

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

**FINANCIAL REPORT**

**JUNE 30, 2019 and 2018**

**North Carolina Veterinary Medical Foundation, Inc.**  
**Financial Report**  
**For the Years Ended June 30, 2019 and 2018**

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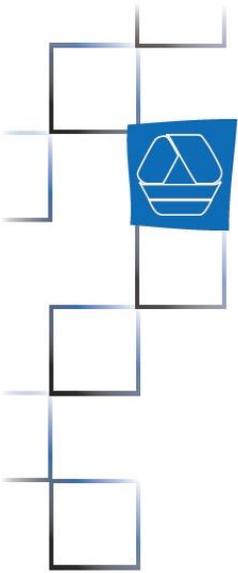
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of North Carolina Veterinary Medical Foundation, Inc. (the "Foundation"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year 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 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 financial position of North Carolina Veterinary Medical Foundation, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Information***

The 2018 financial statements of the Foundation were audited by other auditors, whose report dated October 24, 2018 expressed an unmodified opinion on those statements.

### ***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 20 through 22, 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*

Raleigh, North Carolina  
October 4, 2019

North Carolina Veterinary Medical Foundation, Inc.

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 7,757,977	\$ 8,027,879
Intermediate investments (Note 1)	2,987,334	2,938,574
Long-term investments (Notes 1 and 3)	76,255,619	69,950,274
Pledges receivable, net (Notes 1 and 7)	317,787	3,751,570
Other assets (Note 1)	121,134	108,948
<b>Total Assets</b>	<b>\$ 87,439,851</b>	<b>\$ 84,777,245</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable - North Carolina State University (Note 1)	\$ 45,287	\$ 16,180
Life income funds payable (Note 6)	528,832	893,663
Due to others (Note 1)	27,538	27,022
<b>Total Liabilities</b>	<b>601,657</b>	<b>936,865</b>
<b>Net Assets</b>		
Without Donor Restrictions:		
Undesignated	1,784,280	3,367,012
Board-designated - endowments (Note 2)	34,713,156	33,411,310
With Donor Restrictions:		
Perpetual in nature (Note 9)	32,051,509	31,306,393
Purpose restricted (Note 9)	18,289,249	15,755,665
<b>Total Net Assets</b>	<b>86,838,194</b>	<b>83,840,380</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 87,439,851</b>	<b>\$ 84,777,245</b>

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 1,147,990	\$ 7,828,610	\$ 8,976,600
Change in pledges receivable, net (Note 7)	-	(3,433,783)	(3,433,783)
Donated services, salaries, and facilities (Note 8)	347,000	-	347,000
Change in value of split interest agreements	-	501,092	501,092
Net investment income	2,391,096	2,800,051	5,191,147
Interest and dividends	213,201	52,344	265,545
Other income	-	12,675	12,675
Net assets released from restrictions (Note 10)	3,577,185	(3,577,185)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>7,676,472</b>	<b>4,183,804</b>	<b>11,860,276</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	850,951	-	850,951
Faculty support and professorships	378,354	-	378,354
Departmental support	3,019,828	-	3,019,828
Terry Hospital debt service	1,003,759	-	1,003,759
Facility support	1,826,551	-	1,826,551
<b>Total Program Support</b>	<b>7,079,443</b>	<b>-</b>	<b>7,079,443</b>
Administrative	145,723	-	145,723
Fundraising	637,296	-	637,296
<b>Total Other Support</b>	<b>783,019</b>	<b>-</b>	<b>783,019</b>
<b>Total Support (Note 11)</b>	<b>7,862,462</b>	<b>-</b>	<b>7,862,462</b>
<b>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(185,990)</b>	<b>4,183,804</b>	<b>3,997,814</b>
<b>Net Transfers</b>			
To the Endowment Fund of NC State University	-	(1,000,000)	(1,000,000)
Among funds	(94,896)	94,896	-
<b>Total Net Transfers</b>	<b>(94,896)</b>	<b>(905,104)</b>	<b>(1,000,000)</b>
<b>Change in Net Assets</b>	<b>(280,886)</b>	<b>3,278,700</b>	<b>2,997,814</b>
<b>Net Assets</b>			
Beginning of year	36,778,322	47,062,058	83,840,380
End of year	\$ 36,497,436	\$ 50,340,758	\$ 86,838,194

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 1,115,497	\$ 7,898,925	\$ 9,014,422
Change in pledges receivable, net (Note 7)	-	(4,734,369)	(4,734,369)
Donated services, salaries, and facilities (Note 8)	324,000	-	324,000
Change in value of split interest agreements	-	(93,444)	(93,444)
Net investment income	3,508,025	3,377,792	6,885,817
Interest and dividends	150,892	50,411	201,303
Other income	-	28,567	28,567
Net assets released from restrictions (Note 10)	1,694,353	(1,694,353)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>6,792,767</b>	<b>4,833,529</b>	<b>11,626,296</b>
<b>Grants to Support the University</b>			
<b>Program:</b>			
Scholarships and fellowships	552,163	-	552,163
Faculty support and professorships	307,013	-	307,013
Departmental support	818,966	-	818,966
Terry Hospital debt service	1,003,759	-	1,003,759
Facility support	68,553	-	68,553
<b>Total Program Support</b>	<b>2,750,454</b>	<b>-</b>	<b>2,750,454</b>
Administrative	136,281	-	136,281
Fundraising	625,481	-	625,481
<b>Total Other Support</b>	<b>761,762</b>	<b>-</b>	<b>761,762</b>
<b>Total Support (Note 11)</b>	<b>3,512,216</b>	<b>-</b>	<b>3,512,216</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>3,280,551</b>	<b>4,833,529</b>	<b>8,114,080</b>
<b>Net Transfers</b>			
To the Endowment Fund of NC State University	-	(255,904)	(255,904)
Among funds	(129,404)	129,404	-
<b>Total Net Transfers</b>	<b>(129,404)</b>	<b>(126,500)</b>	<b>(255,904)</b>
<b>Change in Net Assets</b>	<b>3,151,147</b>	<b>4,707,029</b>	<b>7,858,176</b>
<b>Net Assets</b>			
Beginning of year	33,627,175	42,355,029	75,982,204
End of year	<b>\$ 36,778,322</b>	<b>\$ 47,062,058</b>	<b>\$ 83,840,380</b>

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 2,997,814	\$ 7,858,176
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net investment income	(5,191,147)	(6,885,817)
Contributions restricted for permanent endowment	(4,412,845)	(5,361,634)
Investment income restricted for split interest agreements	(30,122)	(20,348)
Change in value of split interest agreements	(501,608)	90,137
Change in value of split interest agreements due to others	516	3,307
Decrease (increase) in:		
Pledges receivable, net	3,433,783	4,734,369
Other assets	(12,186)	12,143
Increase (decrease) in:		
Accounts payable - North Carolina State University	29,107	5,857
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(3,686,688)</b>	<b>436,190</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	4,175,376	2,800,244
Purchases of investments	(5,338,334)	(5,695,106)
<b>Net Cash Used in Investing Activities</b>	<b>(1,162,958)</b>	<b>(2,894,862)</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	4,412,845	5,361,634
Investment income restricted for split interest agreements	30,122	20,348
Payments on life income fund obligations	(127,079)	(110,358)
Proceeds from life income fund obligations	263,856	-
<b>Net Cash Provided by Financing Activities</b>	<b>4,579,744</b>	<b>5,271,624</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(269,902)</b>	<b>2,812,952</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	8,027,879	5,214,927
End of year	<b>\$ 7,757,977</b>	<b>\$ 8,027,879</b>
<b>Supplemental Disclosures of Noncash Activities:</b>		
Donated services, salaries, and facilities	<b>\$ 347,000</b>	<b>\$ 324,000</b>

See notes to financial statements.

## North Carolina Veterinary Medical Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2019 and 2018

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#### 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 provide 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:

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 date 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 the State Treasurer's Short-Term Investment Fund (the "STIF") and TowneBank. 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 \$2,987,334 and \$2,938,574 at June 30, 2019 and 2018, respectively. The cost of these investments was \$3,324,620 and \$3,328,631 as of June 30, 2019 and 2018, respectively.

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"). In addition, the Foundation has planned giving instruments invested with TIAA Kaspick.

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.

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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

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 value, less any loans outstanding on the policies. Cash surrender values of these policies were \$14,399 and \$13,798 at June 30, 2019 and 2018, respectively. Other assets also includes unsettled stock proceeds and nondepreciable artwork totaling \$106,735 and \$94,495 at June 30, 2019 and 2018, respectively.

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

Due to others: Due to others includes amounts 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, 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 activities.

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For fiscal years ending 2019 and 2018, 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. Earnings from investments are net of investment fees of approximately \$325,000 and \$293,000 for the years ended June 30, 2019 and 2018, 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 is assessed on the average twenty-quarter market value of assets held in the endowment investment portfolio. For fiscal years ending 2019 and 2018, the annual fee was 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts.

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 2019 and 2018. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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

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 not 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, 2019, 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 tax year 2015.

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation with no effect on previously reported net assets. Additional amounts have been reclassified to conform to the ASU 2016-14 presentation resulting in the following changes to net assets.

	<b>ASU 2016-14 Classifications</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets, as previously presented:			
Unrestricted:			
Undesignated	\$ 3,367,012	\$ -	\$ 3,367,012
Board-designated endowments	33,411,310	-	33,411,310
Temporarily restricted	-	15,755,665	15,755,665
Permanently restricted	-	31,306,393	31,306,393
Total Net Assets	<u>\$ 36,778,322</u>	<u>\$ 47,062,058</u>	<u>\$ 83,840,380</u>

**Note 2. Endowment**

The Foundation's endowment consists of approximately 150 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. 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 endowments 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 are not classified in net assets perpetual in nature are classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation's endowment spending policy.

## North Carolina Veterinary Medical Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2019 and 2018

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#### Note 2. Endowment (continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (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. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. Deficiencies of this nature are reported in net assets with donor restrictions and were (\$2,237) and \$0 as of June 30, 2019 and 2018, respectively.

Investment return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the 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, 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 15% 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. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$956,580 and \$1,198,240 for fiscal years 2019 and 2020, respectively.

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.

North Carolina Veterinary Medical Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018

**Note 2. Endowment (continued)**

The following represents changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 33,550,287	\$ 38,992,219	\$ 72,542,506
Total investment return	2,353,253	2,851,471	5,204,724
Contributions, including change in accrued pledges and other income	-	933,835	933,835
Appropriations of endowment assets for expenditure	(1,043,114)	(1,530,095)	(2,573,209)
Change in value of split interest agreements	-	501,092	501,092
Other changes:			-
Transfers	-	(878,539)	(878,539)
<b>Endowment net assets, end of year</b>	<b>\$ 34,860,426</b>	<b>\$ 40,869,983</b>	<b>\$ 75,730,409</b>

The following represents endowment net asset composition by type of fund, as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Donor-designated endowment funds:</b>			
Corpus	\$ -	\$ 32,051,509	\$ 32,051,509
Appreciation	147,270	8,820,711	8,967,981
Underwater	-	(2,237)	(2,237)
<b>Board-designated endowment funds</b>	<b>34,713,156</b>	<b>-</b>	<b>34,713,156</b>
<b>Total funds</b>	<b>\$ 34,860,426</b>	<b>\$ 40,869,983</b>	<b>\$ 75,730,409</b>

The following represents changes in endowment net assets for the fiscal year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 31,031,611	\$ 36,324,293	\$ 67,355,904
Total investment return	3,562,416	3,427,701	6,990,117
Contributions, including change in accrued pledges and other income	-	698,217	698,217
Appropriations of endowment assets for expenditure	(1,043,740)	(1,213,916)	(2,257,656)
Change in value of split interest agreements	-	(93,444)	(93,444)
Other changes:			-
Transfers	-	(150,632)	(150,632)
<b>Endowment net assets, end of year</b>	<b>\$ 33,550,287</b>	<b>\$ 38,992,219</b>	<b>\$ 72,542,506</b>

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**Note 2. Endowment (continued)**

The following represents endowment net asset composition by type of fund, as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 31,306,393	\$ 31,306,393
Appreciation	138,977	7,685,826	7,824,803
Underwater	-	-	-
Board-designated endowment funds	33,411,310	-	33,411,310
Total funds	<u>\$ 33,550,287</u>	<u>\$ 38,992,219</u>	<u>\$ 72,542,506</u>

**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 consisted of the following at June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 43,593	\$ 43,593	\$ 2,688	\$ 2,688
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	44,396,276	74,046,233	42,804,278	68,237,309
Life Income Funds	2,165,482	2,165,793	1,599,325	1,710,277
	<u>\$ 46,605,351</u>	<u>\$ 76,255,619</u>	<u>\$ 44,406,291</u>	<u>\$ 69,950,274</u>

**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, 2019 and 2018**

**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.

	2019			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 43,593	\$ -	\$ -	\$ 43,593
commonfund Intermediate Term Fund	-	2,420,611	-	2,420,611
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	566,723	-	566,723
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	74,046,233	74,046,233
Life Income Funds	-	2,165,793	-	2,165,793
Beneficial Interest in Life Insurance Policies	-	-	14,399	14,399
	<b>\$ 43,593</b>	<b>\$ 5,153,127</b>	<b>\$ 74,060,632</b>	<b>\$ 79,257,352</b>

	2018			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 2,688	\$ -	\$ -	\$ 2,688
commonfund Intermediate Term Fund	-	2,383,493	-	2,383,493
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	555,081	-	555,081
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	68,237,309	68,237,309
Life Income Funds	-	1,710,277	-	1,710,277
Beneficial Interest in Life Insurance Policies	-	-	13,798	13,798
	<b>\$ 2,688</b>	<b>\$ 4,648,851</b>	<b>\$ 68,251,107</b>	<b>\$ 72,902,646</b>

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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

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 a Blackrock Liquid Policy Portfolio (“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.

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.

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 at June 30:

	2019		2018	
	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	\$ 68,237,309	\$ 13,798	\$ 58,072,135	\$ 13,444
Participant additions	4,260,000	-	5,745,000	-
Investment income	31,456	-	29,723	-
Realized gains	1,194,159	-	795,629	-
Unrealized appreciation	4,216,926	601	6,341,521	354
Participant withdrawals	(3,573,209)	-	(2,457,656)	-
Expenses	(320,408)	-	(289,043)	-
Ending balance	\$ 74,046,233	\$ 14,399	\$ 68,237,309	\$ 13,798

You can find additional information regarding the LTIP and ITF on the Foundations Accounting and Investments home page at <https://foundationsaccounting.ofa.ncsu.edu/>.

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note 5. Financial Assets and Liquidity Resources**

The Foundation endowment funds consist of donor-designated endowments and board-designated endowments. Income from most donor-designated endowments 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. The LTIP is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the Fund's longer-term return objectives. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The Foundation has board-designated endowments of approximately \$34.7 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 2, the endowments have a spending rate of 4%. \$25,305 of appropriations from the board-designated endowments and \$10,420 of appropriations from the unrestricted donor-designated endowments will be available within the next 12 months.

As of June 30, 2019, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, are as follows:

Total assets, less nonfinancial assets	\$ 87,345,356
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(32,051,509)
Subject to appropriation and satisfaction of donor restrictions	(18,228,438)
Board-designated endowments	(34,687,851)
Accrued liabilities	<u>(601,657)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,775,901</u>

**Note 6. 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, 2019 and 2018 have asset balances of \$2,165,793 and \$1,710,277, respectively.

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note 6. Life Income Funds (continued)**

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 \$528,832 and \$893,663 at June 30, 2019 and 2018, respectively. Payments from these funds were \$127,079 and \$110,358 during the years ended June 30, 2019 and 2018, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% 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 10% of the total value of the Foundation's CGA pool. As of June 30, 2019 and 2018, the CGA reserve balance was \$54,789 and \$3,895, respectively.

**Note 7. Pledges Receivable**

Pledges receivable consisted of the following at June 30:

	2019	2018
Receivable in less than one year	\$ 237,162	\$ 3,313,656
Receivable in one to five years	108,525	570,242
Receivable in greater than five years	-	11,500
Total pledges receivable, gross	345,687	3,895,398
Less allowance for uncollectible pledges	(18,000)	(35,000)
Less unamortized discount (discount rates of 1.78% to 2.00%)	(9,900)	(108,828)
Pledges receivable, net	<u>\$ 317,787</u>	<u>\$ 3,751,570</u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding two large pledges in year ending June 30, 2018 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 represented approximately \$140,000 and \$3.55 million of the total undiscounted pledges receivable at June 30, 2019 and 2018, respectively.

**Note 8. Donated Services, Salaries, and Facilities**

Donated services and facilities of approximately \$102,000 and \$94,000 for the years ended June 30, 2019 and 2018, respectively, have been reflected in the financial statements for services and facilities provided by the University Finance Division. In addition, donated salaries paid by the University for college development personnel of approximately \$245,000 and \$230,000 for the years ended June 30, 2019 and 2018, respectively, have been reflected in the accompanying financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018

**Note 9. Net Assets with Donor Restrictions**

Donor restricted net assets are available for the following purposes at June 30:

	<b>2019</b>		<b>2018</b>
Scholarships and fellowships	<b>\$ 1,386,944</b>	\$	1,129,283
Faculty support and professorships	<b>117,955</b>		61,250
Research support	<b>2,307,619</b>		2,180,543
Pledges receivable, net	<b>286,627</b>		238,653
Terry Center Equipment Fund	<b>-</b>		365,073
Other	<b>5,357,231</b>		4,081,239
	<b>9,456,376</b>		8,056,041
Subject to passage of time:			
Beneficial interest in life insurance policies	<b>14,399</b>		13,798
Assets held under split-interest agreements, net	<b>1,609,423</b>		789,592
	<b>1,623,822</b>		803,390
Endowments:			
Subject to Foundation endowment spending policy and appropriation:			
Scholarships and fellowships	<b>28,412,518</b>		26,805,509
Faculty support and professorships	<b>594,880</b>		579,464
Research support	<b>5,652,636</b>		4,650,831
General Fund Enhancement	<b>1,090,266</b>		1,061,971
Pledges receivable	<b>31,160</b>		3,512,917
Other	<b>3,479,100</b>		1,591,935
	<b>39,260,560</b>		38,202,627
Total Net Assets With Donor Restrictions	<b>\$ 50,340,758</b>	\$	47,062,058

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

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**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 at June 30:

	<u>2019</u>	<u>2018</u>
Scholarships and fellowships	\$ 850,951	\$ 548,663
Faculty support and professorships	377,345	306,333
Departmental support	1,986,554	763,523
Facility support	318,007	-
Terry Hospital debt service	7,520	4,749
Administrative and fundraising	36,808	71,085
	<u>\$ 3,577,185</u>	<u>\$ 1,694,353</u>

**Note 11. Functional Expense**

The Foundation's primary program is to provide financial support to the College of Veterinary Medicine. Expenses by functional classification for the year ended June 30, 2019 are as follows:

	<b>Total</b>	<u>Supporting Activities</u>		<b>Total</b>
		<b>Program</b>	<b>Management</b>	
	<b>Support</b>	<b>Support</b>	<b>Support</b>	<b>Support</b>
Grants	\$ 1,230,337	\$ -	\$ 250,250	\$ 1,480,587
Legal	-	3,788	-	3,788
Accounting	-	38,750	-	38,750
Advertising	4,431	-	4,267	8,698
Office Expenses	20,573	-	13,087	33,660
Occupancy	168	-	148	316
Travel	71,671	-	4,280	75,951
Conferences and Meetings	8,317	-	6,474	14,791
Insurance	-	58	-	58
Departmental Equipment	1,443,161	-	12,011	1,455,172
Equip Rental and Maintenance	543,553	-	1,677	545,230
Contracted Services	32,024	-	2,361	34,385
Miscellaneous Services and Fees	699,140	102,929	263,483	1,065,552
Printing and Binding	5,888	-	43,994	49,882
Dues and Subscriptions	1,727	-	2,204	3,931
Supplies	188,143	198	33,060	221,401
Capital Transfers	2,830,310	-	-	2,830,310
Subtotal	<u>\$ 7,079,443</u>	<u>\$ 145,723</u>	<u>\$ 637,296</u>	<u>\$ 7,862,462</u>

**North Carolina Veterinary Medical Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**Note 11. Functional Expense (continued)**

Expenses by functional classification for the year ended June 30, 2018 are as follows:

	Total Program Support	Supporting Activities		Total Support
		Management Support	Fundraising Support	
Grants	\$ 856,485	\$ -	\$ 275,797	\$ 1,132,282
Legal	3,806	4,151	-	7,957
Accounting	-	37,500	-	37,500
Advertising	3,992	-	2,368	6,360
Office Expenses	7,661	-	9,411	17,072
Occupancy	144	-	288	432
Travel	49,708	-	7,662	57,370
Conferences and Meetings	4,540	-	2,662	7,202
Insurance	-	55	-	55
Departmental Equipment	48,224	-	3,770	51,994
Equip Rental and Maintenance	89,519	-	998	90,517
Contracted Services	5,449	-	4,017	9,466
Miscellaneous Services and Fees	511,195	94,575	250,639	856,409
Printing and Binding	1,605	-	39,511	41,116
Dues and Subscriptions	124	-	2,197	2,321
Supplies	95,690	-	26,161	121,851
Capital Transfers	1,072,312	-	-	1,072,312
Subtotal	<u>\$ 2,750,454</u>	<u>\$ 136,281</u>	<u>\$ 625,481</u>	<u>\$ 3,512,216</u>

**Note 12. Subsequent Events**

The Foundation has evaluated subsequent events through October 4, 2019, 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, 2019

	Budget	Actual	Variance (Under)/Over
<b>Income</b>			
Contributions:			
All Gifts Great and Small	\$ 240,000	\$ 269,172	\$ 29,172
Walk of Honor	40,000	39,667	(333)
Gallop of Honor	4,500	3,302	(1,198)
Pet in Memoriam	11,000	12,051	1,051
Endowment spending budget	18,550	18,550	-
Interest and dividends	85,000	88,866	3,866
<b>Total Income</b>	<b>399,050</b>	<b>431,608</b>	<b>32,558</b>
<b>Support</b>			
Foundation administration	382,802	406,612	23,810
Dean's Discretionary	15,000	15,000	-
<b>Total Support</b>	<b>397,802</b>	<b>421,612</b>	<b>23,810</b>
<b>Income Less Support</b>	<b>1,248</b>	<b>9,996</b>	<b>8,748</b>
<b>General Fund Balance</b>			
Beginning of year	561,659	561,659	-
End of year	\$ 562,907	\$ 571,655	\$ 8,748

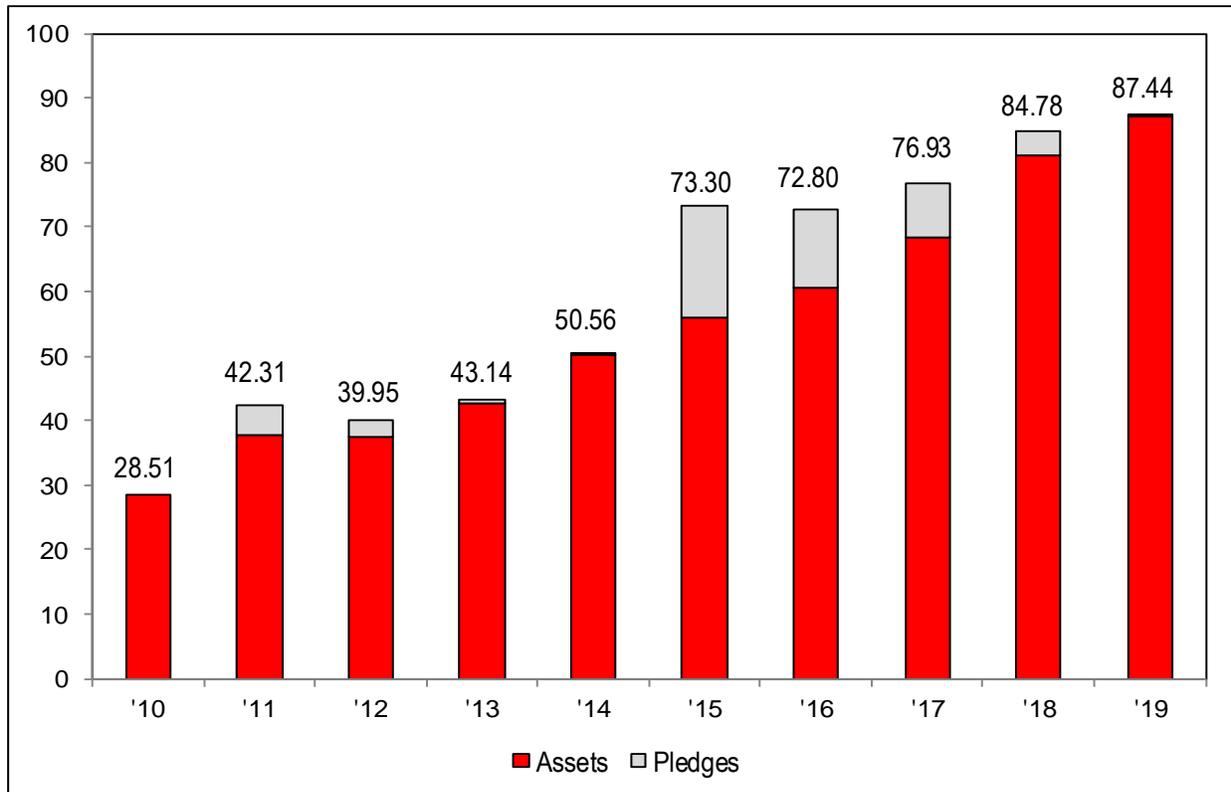
North Carolina Veterinary Medical Foundation, Inc.

Ten Year Summary of Asset Growth - Unaudited

As of June 30

TOTAL ASSETS

(Dollars in Millions)



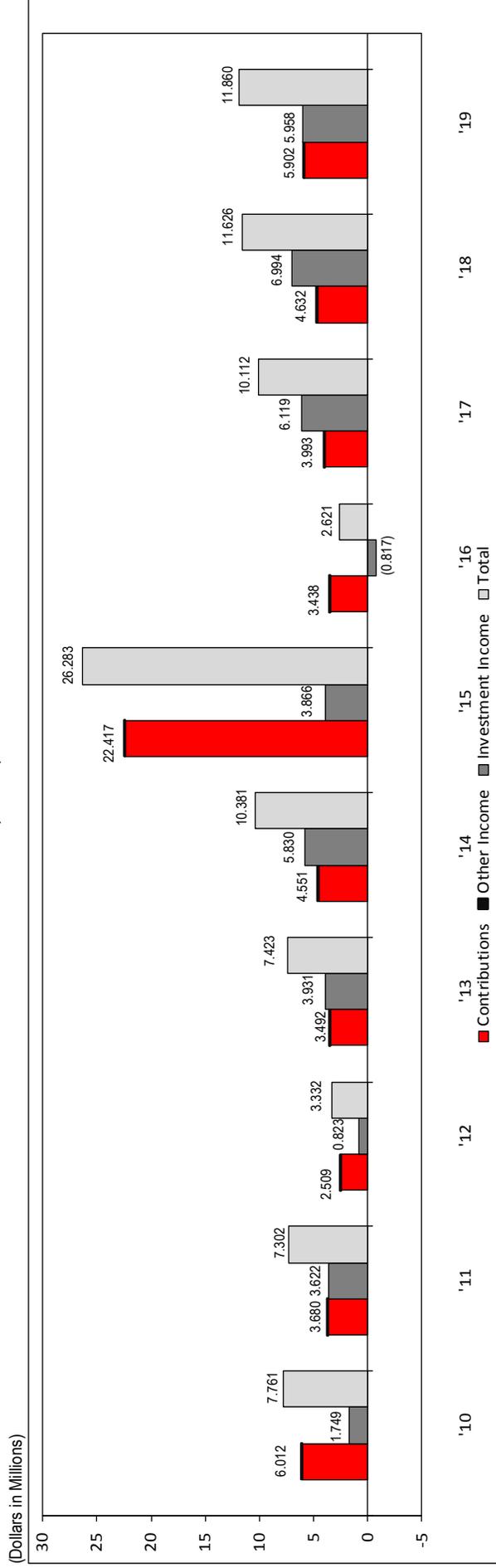
Fiscal years 2011 - 2019 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.

\*Not reflected above for FY'19 are gifts-in-kind of \$190,228, which benefit the College of Veterinary Medicine. These gifts were received due to the efforts of Foundation members and the College Development Staff.

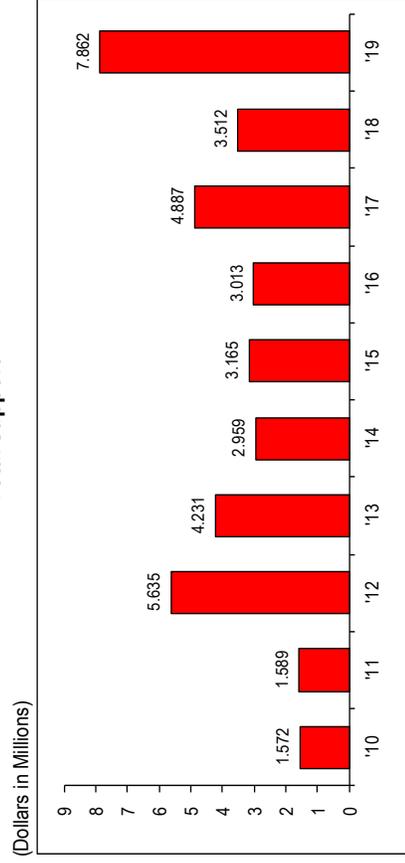
**North Carolina Veterinary Medical Foundation, Inc.**

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

**Total Revenues, Gains, and Other Income\***



**Total Support\***



\*Fiscal years 2011 - 2019 are reported using accrual basis of accounting; preceding years are reported using modified cash basis.