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INDEPENDENT AUDITORS’ REPORT

To the Members Board
NC State Investment Fund, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of NC State Investment Fund, Inc. (the “Fund”), a nonprofit organization and a component unit of North Carolina State University, which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of changes in net position 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 auditors consider 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 respective financial position of NC State Investment Fund, Inc., as of June 30, 2015 and 2014, and the respective changes in net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise NC State Investment Fund, Inc.’s basic financial statements. The supplementary information on pages 23 through 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements.
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2015 on our consideration of the Fund’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund’s internal control over financial reporting and compliance.

Williams Overman Pierce, LLP

Raleigh, North Carolina
October 5, 2015
INTRODUCTION

This discussion and analysis provides an introduction and overview of the financial position and activities of the NC State Investment Fund, Inc. (the “Fund”) for the fiscal year ended June 30, 2015 with comparative information for the fiscal year ended June 30, 2014. Management has prepared the discussion and analysis, which should be read in conjunction with the financial statements and the accompanying note disclosures. The Fund is a North Carolina not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and was established to operate a pooled investment vehicle for North Carolina State University (the “University”), the Endowment Fund of the University (the “Endowment Fund”), and other University-associated entities.

The Fund was established in 1998 and began operations in April 1999. The Fund is classified as a governmental external investment pool that is not registered with the Securities and Exchange Commission (the “SEC”) as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The original pool, the long-term investment pool (the “LTIP”), was established as an external pooled investment vehicle for the Endowment Fund and other University-associated entities’ endowed funds. In July 2014, the Fund established a second pool, the NC State Intermediate Term Fund (the “ITF”), as a vehicle to invest the excess operating cash of these entities.

Included in this report are the Statements of Net Position, Statements of Changes in Net Position, Notes to the Financial Statements, Participants’ Net Position Graph, and Schedules of Changes in Net Position by Participant by investment pool. These financial statements have been prepared in accordance with the presentation and disclosure requirements of the Governmental Accounting Standards Board (“GASB”). The GASB pronouncements establish financial reporting standards for all state and local governments and related entities.

FINANCIAL HIGHLIGHTS

Long-Term Investment Pool (“LTIP”)

The LTIP recorded an increase in net position of $78.8 million and $112.9 million in fiscal years 2015 and 2014, respectively. This increase is attributable to net investment gains of $55.2 million and $78.7 million for fiscal years 2015 and 2014, respectively, and net additions of $23.6 million and $34.2 million for fiscal years 2015 and 2014, respectively.

During the fiscal year ended June 30, 2015, the LTIP continued its investment with UNC Management Company (“UNCMC”). UNCMC provides investment management services to the constituent institutions of the UNC System through a pooled investment vehicle called the UNC Investment Fund (the “System Fund”). As such, the LTIP has adopted the investment objectives, portfolio composition and specific return targets of the System Fund. The LTIP began investing its non-committed assets with the System Fund effective July 2008 with completion of the transition occurring December 2009, and has a 13% membership interest in the System Fund as of June 30, 2015.
In addition to the allocation with the System Fund of $605.2 million as of June 30, 2015, the LTIP has $28.0 million with other managers in private equity funds, $41.7 million in a BlackRock Liquid Policy Portfolio (“LPP”), and $1.8 million in the State Treasurer’s Short-Term Investment Fund (the “STIF”).

The LTIP asset allocation as of June 30, 2015 is as follows:

For the fiscal year ended June 30, 2015, the LTIP experienced a net investment return of 9.0% compared to the policy benchmark of 3.1%. For the fiscal year ended June 30, 2014, the LTIP experienced a net return of 15.7% compared to the policy benchmark return of 15.1%. The LTIP’s annualized 5-year return as of June 30, 2015 was 10.7% as compared with the System Fund of 10.8% and to the policy benchmark of 10.6%.
For the long term, the primary investment objective for the LTIP is to earn a total return (net of investment and custodial fees) within prudent levels of risk, sufficient to maintain in real terms the purchasing power of the LTIP and to meet the spending needs of the participants. To help 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 will have a disproportionate impact on the performance of the total fund. The LTIP’s policy target, the target by which the LTIP monitors performance, was adopted from the Investment Policy Statement of the System Fund.

As shown in the chart below, since the LTIP’s inception in April 1999, net position has increased to $676.7 million, which consists of $584.9 million in additions ($182 million of which is from initial additions to the Fund), $280.9 million in net earnings and appreciation, minus $189.1 million in participant spending withdrawals. For fiscal year ended June 30, 2015, change in net position was attributable to $45.2 million in additions to the Fund, $55.2 million in net earnings and appreciation, minus $21.6 million in participant spending withdrawals.

Interme diate Term Fund (“ITF”)

The ITF was established on July 3, 2014 with an initial investment of $122 million. Two additional investments were made during the year bringing the total invested to $173.8 million.

The ITF consists of participants’ excess operating cash balances, which are defined as funds not needed for normal operating purposes. Generally, the ITF will not include funds needed within the next year, endowed funds, or those funds that are specifically excluded by law or contractual agreement.
ITF contributions are invested in four mutual funds held with JP Morgan, Vanguard, PIMCO, and BlackRock.

The ITF asset allocation as of June 30, 2015 is as follows:

As of June 30, 2015, the ITF returned 1.04%, compared to the policy benchmark of .90%.

The primary investment objectives of the ITF are preservation and safety of principal; liquidity; and maximization of returns within acceptable levels of risk. Because of concerns about potential changes in monetary policy and rising interest rates, duration is limited. The investment policy calls for an average weighted maturity between one and five years, with an overall credit rating in general of A+/A as rated by a nationally-recognized rating agency. For any mutual funds selected by the ITF, their respective approved investment policy guidelines supersede those of the ITF.

USING THE FINANCIAL STATEMENTS

The Fund’s Annual Financial Report includes the following four components:

- Statements of Net Position
- Statements of Changes in Net Position
- Notes to the Financial Statements
- Supplementary Information:
  - Participants’ Net Position Graph (LTIP)
  - Schedules of Changes in Net Position by Participant (LTIP) and (ITF)
COMPARATIVE CONDENSED FINANCIAL STATEMENT INFORMATION

Condensed Statements of Net Position

The Condensed Statements of Net Position present the financial position of the Fund at the end of the fiscal year and includes all assets and liabilities of the Fund by pool. Net position represents the difference between total assets and total liabilities, and is one indicator of the financial condition of the Fund.

The following table summarizes and compares the LTIP’s assets, liabilities, and net position at June 30, 2015 and 2014:

<table>
<thead>
<tr>
<th>NC State Investment Fund, Inc.</th>
<th>Long Term Investment Pool (LTIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Condensed Statements of Net Position</td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,788,376</td>
</tr>
<tr>
<td>Long term investments, at fair value</td>
<td>675,267,867</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$677,056,243</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>$339,745</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$339,745</td>
</tr>
<tr>
<td><strong>Net Position - Restricted for Pool Participants</strong></td>
<td>676,716,498</td>
</tr>
<tr>
<td>Total Liabilities and Net Position</td>
<td>$677,056,243</td>
</tr>
</tbody>
</table>

Cash and cash equivalents include the amount held in the STIF. Payables represent amounts due for investment management fees.

The following table summarizes the ITF’s assets, liabilities, and net position at June 30, 2015:

<table>
<thead>
<tr>
<th>NC State Investment Fund, Inc.</th>
<th>Intermediate Term Fund (ITF)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Condensed Statement of Net Position</td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$293,622</td>
</tr>
<tr>
<td>Intermediate term investments, at fair value</td>
<td>171,132,559</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$171,426,181</td>
</tr>
<tr>
<td><strong>Net Position - Restricted for Fund Participants</strong></td>
<td>171,426,181</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$171,426,181</td>
</tr>
</tbody>
</table>

Cash and cash equivalents include the amount held in the STIF.
Condensed Statements of Changes in Net Position

The Condensed Statements of Changes in Net Position represent the Fund’s results of operations.

The following table summarizes and compares the LTIP’s changes in net position for the years ended June 30, 2015 and 2014:

<table>
<thead>
<tr>
<th>NC State Investment Fund, Inc.</th>
<th>Long Term Investment Fund (LTIP)</th>
<th>Condensed Statements of Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Operating income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment gains, net</td>
<td>$ 57,679,097</td>
<td>$ 80,772,163</td>
</tr>
<tr>
<td>Total operating income</td>
<td>57,679,097</td>
<td>80,772,163</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment management fees</td>
<td>2,170,589</td>
<td>1,823,399</td>
</tr>
<tr>
<td>Investment custodial fees</td>
<td>151,402</td>
<td>132,806</td>
</tr>
<tr>
<td>Other expenses</td>
<td>171,208</td>
<td>74,110</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,493,199</td>
<td>2,030,315</td>
</tr>
<tr>
<td>Operating gains</td>
<td>55,185,898</td>
<td>78,741,848</td>
</tr>
<tr>
<td>Participant additions</td>
<td>45,213,255</td>
<td>52,706,889</td>
</tr>
<tr>
<td>Participant withdrawals</td>
<td>(21,566,771)</td>
<td>(18,538,789)</td>
</tr>
<tr>
<td>Total net additions</td>
<td>23,646,484</td>
<td>34,168,100</td>
</tr>
<tr>
<td>Increase in Net Position</td>
<td>78,832,382</td>
<td>112,909,948</td>
</tr>
<tr>
<td>Net Position held in trust for participants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>597,884,116</td>
<td>484,974,168</td>
</tr>
<tr>
<td>End of year</td>
<td>$ 676,716,498</td>
<td>$ 597,884,116</td>
</tr>
</tbody>
</table>

Participant withdrawals were higher in fiscal year 2015 due to an increase in endowment spending budgets.
The following table summarizes the ITF’s changes in net position for the year ended June 30, 2015:

NC State Investment Fund, Inc.
Intermediate Term Fund (ITF)
Condensed Statement of Changes in Net Position

<table>
<thead>
<tr>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income:</td>
</tr>
<tr>
<td>Investment gains, net</td>
</tr>
<tr>
<td>Total operating income</td>
</tr>
<tr>
<td>Operating expenses:</td>
</tr>
<tr>
<td>Investment management fees</td>
</tr>
<tr>
<td>Investment custodial fees</td>
</tr>
<tr>
<td>Other expenses</td>
</tr>
<tr>
<td>Total operating expenses</td>
</tr>
<tr>
<td>Operating gains</td>
</tr>
<tr>
<td>Participant additions</td>
</tr>
<tr>
<td>Participant distributions</td>
</tr>
<tr>
<td>Total net additions</td>
</tr>
<tr>
<td>Increase in Net Position</td>
</tr>
</tbody>
</table>

Net Position held in trust for participants

| Beginning of year | $ - |
| End of year | $171,426,181 |

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the financial statements taken as a whole. The notes to the financial statements can be found immediately following the Fund’s financial statements.

Supplementary Information

The supplementary information section on pages 23 through 30 include the Participants’ Net Position Graph for the LTIP at June 30, 2015 and 2014, as well as the Schedules of Changes in Net Position by Participant for both the LTIP and ITF. This information is not mandatory, but is included to provide details for the participants of the Fund.

Contacting the NC State Investment Fund, Inc.

An electronic version of this report is available by accessing the Foundations Accounting and Investments home page at http://foundationsaccounting.ofa.ncsu.edu/investment-fund/ or by calling (919) 513-7149.
FINANCIAL STATEMENTS
NC State Investment Fund, Inc.

Statements of Net Position

June 30, 2015 and 2014

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 1 and 2)</td>
<td>$2,081,998</td>
<td>$1,294,242</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,081,998</td>
<td>1,294,242</td>
</tr>
<tr>
<td>Noncurrent Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate term investments, at fair value (Notes 1 and 2)</td>
<td>171,132,559</td>
<td>-</td>
</tr>
<tr>
<td>Long term Investments, at fair value (Notes 1 and 2)</td>
<td>675,267,867</td>
<td>596,870,621</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>846,400,426</td>
<td>596,870,621</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$848,482,424</td>
<td>$598,164,863</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables (Note 3)</td>
<td>$339,745</td>
<td>$280,747</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>339,745</td>
<td>280,747</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Position Held in Trust for Fund Participants - Nonexpendable</td>
<td>848,142,679</td>
<td>597,884,116</td>
</tr>
<tr>
<td>Total Liabilities and Net Position</td>
<td>$848,482,424</td>
<td>$598,164,863</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
NC State Investment Fund, Inc.

Statements of Changes in Net Position
Years Ended June 30, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participant additions</td>
<td>$219,043,255</td>
<td>$52,706,889</td>
</tr>
<tr>
<td>Investment income</td>
<td>4,720,779</td>
<td>282,942</td>
</tr>
<tr>
<td>Realized gains on investment transactions (Note 2)</td>
<td>8,065,394</td>
<td>6,938,054</td>
</tr>
<tr>
<td>Change in unrealized appreciation on investments (Note 2)</td>
<td>46,708,893</td>
<td>73,551,167</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>278,538,321</td>
<td>133,479,052</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participant withdrawals (Note 5)</td>
<td>21,566,771</td>
<td>18,538,789</td>
</tr>
<tr>
<td>Participant distributions (Note 5)</td>
<td>4,047,350</td>
<td>-</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>2,290,604</td>
<td>1,823,399</td>
</tr>
<tr>
<td>Investment custodial fees</td>
<td>183,247</td>
<td>132,806</td>
</tr>
<tr>
<td>Other expenses</td>
<td>191,786</td>
<td>74,110</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>28,279,758</td>
<td>20,569,104</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>250,258,563</td>
<td>112,909,948</td>
</tr>
</tbody>
</table>

Net Position Held in Trust for Fund Participants:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>597,884,116</td>
<td>484,974,168</td>
</tr>
<tr>
<td>End of year</td>
<td>$846,142,679</td>
<td>$597,884,116</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
NOTES TO THE FINANCIAL STATEMENTS
Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The NC State Investment Fund, Inc., (the "Fund") is a governmental not-for-profit organization established in April 1999, as a separately incorporated external investment fund pool, reporting under the guidelines of Governmental Accounting Standards Board ("GASB") Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended by GASB Statement No. 34, Basic Financial Statement and Management Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus and GASB Statement No. 40, Deposit and Investment Risk Disclosures. An external pool is defined as an arrangement that pools the monies of more than one legally separate entity and invests in an investment portfolio on the participants' behalf. The Fund is classified as a non-rated "2a7-like" pool which is an external investment pool that is not registered with the SEC as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The original pool, the long-term investment pool (the “LTIP”), was established as an external pooled investment vehicle for North Carolina State University, the Endowment Fund of the University and other University-associated entities’ endowed funds. In July 2014, the Fund established a second pool, the NC State Intermediate Term Fund (the “ITF”), as a vehicle to invest the excess operating cash of these entities’. Detailed information regarding the participants in the Fund is available in the Supplementary Information section of the financial statements.

As of June 30, 2015, 89.4% of the LTIP was managed by UNC Management Company ("UNCMC") as a member of the System Fund. The System Fund was organized as a North Carolina limited liability company in 2002 and was granted tax-exempt status under Internal Revenue Code Section 501(c)(3) effective July 1, 2008. Effective July 1, 2009, UNCMC adopted GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

A summary of the Fund’s significant accounting policies follows:

Basis of accounting/measurement focus: The financial statements of the Fund have been prepared on the accrual basis of accounting and the economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

As permitted under GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the Fund has elected not to apply Financial Accounting Standards Board Statements of Financial Accounting Standards issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.
NC State Investment Fund, Inc.

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

Cash and cash equivalents: This classification includes deposits held by the State Treasurer in the Short Term Investment Fund (the “STIF”). The STIF is not FDIC insured and has the general characteristics of a demand deposit account in that participants may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty. Cash and cash equivalents held by the LTIP and the ITF at June 30, 2015 were $1,788,376 and $293,622, respectively. Cash and cash equivalents held by the LTIP at June 30, 2014 were $1,294,242.

Intermediate-term investments: This classification includes investments in four publicly traded mutual funds holding securities with average duration of less than five years. Each of these funds are traded on a recognized securities exchange and will be valued at that day’s last reported trade price or the official closing price on the exchange where the funds are primarily traded.

Long-term Investments: This classification includes investments in a 501(c)(3) limited liability company (System Fund), private equity partnerships, and the LPP, a bundle of exchange-traded funds. The System Fund’s investments are managed by external investment firms and advisors and are diversified both by asset class (e.g. common stocks and fixed income securities) and within asset classes (e.g. within common stocks by economic sector, geographic area, industry, quality, and size). The fair values of all debt and equity securities with readily determinable fair values are based on quoted market prices for the System Fund. Investments for which a readily determinable fair value does not exist may include investments in venture capital funds, hedge funds, and limited partnerships for which underlying securities may include marketable debt and equity securities. These investments are carried at estimated fair values as provided by the respective fund managers of the investments. UNCMC, the investment manager of the System Fund, reviews and evaluates the values provided by the fund managers as well as the valuation methods and assumptions used in determining the fair value of such investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Private equities include venture capital partnerships, buy-outs, and international funds. The valuation of the underlying private companies requires significant judgment and interpretation by the general partners of the underlying investment partnerships due to the absence of quoted market values, inherent lack of liquidity and the long-term nature of such investments. Private companies are initially valued based upon transaction price, with subsequent adjustments to values which reflect the consideration of available market data, including primarily observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations are also adjusted to give consideration to the financial condition and operating results specific to the issuer, the lack of liquidity inherent in a non-public investment, credit markets, and the fact that comparable public companies are not identical to the companies being valued. Changes in unrealized gains on the carrying value of investments are reported in the Statements of Changes in Net Position.
Note 1. Nature of Activities and Significant Accounting Policies (continued)

BlackRock values the LPP's exchange-traded funds (the “ETF’s) at fair value each day. The BlackRock Global Valuation Methodologies Committee oversees the valuation of investments for the LPP. ETFs traded on a recognized securities exchange are valued at that day’s last reported trade price or the official closing price on the exchange where the ETF is primarily traded. If these methods yield a price for an investment deemed not representative of the fair value of the investment or if a price is not available, the investment will be valued based upon the price that the LPP can reasonably expect to receive from the current sale of that asset in an arm’s-length transaction.

Income taxes: The Fund is exempt from income taxes as a not-for-profit organization under Internal Revenue Code Section 501(c)(3). The Fund is not a private foundation because it is an organization described in Internal Revenue Code Section 509(a)(3).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Fund and recognize a tax liability (or asset) if the Fund has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Fund, and has concluded that as of June 30, 2015 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Fund is no longer subject to income tax examinations for years prior to 2011.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from these estimates.

Note 2. Deposits and Investments

Deposits - During fiscal years 2015 and 2014, the Fund invested cash in the STIF pursuant to G.S. 147-69.3 (b) and the North Carolina Administrative Code (20 NCAC 1G. 0207) which allows for certain entities having funds not required to be deposited with the State Treasurer to voluntarily deposit them with the State Treasurer for investment purposes.

The STIF is an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating and had a weighted average maturity of 1.5 years and 1.3 years as of June 30, 2015 and 2014, respectively. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool, which includes the STIF, are incorporated in the State of North Carolina’s Comprehensive Annual Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller’s website, http://www.osc.nc.gov.
Note 2. Deposits and Investments (continued)

Investments - The Fund’s oversight is provided by the Fund’s Members Board and its Board of Directors. The Members Board is responsible for adopting investment objectives and policies and for monitoring policy implementation and investment performance. The Members Board has chosen not to make individual security or manager selection decisions. The Board of Directors’ primary role is to oversee the allocation of the Fund’s portfolio among asset classes, investment vehicles, and investment managers. An Investment subcommittee of the Board of Directors is responsible for oversight of the ITF.

The Fund’s custodian provides monthly reporting of income and fair value information, which is then allocated among the Fund’s participants. Each participant holds Master Trust Units (“Units”) of the Fund. The Unit price fluctuates based on the investment return of the investment pool. The Unit price is determined by dividing the net asset value of the investment pool by the total number of Units held by the participants. The Custodian provides monthly and quarterly reporting of income and fair value information, which is then allocated among the participants on a quarterly basis. Earnings are allocated based on the pro-rata share of the Unit holdings of each participant account as of the close of the earnings period. Fair values are determined by the Fund’s custodian using published market rates. These values are compiled monthly and are used to determine the net asset value of the Fund. There are no involuntary participants in the Fund. The Fund has not provided or obtained any legally binding guarantees to support the value of the pool’s investments. In the management of the Fund, the Members Board and Board of Directors are responsible for exercising ordinary business care and prudence under the facts and circumstances prevailing at the time of an action or decision. The Fund believes it is in compliance with all legal, regulatory or contractual provisions including the investment policy of the Fund and the laws and regulations of the State of North Carolina.

The Fund’s equity position in the System Fund was $605,197,823 and $525,394,156 at June 30, 2015 and 2014, respectively. The System Fund is an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating. Asset and ownership interests of the System Fund are determined on a monthly market unit valuation basis. The policies surrounding normal spending distributions and withdrawals less than $10 million require a thirty day notice period. For withdrawals in excess of $10 million (excluding spending distributions), a ninety day notice is required and funds may be withdrawn on a quarterly basis. After the ninety day notice period, requests up to $200 million will be fulfilled via $50 million payments per quarter until the redemption is complete. For requests in excess of $200 million, $50 million will be paid quarterly for the first four quarters. The following four quarters will pay the greater of $50 million or 25% excess over $200 million until the redemption is complete.

Investment risks associated with the System Fund are included in the audited financial statements of the UNC Investment Fund, LLC which may be obtained from the UNC Chapel Hill Controller’s Office, Campus Box 1270, Chapel Hill, NC 27599-1270.
Note 2. Deposits and Investments (continued)

Realized and unrealized gains: The Fund realized net gains of $8,065,394 and $6,938,054 from the sale of investments for the years ended June 30, 2015 and 2014, respectively. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. The change in unrealized appreciation on investments during the years ended June 30, 2015 and 2014 was $46,708,893 and $73,551,167, respectively. These amounts take into account all changes in the fair values (including appreciation and depreciation) that occurred during the respective periods. The cumulative net unrealized gains on investments held at June 30, 2015 and 2014 is $188,647,014 and $141,938,121, respectively.

The calculation of the net change in the fair value of investments utilizing the aggregate method is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value at end of year</td>
<td>$ 848,142,679</td>
<td>$ 597,884,116</td>
</tr>
<tr>
<td>Add: Proceeds of investments sold</td>
<td>36,822,833</td>
<td>27,596,691</td>
</tr>
<tr>
<td>Deposits held for investment</td>
<td>-</td>
<td>730,000</td>
</tr>
<tr>
<td>Less: Cost of investments purchased</td>
<td>(232,307,109)</td>
<td>(60,747,418)</td>
</tr>
<tr>
<td></td>
<td>652,658,403</td>
<td>565,463,389</td>
</tr>
<tr>
<td>Fair value at beginning of year</td>
<td>597,884,116</td>
<td>484,974,168</td>
</tr>
<tr>
<td>Change in fair value of investments during the year</td>
<td>54,774,287</td>
<td>80,489,221</td>
</tr>
<tr>
<td>Net realized gains for year</td>
<td>8,065,394</td>
<td>6,938,054</td>
</tr>
<tr>
<td>Net change in the fair value of investments</td>
<td>$ 46,708,893</td>
<td>$ 73,551,167</td>
</tr>
</tbody>
</table>

Principal Risks - During the normal course of business, the Fund enters into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit risk).

Market Risk: The Fund’s investments in financial derivatives and other financial instruments expose the Fund to various risks such as, but not limited to, interest rate, foreign currency, and equity risks.

Interest rate risk is the risk that fixed income securities will decline in value because of an increase in interest rates. As nominal interest rates rise, certain fixed income securities held directly or indirectly by the Fund may decline in value. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate.

Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is useful primarily as a measure of the sensitivity of a fixed income security’s market price to interest rate (yield) movements. A wide variety of factors can cause interest rates to rise (central bank monetary policies, inflation rates, general economic conditions, etc.). At present, the U.S. is experiencing historically low interest rates. All of these factors, collectively or individually, could cause the Fund to decline in value.
Note 2. Deposits and Investments (continued)

The Fund invests indirectly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, and is subject to the risk that those currencies will decline in value relative to the base currency of the Fund. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the U.S. or abroad. As a result, the Fund’s investments in foreign currency-denominated securities may reduce the Fund’s returns.

The market values of equities, such as common stocks and preferred securities or equity related investments such as futures and options, have historically risen and fallen in periodic cycles and may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or general adverse investor sentiment. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Different types of equity securities may react differently to these developments. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

Credit Risk: The Fund will be exposed to credit risk and the risk of settlement default. The Fund minimizes concentrations of credit risk by undertaking transactions in a large number of asset classes across multiple investment managers. The value of securities indirectly held with the System Fund may decline if the issuer or guarantor of a fixed income security is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

Note 3. Payables

Payables at June 30, 2015 and 2014 consist of LTIP investment management fees of $339,745 and $280,747, respectively.

Note 4. Donated Services

The University has incurred various expenses on behalf of the Fund for the years ended June 30, 2015 and 2014 of approximately $62,000 and $86,000, respectively. These amounts have not been recorded in the accompanying financial statements.

Note 5. Participant Withdrawals and Distributions

Participants withdraw funds from the Fund each fiscal year for the next year’s spending needs. For the years ended June 30, 2015 and 2014, annual spending withdrawals from the LTIP totaled $21,566,771 and $18,538,789, respectively. Participants of the ITF receive distributions (yield) from the investments held in that pool on a monthly basis. For the year ended June 30, 2015, ITF distributions were $4,047,350. All income is distributed to the participants, including a portion that is set aside by each participant to protect against loss in fair market value in the event of liquidation. This loss revenue is not reinvested in the ITF, but in the STIF.
Note 6. Risk Management

The Fund is exposed to various risks of loss related to torts, theft of assets and errors and omissions. The Fund's affairs are conducted by employees of North Carolina State University and exposures to loss resulting from this arrangement are handled by the University through a combination of methods, including participation in various risk pools administered by the State of North Carolina, purchase of commercial insurance and self-retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University located at www.fis.ncsu.edu/controller/financial_reports. During fiscal years 2015 and 2014, the Fund purchased Directors and Officers Liability Insurance to insure those individuals serving on the Members Board, Board of Directors, and the officers who are employees of North Carolina State University acting on behalf of the Fund.

Note 7. Subsequent Events

The Fund has evaluated subsequent events through October 5, 2015, the date which the financial statements were available to be issued, and there were no subsequent events to report.
SUPPLEMENTARY INFORMATION
Participants’ Net Position Graph – Long Term Investment Pool (LTIP)
NC State Investment Fund, Inc.
Long-Term Investment Pool (LTIP)
Schedule of Changes in Net Position by Participant
Year Ended June 30, 2015

<table>
<thead>
<tr>
<th></th>
<th>The Endowment Fund of North Carolina State University</th>
<th>The North Carolina Agricultural Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>State University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Foundation, Inc.</td>
</tr>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participant additions</td>
<td>$ 45,213,255</td>
<td>$ 15,115,000</td>
</tr>
<tr>
<td></td>
<td>$ 11,500,255</td>
<td>$ 4,631,250</td>
</tr>
<tr>
<td>Investment income</td>
<td>$ 207,366</td>
<td>$ 64,821</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 63,782</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 20,371</td>
</tr>
<tr>
<td>Realized gains on investment transactions</td>
<td>$ 8,065,394</td>
<td>$ 2,543,595</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 2,473,439</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 791,611</td>
</tr>
<tr>
<td>Unrealized appreciation on investments</td>
<td>$ 49,406,337</td>
<td>$ 15,393,124</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 15,232,521</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 4,851,719</td>
</tr>
<tr>
<td>Total additions</td>
<td>$ 102,892,352</td>
<td>$ 33,116,540</td>
</tr>
<tr>
<td></td>
<td>$ 29,269,997</td>
<td>$ 10,294,951</td>
</tr>
<tr>
<td><strong>DEDUCTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participant withdrawals</td>
<td>$ 21,566,771</td>
<td>$ 3,684,295</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 7,619,687</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 2,168,135</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>$ 2,170,589</td>
<td>$ 681,183</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 666,903</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 213,494</td>
</tr>
<tr>
<td>Investment custodial fees</td>
<td>$ 151,402</td>
<td>$ 47,718</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 46,329</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 14,912</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$ 171,208</td>
<td>$ 53,669</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 52,727</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 16,850</td>
</tr>
<tr>
<td>Total deductions</td>
<td>$ 24,059,970</td>
<td>$ 4,466,865</td>
</tr>
<tr>
<td></td>
<td>$ 8,385,646</td>
<td>$ 2,413,391</td>
</tr>
<tr>
<td><strong>TRANSFERS AMONG PARTICIPANTS</strong></td>
<td>-</td>
<td>(3,000,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 3,999,000</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>$ 78,832,382</td>
<td>$ 25,649,675</td>
</tr>
<tr>
<td></td>
<td>$ 24,883,351</td>
<td>$ 7,881,560</td>
</tr>
<tr>
<td><strong>NET ASSETS HELD IN TRUST</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FOR PARTICIPANTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>$ 597,884,116</td>
<td>$ 189,494,313</td>
</tr>
<tr>
<td></td>
<td>$ 181,969,159</td>
<td>$ 58,318,763</td>
</tr>
<tr>
<td>End of year</td>
<td>$ 676,716,498</td>
<td>$ 215,143,988</td>
</tr>
<tr>
<td></td>
<td>$ 206,852,510</td>
<td>$ 66,200,323</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>$ 3,248,750</td>
<td>$ 4,365,000</td>
<td>$ 1,570,000</td>
</tr>
<tr>
<td>20,557</td>
<td>14,642</td>
<td>10,095</td>
</tr>
<tr>
<td>793,900</td>
<td>562,348</td>
<td>390,312</td>
</tr>
<tr>
<td>4,918,483</td>
<td>3,487,662</td>
<td>2,417,620</td>
</tr>
<tr>
<td>8,981,690</td>
<td>8,429,652</td>
<td>4,388,027</td>
</tr>
<tr>
<td>2,438,760</td>
<td>2,196,971</td>
<td>1,298,850</td>
</tr>
<tr>
<td>215,108</td>
<td>151,701</td>
<td>105,781</td>
</tr>
<tr>
<td>14,932</td>
<td>10,605</td>
<td>7,338</td>
</tr>
<tr>
<td>16,999</td>
<td>11,909</td>
<td>8,367</td>
</tr>
<tr>
<td>2,685,799</td>
<td>2,371,186</td>
<td>1,420,336</td>
</tr>
<tr>
<td>(59,000)</td>
<td>(666,000)</td>
<td>(350,000)</td>
</tr>
<tr>
<td>6,236,891</td>
<td>5,392,466</td>
<td>2,617,691</td>
</tr>
<tr>
<td>59,535,751</td>
<td>41,732,444</td>
<td>29,691,278</td>
</tr>
<tr>
<td>$ 65,772,642</td>
<td>$ 47,124,910</td>
<td>$ 32,308,969</td>
</tr>
</tbody>
</table>
NC State Investment Fund, Inc.
Long-Term Investment Pool (LTIP)
Schedule of Changes in Net Position by Participant
Year Ended June 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>The Endowment Fund of North Carolina State University</th>
<th>North Carolina State University Foundation, Inc.</th>
<th>NC State Engineering Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participant additions</td>
<td>$52,706,889</td>
<td>$32,630,000</td>
<td>$10,158,000</td>
</tr>
<tr>
<td>Investment income</td>
<td>282,942</td>
<td>84,074</td>
<td>88,393</td>
</tr>
<tr>
<td>Realized gains</td>
<td>6,938,054</td>
<td>2,108,300</td>
<td>2,145,119</td>
</tr>
<tr>
<td>Unrealized appreciation</td>
<td>73,551,167</td>
<td>21,873,881</td>
<td>22,913,356</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>133,479,052</td>
<td>56,696,255</td>
<td>35,304,868</td>
</tr>
</tbody>
</table>

|                        |                                                      |                                               |                                      |
| **DEDUCTIONS**         |                                                      |                                               |                                      |
| Participant withdrawals| 18,538,789                                            | 3,485,440                                     | 7,593,966                            |
| Management fees        | 1,823,399                                              | 535,853                                       | 571,294                              |
| Custodial fees         | 132,806                                                | 39,694                                        | 41,356                               |
| Other expenses         | 74,110                                                 | 21,825                                        | 23,226                               |
| **Total deductions**   | 20,569,104                                             | 4,082,812                                     | 8,229,842                            |

| **TRANSFERS AMONG PARTICIPANTS** |                                     |                                               |                                      |
|----------------------------------|-------------------------------------|-----------------------------------------------|                                      |
|                                 | -                                   | 1,846                                         | 665,154                              |

| **CHANGE IN NET POSITION**      | 112,909,948                           | 52,615,289                                    | 27,740,180                           |

| **NET POSITION HELD IN TRUST FOR PARTICIPANTS** |                                      |                                               |                                      |
|-----------------------------------------------|--------------------------------------|-----------------------------------------------|                                      |
| Beginning of year                           | 484,974,168                          | 136,879,024                                   | 154,228,979                          |
| End of year                                 | $597,884,116                          | $189,494,313                                  | $181,969,159                         |

End of year

<table>
<thead>
<tr>
<th></th>
<th>The Endowment Fund of North Carolina State University</th>
<th>North Carolina State University Foundation, Inc.</th>
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<td>35,304,868</td>
</tr>
</tbody>
</table>

| **DEDUCTIONS**         |                                                      |                                               |                                      |
| Participant withdrawals| 18,538,789                                            | 3,485,440                                     | 7,593,966                            |
| Management fees        | 1,823,399                                              | 535,853                                       | 571,294                              |
| Custodial fees         | 132,806                                                | 39,694                                        | 41,356                               |
| Other expenses         | 74,110                                                 | 21,825                                        | 23,226                               |
| **Total deductions**   | 20,569,104                                             | 4,082,812                                     | 8,229,842                            |

| **TRANSFERS AMONG PARTICIPANTS** |                                     |                                               |                                      |
|----------------------------------|-------------------------------------|-----------------------------------------------|                                      |
|                                 | -                                   | 1,846                                         | 665,154                              |

| **CHANGE IN NET POSITION**      | 112,909,948                           | 52,615,289                                    | 27,740,180                           |

| **NET POSITION HELD IN TRUST FOR PARTICIPANTS** |                                      |                                               |                                      |
|-----------------------------------------------|--------------------------------------|-----------------------------------------------|                                      |
| Beginning of year                           | 484,974,168                          | 136,879,024                                   | 154,228,979                          |
| End of year                                 | $597,884,116                          | $189,494,313                                  | $181,969,159                         |

End of year
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,315,000</td>
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<td>$1,485,000</td>
<td>$740,000</td>
<td>$710,000</td>
<td>$8,889</td>
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<td>28,288</td>
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<td>14,392</td>
<td>11,407</td>
<td>5,510</td>
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<tr>
<td>691,606</td>
<td>494,421</td>
<td>349,882</td>
<td>276,147</td>
<td>134,575</td>
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<tr>
<td>7,407,992</td>
<td>5,289,567</td>
<td>3,739,173</td>
<td>2,975,344</td>
<td>1,422,293</td>
<td>318,486</td>
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<tr>
<td>12,442,886</td>
<td>6,839,365</td>
<td>5,588,447</td>
<td>4,002,898</td>
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<td>2,332,485</td>
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<td>798,690</td>
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<td>184,291</td>
<td>131,783</td>
<td>93,147</td>
<td>74,004</td>
<td>35,448</td>
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<td>13,241</td>
<td>9,568</td>
<td>6,748</td>
<td>5,363</td>
<td>2,566</td>
<td>573</td>
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<tr>
<td>7,411</td>
<td>5,380</td>
<td>3,772</td>
<td>3,011</td>
<td>1,439</td>
<td>324</td>
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<tr>
<td>2,537,428</td>
<td>628,961</td>
<td>902,357</td>
<td>1,217,916</td>
<td>443,698</td>
<td>89,770</td>
</tr>
<tr>
<td>(167,547)</td>
<td>(667,000)</td>
<td>-</td>
<td>-</td>
<td>167,547</td>
<td>-</td>
</tr>
<tr>
<td>9,737,911</td>
<td>5,543,404</td>
<td>4,686,090</td>
<td>2,784,982</td>
<td>1,996,227</td>
<td>268,330</td>
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<td>48,580,852</td>
<td>36,189,040</td>
<td>25,005,188</td>
<td>20,373,920</td>
<td>9,524,694</td>
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<td>$58,318,763</td>
<td>$41,732,444</td>
<td>$29,691,278</td>
<td>$23,158,902</td>
<td>$11,520,921</td>
<td>$2,462,585</td>
</tr>
</tbody>
</table>
NC State Investment Fund, Inc.
Intermediate Term Fund (ITF)
Schedule of Changes in Net Position by Participant
Year Ended June 30, 2015

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>North Carolina State University</th>
<th>North Carolina Agricultural Foundation, Inc.</th>
<th>NC State Engineering Foundation, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participant additions</td>
<td>$173,830,000</td>
<td>$150,000,000</td>
<td>$13,180,000</td>
<td>$4,410,000</td>
</tr>
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<td>Investment income</td>
<td>4,513,413</td>
<td>3,877,487</td>
<td>358,971</td>
<td>115,035</td>
</tr>
<tr>
<td>Unrealized depreciation on investments</td>
<td>(2,697,444)</td>
<td>(2,300,952)</td>
<td>(224,324)</td>
<td>(73,048)</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>175,645,969</td>
<td>151,576,535</td>
<td>13,314,647</td>
<td>4,451,987</td>
</tr>
<tr>
<td><strong>DEDUCTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Participant distributions</td>
<td>4,047,350</td>
<td>3,476,130</td>
<td>322,905</td>
<td>103,147</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>120,015</td>
<td>102,616</td>
<td>9,858</td>
<td>3,174</td>
</tr>
<tr>
<td>Investment custodial fees</td>
<td>31,845</td>
<td>27,521</td>
<td>2,418</td>
<td>780</td>
</tr>
<tr>
<td>Other expenses</td>
<td>20,578</td>
<td>17,786</td>
<td>1,560</td>
<td>504</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>4,219,788</td>
<td>3,624,053</td>
<td>336,741</td>
<td>107,605</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>171,426,181</td>
<td>147,952,482</td>
<td>12,977,906</td>
<td>4,344,382</td>
</tr>
</tbody>
</table>

**NET ASSETS HELD IN TRUST FOR PARTICIPANTS**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>End of year</td>
<td>$171,426,181</td>
<td>$147,952,482</td>
<td>$12,977,906</td>
<td>$4,344,382</td>
</tr>
<tr>
<td>Foundation, Inc.</td>
<td>Tobacco Foundation, Inc.</td>
<td>Veterinary Medical Foundation, Inc.</td>
<td>College of Sciences Foundation, Inc.</td>
<td>NC State Alumni Association, Inc.</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>3,500,000 $</td>
<td>1,375,000 $</td>
<td>585,000 $</td>
<td>400,000 $</td>
<td>380,000 $</td>
</tr>
<tr>
<td>90,549</td>
<td>37,574</td>
<td>15,986</td>
<td>9,836</td>
<td>7,975</td>
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<tr>
<td>(53,779)</td>
<td>(23,554)</td>
<td>(10,022)</td>
<td>(6,353)</td>
<td>(5,412)</td>
</tr>
<tr>
<td>3,536,770</td>
<td>1,389,020</td>
<td>590,964</td>
<td>403,483</td>
<td>382,563</td>
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<tr>
<td>81,180</td>
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<td>8,779</td>
<td>7,020</td>
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<td>2,398</td>
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<td>440</td>
<td>272</td>
<td>223</td>
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<tr>
<td>642</td>
<td>252</td>
<td>107</td>
<td>68</td>
<td>57</td>
</tr>
<tr>
<td>415</td>
<td>163</td>
<td>69</td>
<td>44</td>
<td>37</td>
</tr>
<tr>
<td>84,635</td>
<td>35,255</td>
<td>14,999</td>
<td>9,163</td>
<td>7,337</td>
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<tr>
<td>3,452,135</td>
<td>1,353,765</td>
<td>575,965</td>
<td>394,320</td>
<td>375,226</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 3,452,135</td>
<td>$ 1,353,765</td>
<td>$ 575,965</td>
<td>$ 394,320</td>
<td>$ 375,226</td>
</tr>
</tbody>
</table>
INTERNAL CONTROL AND COMPLIANCE MATTERS
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members Board
NC State Investment Fund, Inc.
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the
United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of NC State Investment Fund, Inc. as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise NC State Investment Fund, Inc.’s basic financial statements, and have issued our report thereon dated October 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NC State Investment Fund, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NC State Investment Fund, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of NC State Investment Fund, Inc.’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NC State Investment Fund, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams Overman Pierce, LLP

Raleigh, North Carolina
October 5, 2015
October 5, 2015

To the Members Board
NC State Investment Fund, Inc.
Raleigh, North Carolina

We have audited the financial statements of NC State Investment Fund, Inc. (the “Fund”), a nonprofit organization and a component unit of North Carolina State University, for the year ended June 30, 2015, and have issued our report thereon dated October 5, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government 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 11, 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 NC State Investment Fund, 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 the year ended June 30, 2015. We noted no transactions entered into by the Fund 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 detected 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 5, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Fund’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 Fund’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

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.
We were engaged to report on the supplementary information on pages 23 through 30, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that all information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We are happy to respond to any questions you may have concerning this communication. We appreciate the opportunity to continue to serve the NC State Investment Fund, Inc.

This information is intended solely for the use of the Board of Directors and management of NC State Investment Fund, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Williams Overman Pierce, LLP