

**THE NORTH CAROLINA
AGRICULTURAL FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2023 and 2022

**The North Carolina Agricultural Foundation, Inc.
Financial Report
For the Years Ended June 30, 2023 and 2022**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The North Carolina Agricultural Foundation, Inc.

Opinion

We have audited the accompanying financial statements of The North Carolina Agricultural Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Agricultural Foundation, Inc., as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of The North Carolina Agricultural Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The North Carolina Agricultural Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 North Carolina Agricultural Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The North Carolina Agricultural Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of state awards, as required by the State Single Audit Implementation Act and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information on pages 31 through 33, 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 audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 on our consideration of the Foundation’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 solely 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 the effectiveness of the Foundation’s 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 Foundation’s internal control over financial reporting and compliance.

Williams Dverman Pierce, LLP

Greensboro, North Carolina
September 27, 2023

The North Carolina Agricultural Foundation, Inc.

**Statements of Financial Position
June 30, 2023 and 2022**

	2023	2022
Assets		
Cash and cash equivalents (Note 1)	\$ 23,373,006	\$ 30,817,571
Intermediate investments (Note 1)	35,358,933	25,010,162
Long-term investments (Notes 1 and 3)	156,815,365	156,643,834
Accounts receivable (Note 1)	1,093,841	367,292
Pledges receivable, net (Notes 1 and 8)	2,412,703	3,278,258
Donated property and land (Note 1)	31,998,199	31,998,199
Vehicles, net of accumulated depreciation of \$193,992 and \$171,454 at June 30, 2023 and 2022, respectively (Note 1)	50,988	73,526
Other assets (Note 1)	20,512	20,512
Total Assets	\$ 251,123,547	\$ 248,209,354
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 2,611,451	\$ 367,396
Accounts payable (Note 1)	26,118	1,186
Deferred revenue (Note 1)	156,955	7,410
Life income funds payable (Note 6)	4,193,850	5,134,227
Due to others (Note 1)	65,204	74,965
Agency funds held in custody for others (Note 7)	205,646	204,345
Total Liabilities	7,259,224	5,789,529
Net Assets		
Without donor restrictions:		
Undesignated	1,543,124	920,449
Board-designated (Note 2)	3,151,480	3,290,985
With donor restrictions:		
Perpetual in Nature	109,767,137	105,299,228
Purpose Restricted	129,402,582	132,909,163
Total Net Assets	243,864,323	242,419,825
Total Liabilities and Net Assets	\$ 251,123,547	\$ 248,209,354

See notes to financial statements.

The North Carolina Agricultural Foundation, Inc.

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 154,704	\$ 14,176,041	\$ 14,330,745
Change in pledges receivable (Note 8)	-	(865,555)	(865,555)
Grant revenue (Note 1)	-	449,803	449,803
Donated salaries, services and facilities (Note 9)	2,457,000	-	2,457,000
Net investment income	921,828	2,268,723	3,190,551
Change in value of split interest agreements	-	563,476	563,476
Royalties	-	275,148	275,148
Other income	-	2,537,410	2,537,410
Net assets released from restrictions (Note 11)	18,483,648	(18,483,648)	-
Total Revenues, Gains, and Other Income	22,017,180	921,398	22,938,578
Grants to Support the University			
Program:			
Scholarships and fellowships	2,467,717	-	2,467,717
Faculty support and professorships	3,065,210	-	3,065,210
Departmental support	8,329,906	-	8,329,906
Capital support	2,704,459	-	2,704,459
Nickels for Know How	1,590,755	-	1,590,755
Total Program Support	18,158,047	-	18,158,047
Administrative	290,500	-	290,500
Fundraising	3,049,914	-	3,049,914
Total Other Support	3,340,414	-	3,340,414
Total Support (Note 12)	21,498,461	-	21,498,461
Excess of Revenues, Gains, and Other Income Over Total Support	518,719	921,398	1,440,117
Net Transfers			
From other University-affiliated entities	-	4,381	4,381
Among funds	(35,549)	35,549	-
Total Net Transfers	(35,549)	39,930	4,381
Change in Net Assets	483,170	961,328	1,444,498
Net Assets			
Beginning of year	4,211,434	238,208,391	242,419,825
End of year	\$ 4,694,604	\$ 239,169,719	\$ 243,864,323

See notes to financial statements.

The North Carolina Agricultural Foundation, Inc.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 168,642	\$ 17,251,529	\$ 17,420,171
Change in pledges receivable (Note 8)	-	(1,676,226)	(1,676,226)
Grant revenue (Note 1)	-	865,098	865,098
Donated salaries, services and facilities (Note 9)	2,271,000	-	2,271,000
Net investment (loss) income	(1,647,530)	2,945,954	1,298,424
Change in value of split interest agreements	-	69,767	69,767
Loss on disposal of donated property and land	-	(29,581)	(29,581)
Gain on disposal of vehicle	-	24,997	24,997
Royalties	-	338,240	338,240
Other income	86	9,340,578	9,340,664
Net assets released from restrictions (Note 11)	22,628,889	(22,628,889)	-
Total Revenues, Gains, and Other Income	23,421,087	6,501,467	29,922,554
Grants to Support the University			
Program:			
Scholarships and fellowships	2,456,513	-	2,456,513
Faculty support and professorships	2,662,657	-	2,662,657
Departmental support	6,890,967	-	6,890,967
Capital support	9,082,265	-	9,082,265
Nickels for Know How	1,378,450	-	1,378,450
Total Program Support	22,470,852	-	22,470,852
Administrative	265,600	-	265,600
Fundraising	2,785,974	-	2,785,974
Total Other Support	3,051,574	-	3,051,574
Total Support (Note 12)	25,522,426	-	25,522,426
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(2,101,339)	6,501,467	4,400,128
Net Transfers			
To other University-affiliated entities	-	(18,855)	(18,855)
Among funds	37,103	(37,103)	-
Total Net Transfers	37,103	(55,958)	(18,855)
Change in Net Assets	(2,064,236)	6,445,509	4,381,273
Net Assets			
Beginning of year	6,275,670	231,762,882	238,038,552
End of year	\$ 4,211,434	\$ 238,208,391	\$ 242,419,825

See notes to financial statements.

The North Carolina Agricultural Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets:	\$ 1,444,498	\$ 4,381,273
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	22,538	19,831
Contributions and grants restricted for permanent endowment	(3,455,740)	(5,140,252)
Net investment income	(3,190,551)	(1,298,424)
Change in value of split interest agreements	(553,715)	(76,198)
Change in value of split interest agreements due to others	(9,761)	6,431
Loss on disposal of donated property and land	-	29,581
Gain on disposal of vehicle	-	(24,997)
(Increase) decrease in:		
Accounts receivable	(726,549)	3,524,763
Pledges receivable, net	865,555	1,676,226
Other assets	-	12,532
Increase (decrease) in:		
Accounts payable - North Carolina State University	2,244,055	(3,436,499)
Accounts payable	24,932	(2,064)
Deferred revenue	149,545	(176,114)
Agency funds held in custody for others	1,301	(22,209)
Net Cash Used in Operating Activities	(3,183,892)	(526,120)
Cash Flows From Investing Activities		
Proceeds from sales of donated property	-	(20,285)
Proceeds from sales of investments	6,118,325	5,689,926
Purchase of vehicle	-	(52,487)
Purchases of investments	(13,448,076)	(8,765,148)
Proceeds from sale of vehicle	-	24,997
Net Cash Used in Investing Activities	(7,329,751)	(3,122,997)
Cash Flows From Financing Activities		
Contributions and grants restricted for permanent endowment	3,455,740	5,140,252
Payments on life income fund obligations	(503,952)	(603,778)
Proceeds from life income fund obligations	117,290	136,198
Net Cash Provided by Financing Activities	3,069,078	4,672,672
Net (Decrease) Increase in Cash and Cash Equivalents	(7,444,565)	1,023,555
Cash and Cash Equivalents:		
Beginning of year	30,817,571	29,794,016
End of year	\$ 23,373,006	\$ 30,817,571
Supplemental Disclosures of Noncash Activities		
Donated services, salaries, and facilities	\$ 2,457,000	\$ 2,271,000
Trade-in value on vehicle	\$ -	\$ 13,500

See notes to financial statements.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

Note 1. Nature of Activities and Significant Accounting Policies

Business combination: Effective July 1, 2021, The North Carolina Agricultural Foundation, Inc. and the North Carolina Tobacco Foundation, Inc. completed a merger of their operations. Both foundations shared the common mission of supporting and providing financial assistance to the College of Agriculture and Life Sciences at North Carolina State University. Through the merger, the foundations sought to further their common mission by achieving economies of scale and other synergies.

Nature of activities: The North Carolina Agricultural 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, founded in 1944, aids and promotes, by financial assistance and otherwise, all types of education, research and extension in the College of Agriculture and Life Sciences.

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.

Leases: The Foundation accounts for its leasing arrangements under Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases* ("ASC 842"). The Foundation assesses whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

ASC 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for leases. When measuring right-of-use assets and lease liabilities arising from a lease, the Foundation includes payments to be made in optional periods and optional payments to purchase the underlying asset if it is reasonably certain the option will be exercised.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

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

The Foundation made several key accounting policy elections upon adoption of ASC 842 including:

In the instance of a short-term lease, it is the Foundation's policy to not recognize right-of-use assets and lease liabilities. A short-term lease is defined as one with a maximum lease term of 12 months or less and does not include a purchase option or renewal option the lessee is reasonably certain to exercise. Short-term lease payments are accounted for in a manner similar to operating leases under ASC 840, *Leases*.

When a lease agreement includes both lease and non-lease components, it is the Foundation's policy to not separate lease components from non-lease components when allocating contract consideration and accounts for the lease and non-lease components as a single lease.

When readily determinable, the Foundation uses the rate implicit in the lease document as the discount rate. In the absence of an implicit rate, it is the Foundation's policy to use the risk-free rate at the commencement date of the lease as the discount rate.

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 consisted of accounts with the State Treasurer's Short-Term Investment Fund (the "STIF") and TowneBank. The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Intermediate investments: Intermediate investments consist of taxable municipal bonds, U.S. Treasuries and the NC State Investment Fund, Inc. Intermediate Term Fund (the "ITF") 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 \$35,358,933 and \$25,010,162 at June 30, 2023 and 2022, respectively. The cost of these investments were \$36,391,867 and \$26,361,613 as of June 30, 2023 and 2022, 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.

Accounts receivable: Accounts receivable consists of sales tax receivable, accrued interest on municipal bonds and U.S. Treasuries, rent receivable, and grant expenditures not yet reimbursed.

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

Donated property and land: Donated property and land is valued using the appraisal value on the date of donation. In the absence of an appraisal, the Foundation uses the stated tax value of the property on the date of donation, or a similar measure, for the valuation purposes.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

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

Vehicles: It is the Foundation's policy to capitalize vehicles costing greater than \$5,000. Vehicles are stated at depreciated value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Other assets: Other assets include beneficial interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash values less any loans outstanding on the policies. Cash surrender values of these policies were \$17,121 at June 30, 2023 and 2022. Other assets also include closely held stock.

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

Accounts payable: Accounts payable represents trade payables due to vendors and associated entities.

Deferred revenue: Deferred revenue consists of the unspent balance of grants whose obligations have not yet been met.

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 the years ended June 30, 2023 and 2022, 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.

Grant revenue: Grant revenue consists of amounts awarded to the Foundation by various state agencies.

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. 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 the year ended June 30, 2023, the annual fee was 1.35%, with 0.65% designated for University Advancement, 0.60% designated to college-level fundraising efforts and 0.10% designated for the customer relationship management software upgrade. For the year ended June 30, 2022, the annual fee was 1.25%, with 0.65% designated for University Advancement and 0.60% designated to college-level fundraising efforts.

Other income: Other income consists of income earned from a variety of sources, including from private organizations as well as state agencies.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

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

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 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 2023 or 2022. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would 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, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to tax year 2019.

Changes in accounting principles: Effective July 1, 2022, the Foundation adopted FASB ASC 842 which requires lessees to recognize a right-of-use asset and a corresponding lease liability for leases with terms longer than twelve months. The Foundation adopted the new standard using a modified retrospective transition method and applied certain optional transition practical expedients. The adoption of this standard did not have an impact on the accompanying financial statements for the years ended June 30, 2023 or 2022.

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

Note 2. Endowment

The Foundation's endowment consists of approximately 810 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

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

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

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 with 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 under law. Deficiencies of this nature are reported in net assets with donor restrictions and were (\$14,911) and (\$37,885) as of June 30, 2023 and 2022, 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% MSCI/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 \$4,751,520 and \$4,289,000 for fiscal years 2024 and 2023, respectively.

Strategies employed for achieving investment objectives: 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, 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 will have a disproportionate impact on the performance of the total fund.

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

The North Carolina Agricultural Foundation, Inc.

**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 2. Endowment (continued)

The following represents changes in endowment net assets for the fiscal year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,290,985	\$ 174,816,296	\$ 178,107,281
Total investment return	64,405	1,985,040	2,049,445
Contributions, including change in accrued pledges and other income	(1,990)	3,223,251	3,221,261
Appropriations of endowment assets for expenditure	(201,920)	(5,916,405)	(6,118,325)
Change in value of split interest agreements	-	563,476	563,476
Other changes:			
Transfers	-	1,045,187	1,045,187
Endowment net assets, end of year	<u>\$ 3,151,480</u>	<u>\$ 175,716,845</u>	<u>\$ 178,868,325</u>

The following represents endowment net asset composition by type of fund, as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,151,480	\$ -	\$ 3,151,480
Donor-designated endowment funds:			
Corpus	-	109,767,137	109,767,137
Appreciation	-	65,964,619	65,964,619
Underwater endowments	-	(14,911)	(14,911)
Total funds	<u>\$ 3,151,480</u>	<u>\$ 175,716,845</u>	<u>\$ 178,868,325</u>

The following represents changes in endowment net assets for the fiscal year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,105,098	\$ 171,027,207	\$ 174,132,305
Total investment return	185,161	2,707,438	2,892,599
Contributions, including change in accrued pledges and other income	-	5,286,651	5,286,651
Appropriations of endowment assets for expenditure	(183,160)	(5,309,860)	(5,493,020)
Change in value of split interest agreements	-	69,767	69,767
Other changes:			
Transfers	183,886	1,035,093	1,218,979
Endowment net assets, end of year	<u>\$ 3,290,985</u>	<u>\$ 174,816,296</u>	<u>\$ 178,107,281</u>

The North Carolina Agricultural Foundation, Inc.

**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 2. Endowment (continued)

The following represents endowment net asset composition by type of fund, as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,290,985	\$ -	\$ 3,290,985
Donor-designated endowment funds:			
Corpus	-	105,299,228	105,299,228
Appreciation	-	69,554,953	69,554,953
Underwater endowments	-	(37,885)	(37,885)
Total funds	<u>\$ 3,290,985</u>	<u>\$ 174,816,296</u>	<u>\$ 178,107,281</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:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 3,816	\$ 3,816	\$ 592,406	\$ 592,406
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	69,874,175	149,403,236	61,025,442	147,585,459
Life Income Funds	7,334,603	7,408,313	8,602,792	8,465,969
	<u>\$ 77,212,594</u>	<u>\$ 156,815,365</u>	<u>\$ 70,220,640</u>	<u>\$ 156,643,834</u>

Note 4. Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the FASB 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.

The North Carolina Agricultural Foundation, Inc.

**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

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 at June 30:

	2023			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 3,816	\$ -	\$ -	\$ 3,816
Municipal Bonds and U.S. Treasuries	-	11,510,660	-	11,510,660
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	23,848,273	-	23,848,273
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	149,403,236	149,403,236
Life Income Funds	-	7,408,313	-	7,408,313
Beneficial Interest in Life Insurance Policies	-	-	17,121	17,121
	\$ 3,816	\$ 42,767,246	\$ 149,420,357	\$ 192,191,419

	2022			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 592,406	\$ -	\$ -	\$ 592,406
Municipal Bonds	-	1,551,318	-	1,551,318
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	23,458,844	23,458,844
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	147,585,459	147,585,459
Life Income Funds	-	8,465,969	-	8,465,969
Beneficial Interest in Life Insurance Policies	-	-	17,121	17,121
	\$ 592,406	\$ 10,017,287	\$ 171,061,424	\$ 181,671,117

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

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.

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

The ITF is invested in a combination of publicly traded mutual funds, a separately managed account with Merganser and U.S. Treasuries, valued at quoted market prices. The ITF also has an investment in the STIF, valued as described above. The fair value classification of the ITF was transferred from Level 3 to Level 2 during the year ended June 30, 2023 due to a divestment from the LTIP.

NC State Investment Fund, Inc. Long-Term Investment Pool (“LTIP”) – The LTIP’s investment in UNC Investment Fund (UNCIF) 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’s investment in U.S. Treasuries is valued at quoted market prices. 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, 2023:

	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 23,458,844	\$ 147,585,459	\$ 17,121
Participant additions	-	6,327,374	-
Realized gains	-	3,268,165	-
Unrealized appreciation (depreciation)	389,429	(1,659,437)	-
Participant withdrawals	-	(6,118,325)	-
Transfer to level 2	(23,848,273)	-	-
Ending balance	\$ -	\$ 149,403,236	\$ 17,121

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

Note 4. Fair Value Measurement (continued)

The following is a reconciliation of the assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining value at June 30, 2022:

	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 22,200,709	\$ 142,603,010	\$ 15,196
Participant additions	3,000,000	6,235,361	-
Investment income	122,062	31,457	-
Realized losses	(24,740)	(1,954,150)	-
Unrealized (depreciation) appreciation	(1,576,656)	6,359,707	1,925
Participant withdrawals	(253,927)	(5,493,020)	-
Expenses	(8,604)	(196,906)	-
Ending balance	<u>\$ 23,458,844</u>	<u>\$ 147,585,459</u>	<u>\$ 17,121</u>

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

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 NC State Investment Fund, Inc. (the "Fund") is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the Fund's longer-term return objectives. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The spendable portion of the Foundation's board-designated endowment is approximately \$3.15 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. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. \$655,133 of endowment assessments will be available within the next 12 months. As described in Note 2, the board-designated endowment has a spending rate of 4%. \$201,920 of appropriations from the board-designated endowment will be available within the next 12 months.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

Note 5. Financial Assets and Liquidity Resources (continued)

As of June 30, 2023, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, are as follows:

Total assets, less nonfinancial assets	\$ 219,074,360
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(84,017,076)
Subject to appropriation and satisfaction of donor restrictions	(122,499,311)
Board-designated endowments	(2,949,560)
Total liabilities	<u>(7,259,224)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,349,189</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 the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift and marked to market thereafter. Life income funds at June 30, 2023 and 2022 have asset balances of \$7,408,313 and \$8,465,969, respectively.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancies of the beneficiaries, and totaled \$4,193,850 and \$5,134,227 at June 30, 2023 and 2022, respectively. Payments from these funds were \$503,952 and \$603,778 during the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the CGA reserve balance was \$108,295 and \$95,114, respectively.

Note 7. Agency Funds

The Foundation has a direct fund agreement with the Tobacco Education and Research Council, Inc. to maintain proceeds of a settlement agreement with Philip Morris USA. Under this agreement, the funds are held by the Foundation and used for land grant university tobacco programs, continuing support for tobacco farmer projects to improve the quality of leaf tobacco, and to reduce Tobacco Specific Nitrosamines and/or suspected harmful substances in the tobacco leaf. Agency funds were \$205,646 and \$204,345 at June 30, 2023 and 2022, respectively.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

Note 8. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2023		2022
Receivable in less than one year	\$ 1,278,258	\$	2,010,909
Receivable in one to five years	1,516,031		1,537,960
Receivable in greater than five years	500,000		614,000
Total gross pledges receivable	3,294,289		4,162,869
Less allowance for uncollectible pledges	(640,000)		(684,000)
Less unamortized discount (discount rate of 2.65% to 5.24%)	(241,586)		(200,611)
Pledges receivable, net	\$ 2,412,703	\$	3,278,258

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, along with any specific pledges for which collectability is uncertain. Active past due and long-term pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to allow for or write off such pledges.

Two donors represented approximately \$1.0 million of total undiscounted pledges receivable at June 30, 2023. Two donors represented approximately \$1.5 million of total undiscounted pledges receivable at June 30, 2022.

Note 9. Donated Salaries, Services and Facilities

For the years ended June 30, 2023 and 2022, salaries and benefits paid by the University for college development personnel in the amount of \$2,278,000 and \$2,119,000, respectively, have been recorded as donated salaries. The University Finance Division provides services to support the Foundation; the difference between the fair market value of services rendered and fees paid has been recorded as donated services. The University allows the Foundation to utilize space on campus at no charge; the fair market value of such space has been recorded as donated facilities. For the years ended June 30, 2023 and 2022, donated services and facilities amounted to approximately \$179,000 and \$152,000, respectively.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 10. Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 4,196,283	\$ 3,915,480
Faculty support and professorships	633,289	620,641
Nickels for Know How	1,848,351	2,203,863
Plant Sciences Building Development Fund	6,667,174	6,864,758
North Carolina aquaculture support	2,739,299	3,078,199
FFA support	2,711,346	2,282,393
4-H programs	3,910,975	3,883,894
Pledges receivable	1,853,832	2,415,249
Other	38,875,204	38,110,497
	63,435,753	63,374,974
Subject to passage of time:		
Beneficial interest in life insurance policies	17,121	17,121
Assets held under split-interest agreements, net	3,152,341	3,256,777
	3,169,462	3,273,898
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	55,354,107	54,131,733
Faculty support and professorships	13,051,193	12,962,966
Prestage Poultry Science	13,418,505	13,871,998
NC Tobacco Trust Commission Agricultural Leadership Development Program	8,578,024	8,867,877
Directly held assets	25,750,061	25,750,019
Pledges receivable	558,871	863,009
Other	55,853,743	55,111,917
	172,564,504	171,559,519
Total Net Assets With Donor Restrictions	\$ 239,169,719	\$ 238,208,391

Donor restricted net asset grouping "Other" includes amounts designated for research and extension, facility support, general college support and general Dairy support.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 11. Net Assets Released from Donor Restrictions

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

	2023	2022
Scholarships and fellowships	\$ 2,467,717	\$ 2,456,513
Faculty support and professorships	3,065,210	2,662,657
Departmental support	8,143,685	6,668,482
Capital support	2,704,459	9,082,265
Administrative and fundraising	511,822	380,522
Nickels for Know How	1,590,755	1,378,450
	<u>\$ 18,483,648</u>	<u>\$ 22,628,889</u>

Note 12. Functional Expense

The Foundation's primary program is to provide financial support for education, research, and extension in the College of Agriculture and Life Sciences at NC State University. Expenses by functional classification for the year ended June 30, 2023 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 8,261,466	\$ -	\$ 380,078	\$ 8,641,544
Legal	1,996	-	12,602	14,598
Accounting	-	111,500	-	111,500
Advertising	148,313	-	8,207	156,520
Office Expenses	131,072	-	5,544	136,616
Occupancy	132,772	-	418	133,190
Travel	1,222,291	-	41,823	1,264,114
Conferences and Meetings	277,102	-	55,753	332,855
Depreciation	22,538	-	-	22,538
Insurance	9,052	-	32,474	41,526
Departmental Equipment	464,770	-	4,092	468,862
Equipment Rental and Maintenance	625,097	-	4,256	629,353
Contracted Services	175,752	-	17,145	192,897
Services and Fees	1,673,069	-	146,231	1,819,300
Donated Services, Salaries & Facilities	-	179,000	2,278,000	2,457,000
Gift Assessment Fees	926,528	-	-	926,528
Printing and Binding	125,167	-	18,285	143,452
Dues and Subscriptions	113,086	-	12,643	125,729
Supplies	1,143,517	-	32,363	1,175,880
Capital Transfers	2,704,459	-	-	2,704,459
Total	<u>\$ 18,158,047</u>	<u>\$ 290,500</u>	<u>\$ 3,049,914</u>	<u>\$ 21,498,461</u>

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, maintenance agreements and honorariums. Services and Fees include FFA support, year-end expense accruals, and food costs associated with Foundation programs, events and board meetings.

The North Carolina Agricultural Foundation, Inc.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 12. Functional Expense (continued)

Expenses by functional classification for the year ended June 30, 2022 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 7,774,317	\$ -	\$ 332,109	\$ 8,106,426
Legal	-	-	12,736	12,736
Accounting	-	113,600	-	113,600
Advertising	137,963	-	3,780	141,743
Office Expenses	100,500	-	18,823	119,323
Occupancy	-	-	446	446
Travel	832,400	-	18,545	850,945
Conferences and Meetings	237,174	-	55,198	292,372
Depreciation	19,831	-	-	19,831
Insurance	16,418	-	24,274	40,692
Departmental Equipment	169,351	-	2,687	172,038
Equipment Rental and Maintenance	655,396	-	10,932	666,328
Contracted Services	202,810	-	13,198	216,008
Services and Fees	1,051,268	-	102,540	1,153,808
Donated Services, Salaries & Facilities	-	152,000	2,119,000	2,271,000
Gift Assessment Fees	903,333	-	-	903,333
Printing and Binding	141,880	-	10,406	152,286
Dues and Subscriptions	73,496	-	11,858	85,354
Supplies	1,072,450	-	49,442	1,121,892
Capital Transfers	9,082,265	-	-	9,082,265
Total	\$ 22,470,852	\$ 265,600	\$ 2,785,974	\$ 25,522,426

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, maintenance agreements and honorariums. Services and Fees include FFA support, year-end expense accruals, and food costs associated with Foundation programs, events and board meetings.

Note 13. Commitments

The Foundation holds conservation easements for which it may have future commitments for an undeterminable amount. The purpose of these conservation easements is to maintain wetland and/or riparian resources and other natural values and prevent the use or development for any purpose or in any manner that would conflict with the maintenance of the properties in their natural conditions.

Note 14. Subsequent Events

The Foundation has evaluated events through September 27, 2023 the date which the financial statements were available to be issued, and there were no subsequent events to report.

**REPORTS AND SCHEDULES RELATED TO THE STATE SINGLE AUDIT
IMPLEMENTATION ACT AND THE UNIFORM GUIDANCE**



**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 Board of Directors
The North Carolina Agricultural Foundation, Inc.

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 The North Carolina Agricultural Foundation, Inc. (the "Foundation"), which are comprised of the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 financial statements. 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 Dverman Pierce, LLP

Greensboro, North Carolina
September 27, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT IMPLEMENTATION
ACT AND THE UNIFORM GUIDANCE**

To the Board of Directors
The North Carolina Agricultural Foundation, Inc.

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited The North Carolina Agricultural Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *North Carolina State Compliance Supplement* and the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major state programs for the year ended June 30, 2023. The Foundation's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the State Single Audit Implementation Act, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The North Carolina Agricultural Foundation, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of The North Carolina Agricultural Foundation, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The North Carolina Agricultural Foundation, Inc.'s state programs.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The North Carolina Agricultural Foundation, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the State Single Audit Implementation Act, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The North Carolina Agricultural Foundation, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the State Single Audit Implementation Act, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The North Carolina Agricultural Foundation, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The North Carolina Agricultural Foundation, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Implementation Act and the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The North Carolina Agricultural Foundation, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Williams Dverman Pierce, LLP

Greensboro, North Carolina
September 27, 2023

The North Carolina Agricultural Foundation, Inc.

Schedule of Expenditures of State Awards
Year Ended June 30, 2023

State Grantor / Project Title	Subrecipient	Passed Through to Subrecipient	Total State Expenditures
State Programs:			
North Carolina Department of Agriculture			
Direct Projects:			
FFA Center State	FFA	\$ 100,500	\$ 100,505
Total Awards from North Carolina Department of Agriculture		100,500	100,505
North Carolina Tobacco Trust Fund Commission			
Direct Projects:			
Ag Education Program	University	88,798	91,427
Executive Farm Management	University	58,252	60,000
Engaging and Educating Ag Educators	University	14,352	15,080
NC Ag Ventures	University	519,418	528,418
Ag Leadership Coaches	University	9,572	9,572
Scaling Vacationer Supported Agriculture	University	25,783	27,531
Tomato Gray Leaf Spot Management	University	2,970	2,970
AgVentures Farmer Grant Program	University	324,383	328,883
CASE Institute	University	378	1,820
Dairy Quality Program	University	299	4,151
Needs Assessment: Masters of Agribusiness	University	11,685	11,910
Total Awards from North Carolina Tobacco Trust Fund Commission		1,055,890	1,081,762
Total Expenditures of State Awards		\$ 1,156,390	\$ 1,182,267

See notes to schedule of expenditures of state awards.

The North Carolina Agricultural Foundation, Inc.

**Notes to Schedule of Expenditures of State Awards
Year Ended June 30, 2023**

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of state awards (the "Schedule") includes the state grant activity of The North Carolina Agricultural Foundation, Inc. (the "Foundation") under State of North Carolina programs for the year ended June 30, 2023. The information in this Schedule is presented on the accrual basis of accounting and in accordance with the requirements of North Carolina General Statute 143-6.1 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation. Therefore, some amounts presented in the Schedule may differ from amounts presented in the Foundation's financial statements.

The Foundation did not elect to use the 10% indirect de minimis cost rate allowed under the Uniform Guidance.

All of the Foundation's state awards were in the form of cash assistance for the year ended June 30, 2023.

THE NORTH CAROLINA AGRICULTURAL FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Section I. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The North Carolina Agricultural Foundation, Inc.
2. No significant deficiencies or material weaknesses in internal control were identified relating to the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of The North Carolina Agricultural Foundation, Inc., which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses were identified related to the audit of the major state award programs.
5. The auditors' report on compliance for the major state award programs for The North Carolina Agricultural Foundation, Inc. expresses an unmodified opinion on all major state programs.
6. No audit findings were disclosed that are required to be reported in accordance with the State Single Audit Implementation Act and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.
7. The program(s) tested as major program(s): NC Ag Ventures
8. The North Carolina Agricultural Foundation, Inc. qualified as a low-risk auditee.

Section II. FINDINGS – FINANCIAL STATEMENT AUDIT

This section should identify significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

No financial statement findings noted.

Section III. FINDINGS AND QUESTIONED COSTS – MAJOR STATE AWARD PROGRAMS AUDIT

This section should identify the audit findings required to be reported by the State Single Audit Implementation Act and the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Where practical, findings should be organized by state agency or pass-through entity.

No findings or questioned costs identified.

Section IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

No prior year audit findings noted.

SUPPLEMENTARY INFORMATION

The North Carolina Agricultural Foundation, Inc.

General Fund Budget vs. Actual - Unaudited
Year Ended June 30, 2023

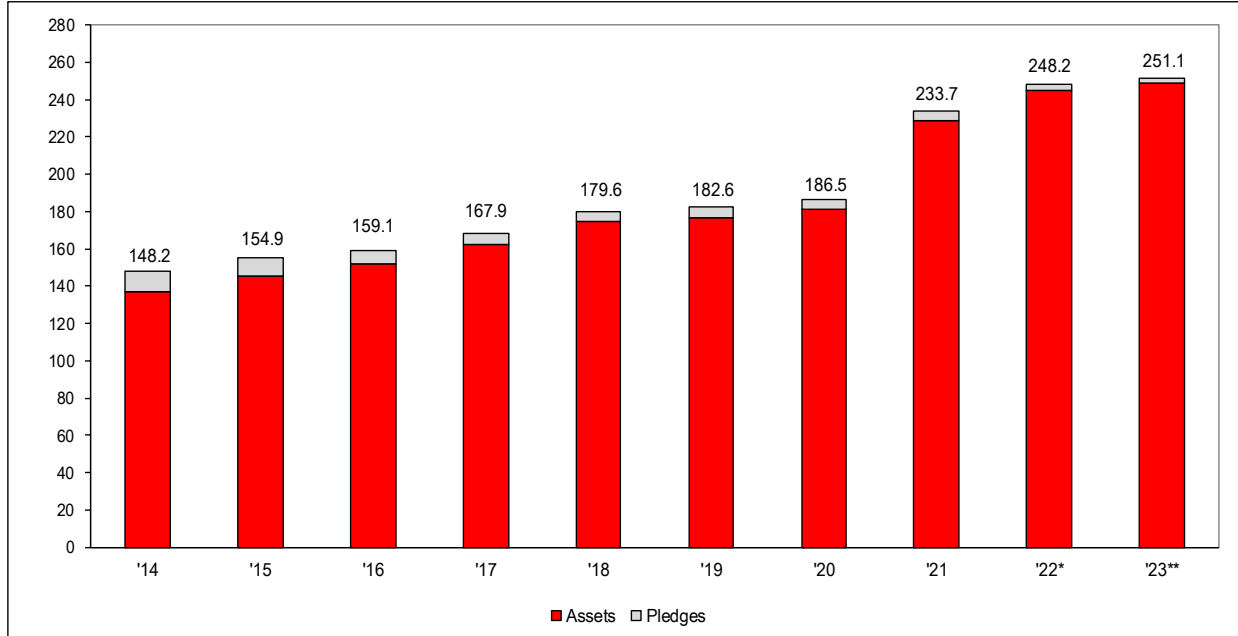
	Budget	Actual	Variance
Income			
Annual fund campaign	\$ 125,000	\$ 143,684	\$ 18,684
CALS Dean's Fund for Excellence	7,500	112	(7,388)
Endowment spending budget	183,160	183,160	-
Interest and dividends	400,000	618,059	218,059
Total Income	715,660	945,015	229,355
Support			
Program support	336,651	326,875	(9,776)
Foundation administration and development support	551,550	401,593	(149,957)
Total Support	888,201	728,468	(159,733)
Income Less Support	(172,541)	216,547	389,088
General Fund Balance			
Beginning of year	1,673,644	1,673,644	-
End of year	\$ 1,501,103	\$ 1,890,191	\$ 389,088

The North Carolina Agricultural Foundation, Inc.

**Ten Year Summary of Asset Growth - Unaudited
As of June 30**

Total Assets*

(Dollars in Millions)



* Effective July 1, 2021, The North Carolina Agricultural Foundation, Inc. and North Carolina Tobacco Foundation, Inc. completed a merger of their operations.

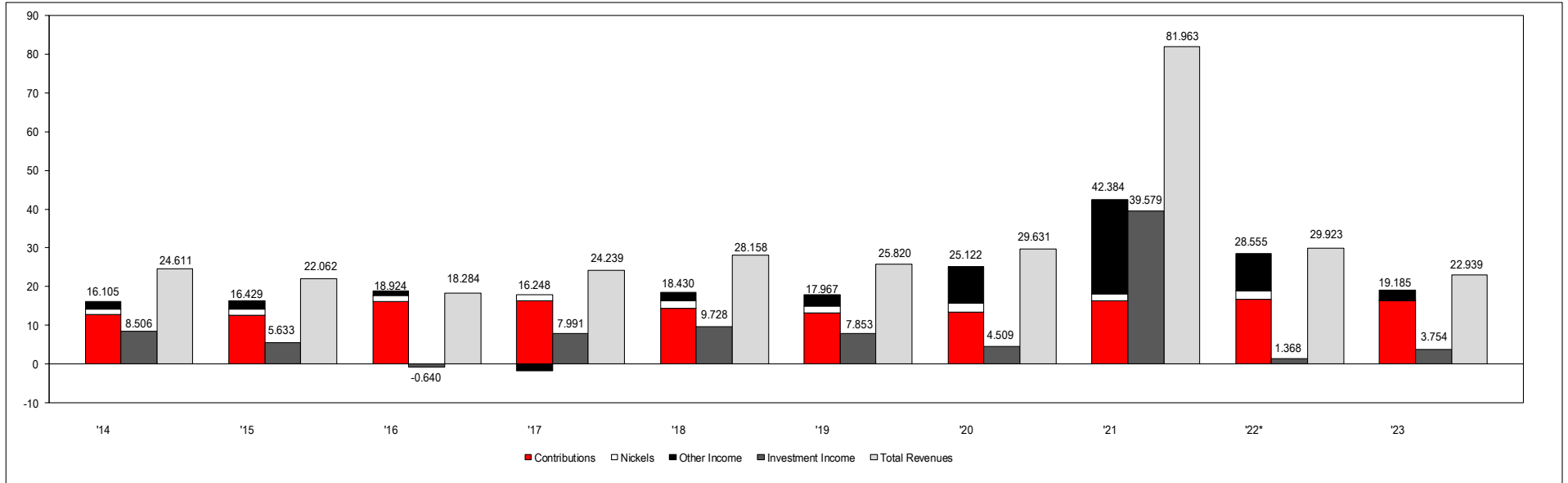
** Not reflected above for FY23 are gifts-in-kind of approximately \$253.7 thousand which benefit the College of Agricultural and Life Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

The North Carolina Agricultural Foundation, Inc.

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

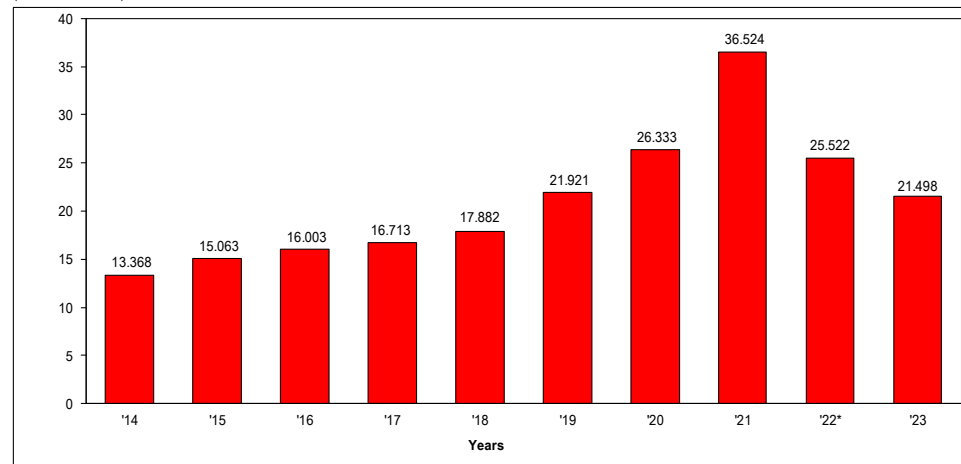
Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)



* Effective July 1, 2021, The North Carolina Agricultural Foundation, Inc. and North Carolina Tobacco Foundation, Inc. completed a merger of their operations.