

**NORTH CAROLINA VETERINARY MEDICAL
FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2015 and 2014

North Carolina Veterinary Medical Foundation, Inc.

**Financial Report
For the years ended June 30, 2015 and 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Carolina Veterinary Medical Foundation, Inc.
Raleigh, North Carolina

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Veterinary Medical 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 financial statements as a whole. The supplementary information on pages 20 through 23, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Dverman Pierce, LLP

Raleigh, North Carolina
October 9, 2015

North Carolina Veterinary Medical Foundation, Inc.

Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Note 1)	\$ 3,859,682	\$ 4,089,654
Intermediate investments (Note 1)	3,028,239	2,468,064
Long-term investments (Notes 1 and 3)	48,929,674	43,613,605
Pledges receivable (Notes 1 and 6)	17,374,599	280,733
Receivables from University-associated entities (Note 1)	1,657	1,466
Other assets (Note 1)	107,095	106,693
Total assets	\$ 73,300,946	\$ 50,560,215
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable - North Carolina State University (Note 1)	\$ 40,637	\$ 31,355
Life income funds payable (Note 5)	789,991	833,072
Due to others (Note 1)	22,550	23,112
Total liabilities	853,178	887,539
Net Assets:		
Unrestricted:		
Undesignated	2,874,483	2,289,316
Board-designated - endowments (Note 2)	30,041,295	28,427,216
Temporarily restricted (Note 8)	8,668,957	8,267,879
Permanently restricted (Note 9)	30,863,033	10,688,265
Total net assets	72,447,768	49,672,676
Total liabilities and net assets	\$ 73,300,946	\$ 50,560,215

See Notes to Financial Statements.

North Carolina Veterinary Medical Foundation, Inc.

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions	\$ 1,037,354	\$ 803,350	\$ 3,027,443	\$ 4,868,147
Change in pledges receivable	-	(93,110)	17,186,976	17,093,866
Donated services, salaries, and facilities (Note 7)	436,000	-	-	436,000
Change in value of split interest agreements	-	-	(68,994)	(68,994)
Net investment income	2,607,587	1,185,888	33,623	3,827,098
Interest and dividends	69,051	11,726	26,971	107,748
Other income	603	18,814	-	19,417
Net assets released from restrictions (Note 10)	2,448,288	(2,448,288)	-	-
Total revenues, gains, and other income	6,598,883	(521,620)	20,206,019	26,283,282
Grants to support the University:				
Program:				
Scholarships and fellowships	392,815	-	-	392,815
Faculty support and professorships	455,182	-	-	455,182
Departmental support	407,180	-	-	407,180
Terry Hospital Debt Service	1,003,759	-	-	1,003,759
Other current services	153,520	-	-	153,520
Total program support	2,412,456	-	-	2,412,456
Administrative	127,952	-	-	127,952
Fundraising	624,984	-	-	624,984
Total other support	752,936	-	-	752,936
Total support	3,165,392	-	-	3,165,392
Excess of revenues, gains, and other income over total support	3,433,491	(521,620)	20,206,019	23,117,890
Net transfers:				
To other University-associated entities	-	(175,298)	(167,500)	(342,798)
Among funds (Note 11)	(1,234,245)	1,097,996	136,249	-
Total net transfers	(1,234,245)	922,698	(31,251)	(342,798)
Change in net assets	2,199,246	401,078	20,174,768	22,775,092
Net assets:				
Beginning	30,716,532	8,267,879	10,688,265	49,672,676
Ending	\$ 32,915,778	\$ 8,668,957	\$ 30,863,033	\$ 72,447,768

See Notes to Financial Statements.

North Carolina Veterinary Medical Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other income:				
Contributions	\$ 3,060,037	\$ 1,145,034	\$ 103,669	\$ 4,308,740
Change in pledges receivable	-	(180,524)	475	(180,049)
Donated services, salaries, and facilities (Note 7)	370,000	-	-	370,000
Change in value of split interest agreements	-	-	(93,842)	(93,842)
Net investment income	3,830,586	1,966,196	42,619	5,839,401
Interest and dividends	51,929	5,890	26,212	84,031
Other income	1,886	51,014	-	52,900
Net assets released from restrictions (Note 10)	2,377,314	(2,377,314)	-	-
Total revenues, gains, and other income	9,691,752	610,296	79,133	10,381,181
Grants to support the University:				
Program:				
Scholarships and fellowships	365,624	-	-	365,624
Faculty support and professorships	268,835	-	-	268,835
Departmental support	395,167	-	-	395,167
Terry Hospital Debt Service	1,003,759	-	-	1,003,759
Other current services	204,400	-	-	204,400
Total program support	2,237,785	-	-	2,237,785
Administrative	126,252	-	-	126,252
Fundraising	594,537	-	-	594,537
Total other support	720,789	-	-	720,789
Total support	2,958,574	-	-	2,958,574
Excess of revenues, gains, and other income over total support	6,733,178	610,296	79,133	7,422,607
Net transfers:				
From other University-associated entities	600	225	700	1,525
Among funds (Note 11)	(951,426)	935,856	15,570	-
Total net transfers	(950,826)	936,081	16,270	1,525
Change in net assets	5,782,352	1,546,377	95,403	7,424,132
Net assets:				
Beginning	24,934,180	6,721,502	10,592,862	42,248,544
Ending	\$ 30,716,532	\$ 8,267,879	\$ 10,688,265	\$ 49,672,676

See Notes to Financial Statements.

North Carolina Veterinary Medical Foundation, Inc.

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

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 22,775,092	\$ 7,424,132
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net investment gains	(3,827,098)	(5,839,401)
Contributions restricted for permanent endowment	(3,027,443)	(103,669)
Investment income restricted for split interest agreements	(26,971)	(26,212)
Actuarial change in value of split interest agreements	68,994	93,842
(Increase) decrease in :		
Pledges receivable	(17,093,866)	180,049
Receivables from University-associated entities	(191)	(805)
Other assets	(402)	(386)
Increase (decrease) in:		
Accounts payable - North Carolina State University	9,282	14,182
Accounts payable	-	(15,750)
Due to others	(1,520)	1,520
Net cash (used in) provided by operating activities	(1,124,123)	1,727,502
Cash Flows From Investing Activities:		
Proceeds from sales of investments	3,711,079	1,342,381
Purchases of investments	(5,760,225)	(1,158,452)
Net cash (used in) provided by investing activities	(2,049,146)	183,929
Cash Flows From Financing Activities:		
Contributions restricted for permanent endowment	3,027,443	103,669
Investment income restricted for split interest agreements	26,971	26,212
Payments on life income fund obligations	(111,117)	(110,174)
Proceeds from life income fund obligations	-	14,970
Net cash provided by financing activities	2,943,297	34,677
Net (decrease) increase in cash and cash equivalents	(229,972)	1,946,108
Cash and cash Equivalents		
Beginning	4,089,654	2,143,546
Ending	\$ 3,859,682	\$ 4,089,654
Supplemental Disclosures of Noncash Activities		
Donated services, salaries, and facilities	\$ 436,000	\$ 370,000
Transfers among funds	\$ 1,234,245	\$ 951,426

See Notes to Financial Statements.

North Carolina Veterinary Medical Foundation, Inc.

Notes to 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 Veterinary Medical 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, established in 1978, provides financial support for all types of education and research in the field of veterinary medicine at North Carolina State University.

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

Basis of accounting and presentation: The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In preparing its financial statements, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

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

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

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

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

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

Intermediate investments: Intermediate investments consist of 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 are reported at readily determinable fair values of \$3,028,239 and \$2,468,064 at June 30, 2015 and 2014, respectively. The cost of these investments was \$3,356,123 and \$2,770,136 as of June 30, 2015 and 2014, respectively.

North Carolina Veterinary Medical Foundation, Inc.

**Notes to 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 ("Board"), invests with the NC State Investment Fund, Inc. Long Term Investment Pool (the "LTIP"). In addition, the Foundation has planned giving instruments invested with Wells Fargo.

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

Receivable from University-associated entities: Receivable from University-associated entities consists of amounts due to the Foundation from the University and other University-associated Foundations.

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 values less any loans outstanding on the policies. Cash surrender values of these policies were \$12,600 and \$12,198 at June 30, 2015 and June 30, 2014, respectively. Also included in other assets is nondepreciable artwork totaling \$94,495 at June 30, 2015 and 2014.

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 and totaled \$40,637 and \$31,355 at June 30, 2015 and 2014, respectively.

Accounts payable: Accounts payable represents trade payables due to vendors.

Due to others: Due to others at June 30, 2015 and 2014 consists of \$22,550 and \$23,112, respectively, due to remainder beneficiaries of life income funds.

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 statements of activities.

The University has a gift assessment program that supports Central Development and college-level fund-raising 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 fund-raising entity receiving the gift.

North Carolina Veterinary Medical Foundation, Inc.

Notes to Financial Statements

For the years ended June 30, 2015 and 2014

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

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 \$174,832 and \$146,731 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 0.25% 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 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 Internal Revenue Service. 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 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 Financial Statements
For the years ended June 30, 2015 and 2014

Note 2. Endowment

The Foundation's endowment consists of approximately 130 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation's Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

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

Investment return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP in a manner that is intended to produce results that exceed a 70% MCSI ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, many newer 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 \$407,835 and \$426,055 for fiscal years 2015 and 2016, respectively.

North Carolina Veterinary Medical Foundation, Inc.

Notes to 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	\$ 28,524,973	\$ 4,401,314	\$ 10,688,265	\$ 43,614,552
Total investment return	2,638,193	1,171,638	60,594	3,870,425
Contributions, including change in accrued pledges and other income	-	450	20,214,419	20,214,869
Appropriations of endowment assets for expenditure	(33,790)	(472,935)	-	(506,725)
Change in value of split interest agreements	-	-	(68,994)	(68,994)
Other changes:				
Transfers	(975,277)	-	(31,251)	(1,006,528)
Endowment net assets, end of year	\$ 30,154,099	\$ 5,100,467	\$ 30,863,033	\$ 66,117,599

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	\$ 30,041,295	\$ -	\$ -	\$ 30,041,295
Donor restricted endowment funds	112,804	5,100,467	30,863,033	36,076,304
Total funds	\$ 30,154,099	\$ 5,100,467	\$ 30,863,033	\$ 66,117,599

North Carolina Veterinary Medical Foundation, Inc.

**Notes to 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	\$ 24,662,414	\$ 2,930,030	\$ 10,592,862	\$ 38,185,306
Total investment return	3,824,927	1,917,859	68,831	5,811,617
Contributions, including change in accrued pledges and other income	1,000,000	475	104,144	1,104,619
Appropriations of endowment assets for expenditure	(32,605)	(447,050)	-	(479,655)
Change in value of split interest agreements	-	-	(93,842)	(93,842)
Other changes:				
Transfers	(929,763)	-	16,270	(913,493)
Endowment net assets, end of year	<u>\$ 28,524,973</u>	<u>\$ 4,401,314</u>	<u>\$ 10,688,265</u>	<u>\$ 43,614,552</u>

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	\$ 28,427,216	\$ -	\$ -	\$ 28,427,216
Donor restricted endowment funds	97,757	4,401,314	10,688,265	15,187,336
Total funds	<u>\$ 28,524,973</u>	<u>\$ 4,401,314</u>	<u>\$ 10,688,265</u>	<u>\$ 43,614,552</u>

North Carolina Veterinary Medical Foundation, Inc.

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

Note 3. Long-Term Investments

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

Long-term investments at June 30, 2015 and 2014 consisted of:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 32,725	\$ 32,725	\$ 2,961	\$ 2,961
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	32,544,038	47,124,910	30,639,234	41,732,444
Wells Fargo - Life Income Funds	1,613,787	1,772,039	1,664,538	1,878,200
	<u>\$ 34,190,550</u>	<u>\$ 48,929,674</u>	<u>\$ 32,306,733</u>	<u>\$ 43,613,605</u>

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 7.0% of the member equity of the LTIP at June 30, 2015 and 2014.

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 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 Veterinary Medical Foundation, Inc.

Notes to 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	\$ 32,725	\$ -	\$ -	\$ 32,725
commonfund Intermediate Term Fund	-	2,452,273	-	2,452,273
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	575,966	-	575,966
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	47,124,910	47,124,910
Wells Fargo - Life Income Funds	-	1,772,039	-	1,772,039
Beneficial Interest in Life Insurance Policies	-	-	12,600	12,600
	\$ 32,725	\$ 4,800,278	\$ 47,137,510	\$ 51,970,513

	2014			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 2,961	\$ -	\$ -	\$ 2,961
commonfund Intermediate Term Fund	-	2,468,064	-	2,468,064
NC State Investment Fund, Inc. Long Term Investment Pool (LTIP)	-	-	41,732,444	41,732,444
Wells Fargo - Life Income Funds	-	1,878,200	-	1,878,200
Beneficial Interest in Life Insurance Policies	-	-	12,198	12,198
	\$ 2,961	\$ 4,346,264	\$ 41,744,642	\$ 46,093,867

North Carolina Veterinary Medical Foundation, Inc.

Notes to 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	
	Beneficial Interest		Beneficial Interest	
	NC State Investment Fund, Inc. LTIP	in Life Insurance Policies	NC State Investment Fund, Inc. LTIP	in Life Insurance Policies
Beginning balance	\$ 41,732,444	\$ 12,198	\$ 36,189,041	\$ 11,812
Participant additions	4,365,000	-	1,035,000	-
Investment income	14,642	-	20,376	-
Realized gains	562,348	-	494,422	-
Unrealized appreciation	3,487,662	402	5,289,566	386
Participant withdrawals	(2,862,971)	-	(1,149,230)	-
Expenses	(174,215)	-	(146,731)	-
Ending balance	\$ 47,124,910	\$ 12,600	\$ 41,732,444	\$ 12,198

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

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

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

NC State Investment Fund, Inc. 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.

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

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

North Carolina Veterinary Medical Foundation, Inc.

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

Note 5. Life Income Funds

The 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 \$1,772,039 and \$1,878,200 respectively.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreement, and the life expectancy of the beneficiaries, and totaled \$789,991 and \$833,072 at June 30, 2015 and 2014, respectively. Payments from these funds were \$111,117 and \$110,174 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 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 \$3,832 and \$2,595, respectively.

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 1.68% for June 2015, and are as follows at June 30:

	2015	2014
Receivable in less than one year	\$ 3,274,847	\$ 162,248
Receivable in one to five years	14,718,273	127,723
Receivable in greater than five years	-	10,000
Total gross pledges receivable	<u>17,993,120</u>	<u>299,971</u>
Less allowance for uncollectible pledges	(260,000)	(15,000)
Less unamortized discount	(358,521)	(4,238)
Net pledges receivable	<u>\$ 17,374,599</u>	<u>\$ 280,733</u>

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 the Foundation is reasonably assured of collecting. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

Two donors represent approximately \$17.4 million of the total discounted pledge receivable at June 30, 2015.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 7. Donated Services, Salaries, and Facilities

Donated services and facilities of approximately \$90,000 and \$87,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the financial statements for services and facilities provided by the University Treasurer's Division. In addition, donated salaries paid by the University for college development personnel of approximately \$346,000 and \$283,000 for the years ended June 30, 2015 and 2014, respectively, have been reflected in the financial statements.

Note 8. Temporarily Restricted Net Assets

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

	2015	2014
Scholarships	\$ 279,646	\$ 269,750
Fellowships	79,383	63,750
Professorships	37,088	29,298
Research support	1,311,708	1,422,157
Terry Center Equipment Fund	1,360,431	1,359,861
Endowment cumulative balance	5,100,467	4,401,314
Other	500,234	721,749
	\$ 8,668,957	\$ 8,267,879

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

North Carolina Veterinary Medical Foundation, Inc.

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

Note 9. 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:		
General Fund enhancement	\$ 972,771	\$ 921,348
Scholarships	12,599,573	9,692,931
Fellowships	400,264	382,640
Professorships	275,527	484,041
Research support	2,080,123	1,332,553
Pledges receivable	17,187,925	947
Randall B. Terry Charitable Foundation	29,352,246	27,699,740
Randall B. Terry Charitable Foundation - reported as unrestricted board-designated net assets	(29,352,246)	(27,699,740)
Other amounts reported as unrestricted net assets	(801,853)	(825,233)
Cumulative earnings reported as temporarily restricted net assets	(5,100,467)	(4,401,314)
Other	3,249,170	3,100,352
	\$ 30,863,033	\$ 10,688,265

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

Note 10. 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	\$ 319,475	\$ 274,205
Fellowships	2,158	500
Research support	603,935	226,996
Terry Hospital debt service	975,277	929,763
Other	547,443	945,850
	\$ 2,448,288	\$ 2,377,314

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

North Carolina Veterinary Medical Foundation, Inc.

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

Note 11. 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 amount, 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 among funds were \$136,249 and \$15,570, respectively.

Note 12. Prior Year Reclassifications

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

Note 13. Subsequent Events

The Foundation has evaluated subsequent events through October 9, 2015, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina Veterinary Medical Foundation, Inc.

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

	Budget	Actual	Variance
Income:			
Contributions:			
All Gifts Great and Small	\$ 140,000	\$ 144,468	\$ 4,468
Pet in Memoriam	6,500	8,237	1,737
Annual Fund	25,000	22,718	(2,282)
Interest and dividends	50,000	60,045	10,045
Endowment assessment	24,505	24,505	-
Gallop of Honor	6,000	6,669	669
Walk of Honor	40,000	45,132	5,132
Endowment Spending Budget	14,960	14,960	-
Total income	306,965	326,734	19,769
Foundation administration	257,737	281,094	23,357
Commonfund Intermediate Fund loss	34,072	34,072	-
Total support	291,809	315,166	23,357
Income less support	15,156	11,568	(3,588)
General fund balance:			
Beginning	532,509	532,509	-
Ending	\$ 547,665	\$ 544,077	\$ (3,588)

North Carolina Veterinary Medical Foundation, Inc.

General Fund Budget vs. Actual - Unaudited
Year Ended June 30, 2014

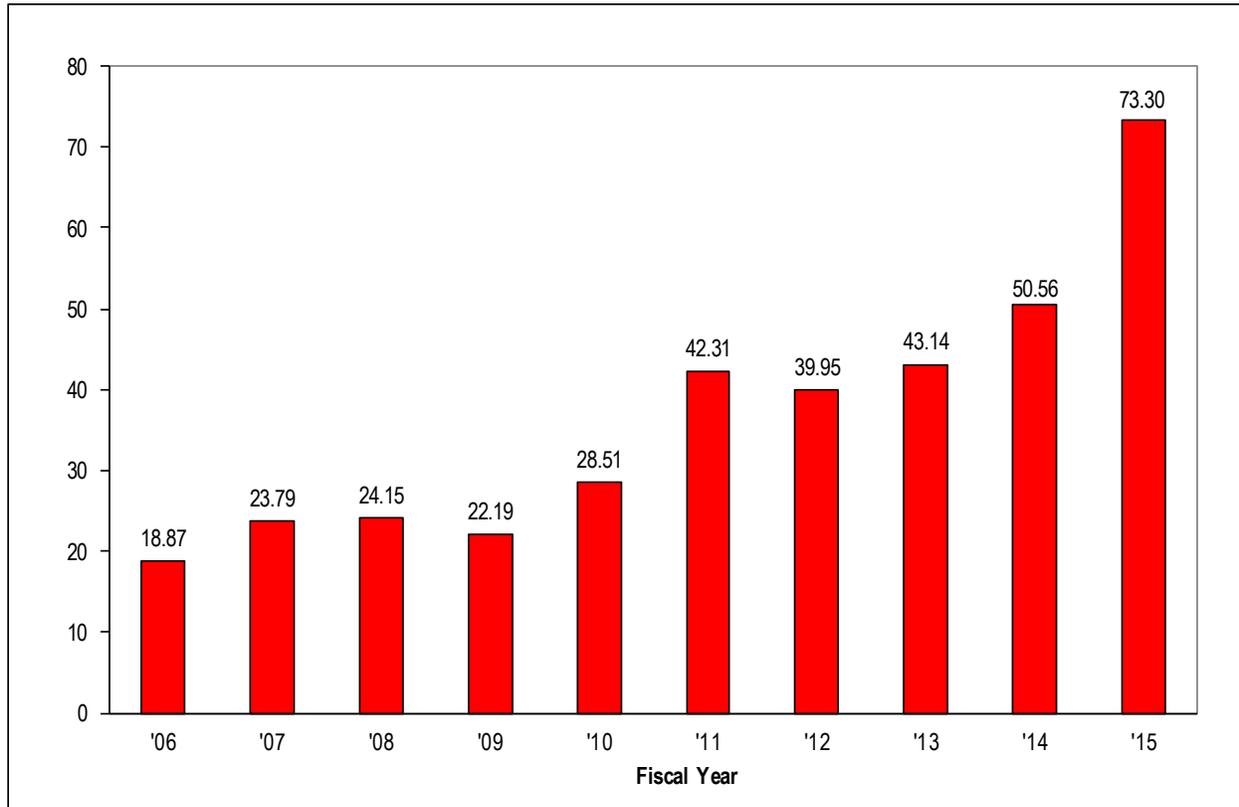
	Budget	Actual	Variance
Income:			
Contributions:			
All Gifts Great and Small	\$ 135,000	\$ 131,576	\$ (3,424)
Pet in Memoriam	15,000	10,103	(4,897)
Annual Fund	25,000	30,625	5,625
Interest and dividends	32,000	36,228	4,228
Endowment assessment	20,285	20,285	-
Gallop of Honor	5,000	4,610	(390)
Walk of Honor	50,000	44,108	(5,892)
Endowment Spending Budget	14,895	14,895	-
Total income	297,180	292,430	(4,750)
Support:			
Program support:			
Public Relations	-	274	274
Equine Health Program	3,000	1,842	(1,158)
Total program support	3,000	2,116	(884)
Foundation administration	285,680	208,051	(77,629)
Commonfund Intermediate Fund loss	-	82,263	82,263
Total support	288,680	292,430	3,750
Income less support	8,500	-	(8,500)
General fund balance:			
Beginning	532,509	532,509	-
Ending	\$ 541,009	\$ 532,509	\$ (8,500)

North Carolina Veterinary Medical Foundation, Inc.

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

Total Assets*

(Dollars in Millions)



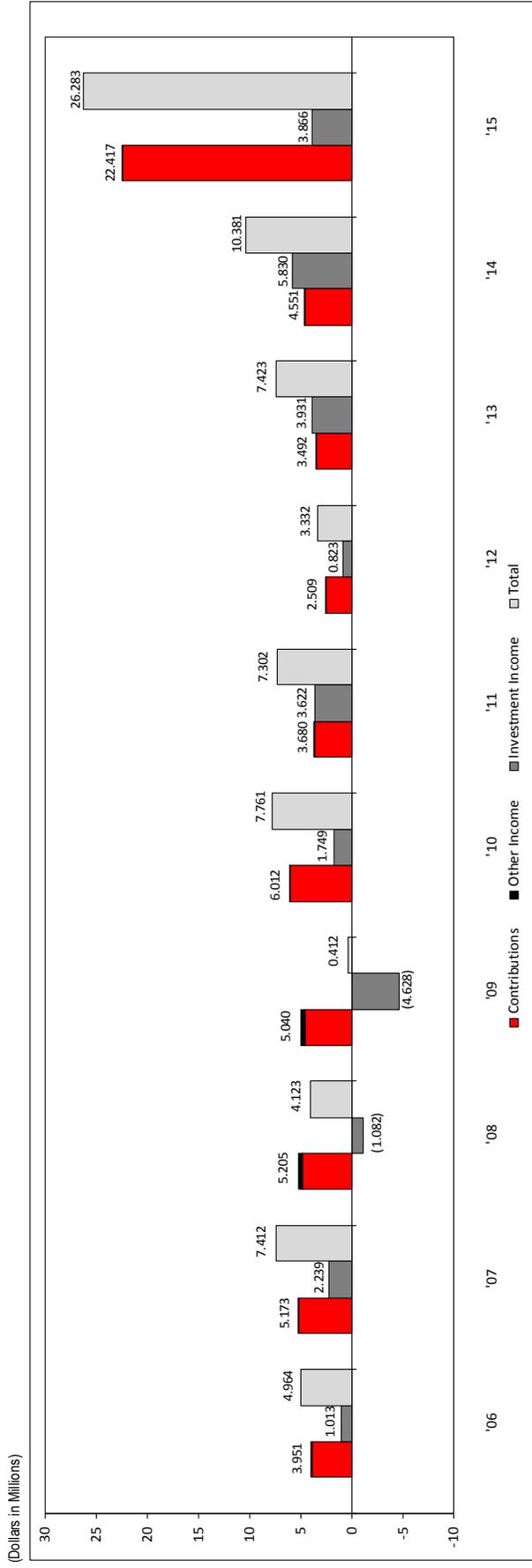
*Fiscal years 2011 - 2015 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

*Not reflected above for FY '15 are gifts-in-kind of \$1,233,557 which benefit the College of Veterinary Medicine. These gifts were received due to the efforts of Foundation members and the College Development Staff.

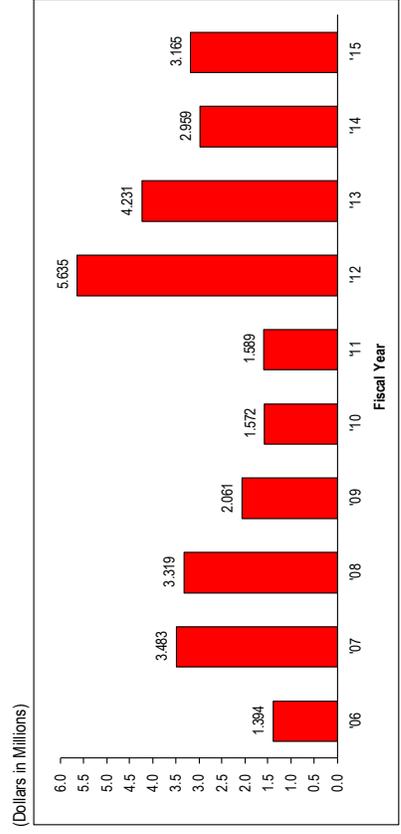
North Carolina Veterinary Medical Foundation, Inc.

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

Total Revenues, Gains, and Other Income*



Total Support*



*Fiscal years 2011 - 2015 are reported using actual basis of accounting; preceding years are reported using modified cash basis.

OTHER INFORMATION



Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

October 9, 2015

To the Board of Directors
North Carolina Veterinary Medical Foundation, Inc.
Raleigh, North Carolina

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. 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 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 9, 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 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 Matters

This information is intended solely for the use of the Board of Directors and management of North Carolina Veterinary Medical 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 Veterinary Medical Foundation, Inc.

Williams Dverman Pierce, LLP