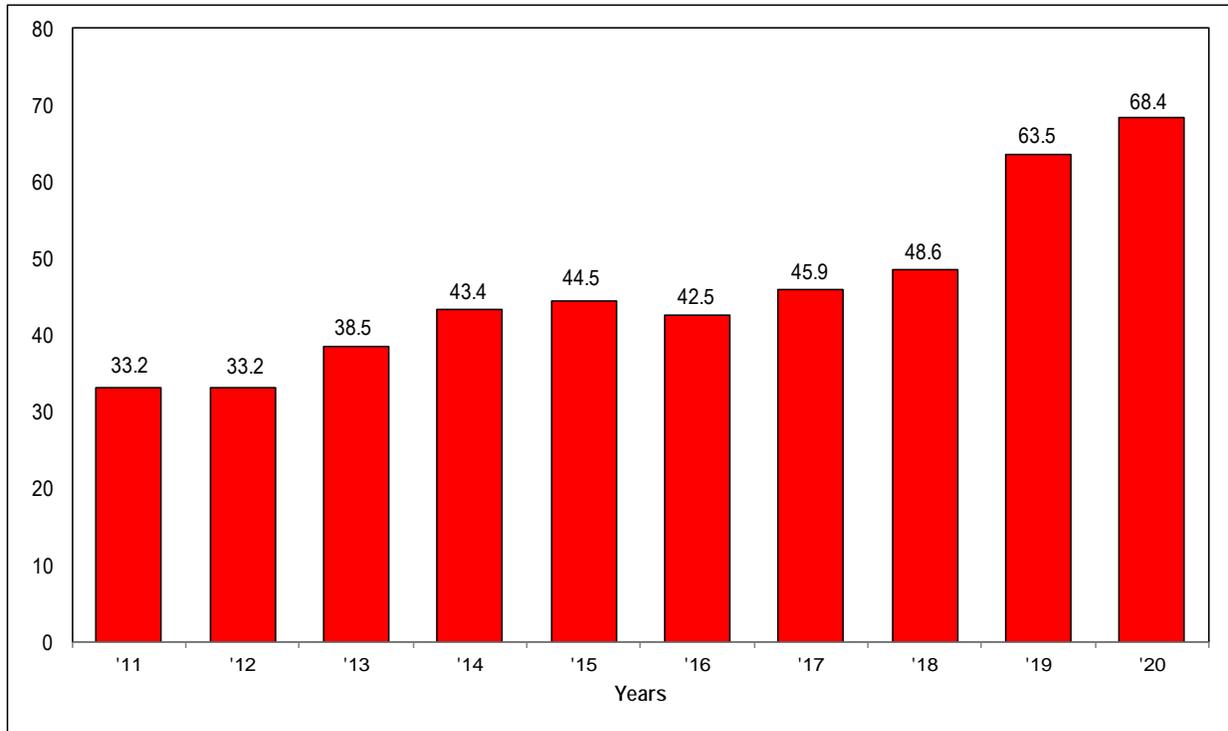
SUPPLEMENTARY INFORMATION

North Carolina Textile Foundation, Inc.

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

Total Assets

(Dollars in Millions)

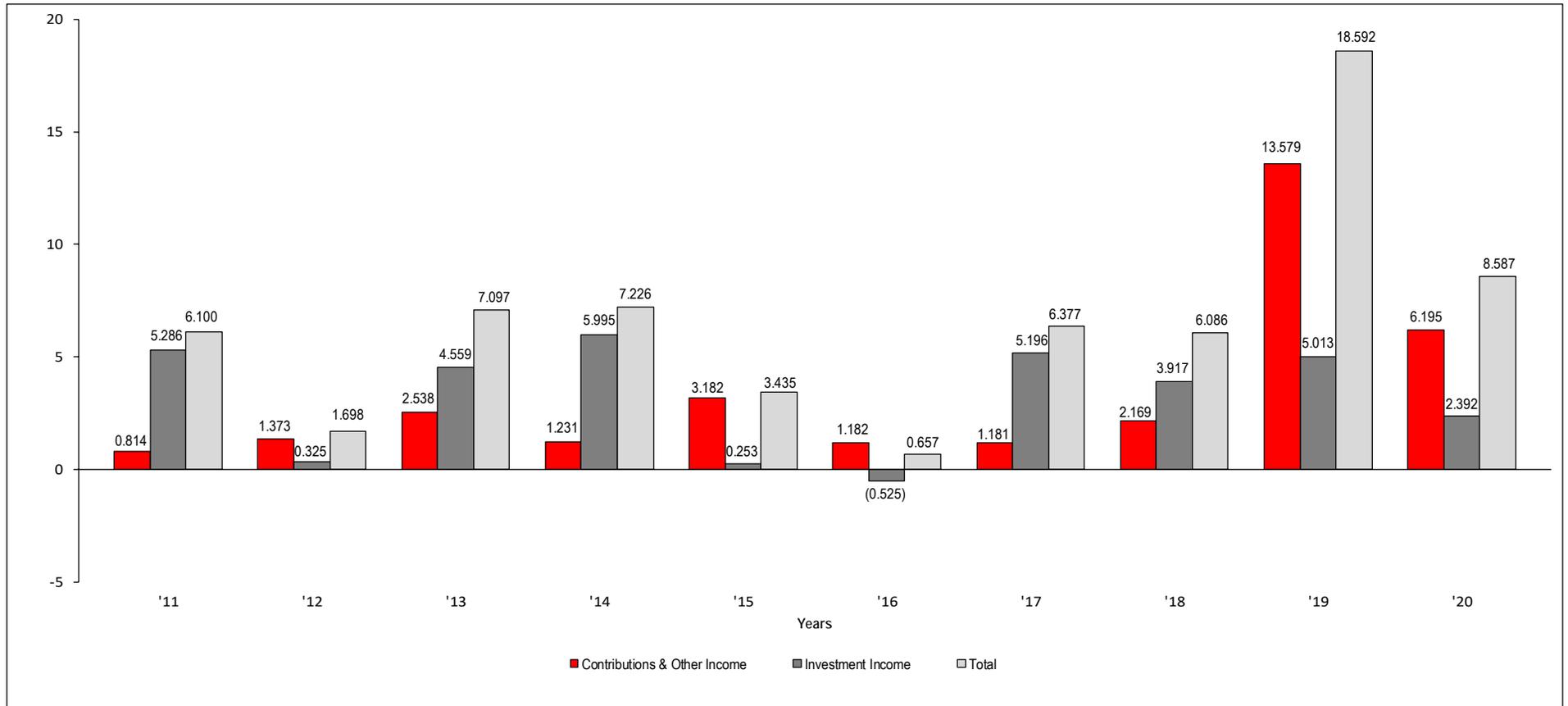


North Carolina Textile Foundation, Inc.

Ten Year Summary of Revenues - Unaudited
Years Ended June 30

Total Revenues, Gains, and Other Income

(Dollars in Millions)



North Carolina Textile Foundation, Inc.

Ten Year Summary of Support - Unaudited
Years Ended June 30

Total Support

(Dollars in Millions)

