

**NC STATE ENGINEERING  
FOUNDATION, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2023 and 2022**

**NC State Engineering 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  
NC State Engineering Foundation, Inc.

### ***Opinion***

We have audited the accompanying financial statements of NC State Engineering 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 NC State Engineering Foundation, Inc. as of June 30, 2023 and 2022, and the results of its operations 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. 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 NC State Engineering 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 NC State Engineering 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 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, 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 NC State Engineering 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 NC State Engineering 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.



***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 22 through 24, 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.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
October 6, 2023

NC State Engineering Foundation, Inc.

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 15,788,495	\$ 15,712,895
Intermediate investments (Note 1)	12,947,114	9,978,251
Long-term investments (Notes 1 and 3)	138,991,820	141,068,435
Accounts receivable (Note 1)	11,263	10,059
Pledges receivable, net (Notes 1 and 7)	6,002,079	6,174,064
Other assets (Note 1)	44,679	44,679
<b>Total Assets</b>	<b>\$173,785,450</b>	<b>\$172,988,383</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable (Note 1)	\$ 169,489	\$ 227,363
Life income funds payable (Note 6)	919,176	1,232,246
<b>Total Liabilities</b>	<b>1,088,665</b>	<b>1,459,609</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	2,340,922	2,105,275
Board-designated endowments (Note 2)	3,974,160	5,387,688
With donor restrictions:		
Perpetual in nature (Note 9)	78,633,043	75,369,635
Purpose restricted (Note 9)	87,748,660	88,666,176
<b>Total Net Assets</b>	<b>172,696,785</b>	<b>171,528,774</b>
<b>Total Liabilities and Net Assets</b>	<b>\$173,785,450</b>	<b>\$172,988,383</b>

See notes to financial statements.

NC State Engineering Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 682,420	\$ 10,046,891	\$ 10,729,311
Change in pledges receivable, net (Note 7)	-	(171,985)	(171,985)
Donated services, salaries, and facilities (Note 8)	1,123,000	-	1,123,000
Net investment (loss) income	(841,987)	2,905,675	2,063,688
Change in value of split interest agreements	-	205,958	205,958
Other income	2,679	111,159	113,838
Net assets released from restrictions (Note 10)	10,392,547	(10,392,547)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>11,358,659</b>	<b>2,705,151</b>	<b>14,063,810</b>
<b>Grants to Support the University Program:</b>			
Scholarships and fellowships	4,003,774	-	4,003,774
Faculty support and professorships	1,250,341	-	1,250,341
Departmental support	3,566,587	-	3,566,587
Capital support	1,200,000	-	1,200,000
<b>Total Program Support</b>	<b>10,020,702</b>	<b>-</b>	<b>10,020,702</b>
Administrative	160,500	-	160,500
Fundraising	2,261,334	-	2,261,334
<b>Total Other Support</b>	<b>2,421,834</b>	<b>-</b>	<b>2,421,834</b>
<b>Total Support (Note 11)</b>	<b>12,442,536</b>	<b>-</b>	<b>12,442,536</b>
<b>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(1,083,877)</b>	<b>2,705,151</b>	<b>1,621,274</b>
<b>Net Transfers</b>			
To other University-associated entities	-	(453,263)	(453,263)
Among funds	(94,004)	94,004	-
<b>Total Net Transfers</b>	<b>(94,004)</b>	<b>(359,259)</b>	<b>(453,263)</b>
<b>Change in Net Assets</b>	<b>(1,177,881)</b>	<b>2,345,892</b>	<b>1,168,011</b>
<b>Net Assets</b>			
Beginning of year	7,492,963	164,035,811	171,528,774
End of year	\$ 6,315,082	\$ 166,381,703	\$ 172,696,785

See notes to financial statements.

NC State Engineering Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 737,278	\$ 16,307,741	\$ 17,045,019
Change in pledges receivable, net (Note 7)	-	(1,902,741)	(1,902,741)
Donated services, salaries, and facilities (Note 8)	948,000	-	948,000
Net investment (loss) income	(631,423)	3,315,309	2,683,886
Change in value of split interest agreements	-	(65,403)	(65,403)
Other income	-	33,573	33,573
Net assets released from restrictions (Note 10)	7,453,411	(7,453,411)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>8,507,266</b>	<b>10,235,068</b>	<b>18,742,334</b>
<b>Grants to Support the University Program:</b>			
Scholarships and fellowships	3,626,249	-	3,626,249
Faculty support and professorships	847,248	-	847,248
Departmental support	2,687,178	-	2,687,178
Capital support	75,791	-	75,791
<b>Total Program Support</b>	<b>7,236,466</b>	<b>-</b>	<b>7,236,466</b>
Administrative	120,500	-	120,500
Fundraising	1,835,520	-	1,835,520
<b>Total Other Support</b>	<b>1,956,020</b>	<b>-</b>	<b>1,956,020</b>
<b>Total Support (Note 11)</b>	<b>9,192,486</b>	<b>-</b>	<b>9,192,486</b>
<b>(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>(685,220)</b>	<b>10,235,068</b>	<b>9,549,848</b>
<b>Net Transfers</b>			
From other University-associated entities	-	406,211	406,211
Among funds	(98,347)	98,347	-
<b>Total Net Transfers</b>	<b>(98,347)</b>	<b>504,558</b>	<b>406,211</b>
<b>Change in Net Assets</b>	<b>(783,567)</b>	<b>10,739,626</b>	<b>9,956,059</b>
<b>Net Assets</b>			
Beginning of year	8,276,530	153,296,185	161,572,715
End of year	\$ 7,492,963	\$ 164,035,811	\$ 171,528,774

See notes to financial statements.



**NC State Engineering Foundation, Inc.**

**Statements of Cash Flows  
Years Ended June 30, 2023 and 2022**

	2023	2022
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,168,011	\$ 9,956,059
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for permanent endowment	(2,847,148)	(9,226,453)
Net investment income	(2,063,688)	(2,683,886)
Change in value of split interest agreements	(205,958)	65,403
Increase (decrease) in:		
Accounts receivable	(1,204)	5,422
Pledges receivable, net	171,985	1,902,741
Other assets	-	123
Increase (decrease) in:		
Accounts payable	(57,874)	120,508
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(3,835,876)</b>	<b>139,917</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	7,749,437	5,358,797
Purchases of investments	(6,609,378)	(10,686,683)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,140,059</b>	<b>(5,327,886)</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	2,847,148	9,226,453
Investment income restricted for split interest agreements	31,381	25,865
Payments on life income fund obligations	(107,112)	(119,979)
Proceeds from life income fund obligations	-	107,453
<b>Net Cash Provided by Financing Activities</b>	<b>2,771,417</b>	<b>9,239,792</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>75,600</b>	<b>4,051,823</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	15,712,895	11,661,072
End of year	<b>\$ 15,788,495</b>	<b>\$ 15,712,895</b>
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated services, salaries, and facilities	<b>\$ 1,123,000</b>	<b>\$ 948,000</b>

See notes to financial statements.

## NC State Engineering Foundation, Inc.

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

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#### Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The NC State Engineering Foundation, Inc., (the "Foundation") is one of a group of foundations which provide financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, established in 1944, aids and promotes, by financial assistance and otherwise, education, research, and extension at the University's College of Engineering.

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

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

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

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

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

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

Intermediate investments: Intermediate investments consist of 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 \$12,947,114 and \$9,978,251 at June 30, 2023 and 2022, respectively. The cost of these investments were \$13,363,756 and \$10,497,226 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 and accrued interest on municipal bonds and U.S. Treasuries.

NC State Engineering Foundation, Inc.

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

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

Pledges receivable, net: 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.

Other assets: Other assets includes a beneficial interest in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender values. The cash surrender value of these policies was \$44,679 at June 30, 2023 and 2022.

Accounts payable: Accounts payable includes amounts due to vendors, associated entities and funds disbursed by the University on behalf of the Foundation for payment of various normal operating expenses.

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 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.

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 accompanying 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.

**NC State Engineering Foundation, Inc.**

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

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

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.

Estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2023 and 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 previously reported change in net assets.

## NC State Engineering Foundation, Inc.

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

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#### Note 2. Endowment

The Foundation's endowment consists of approximately 520 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.

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 \$(224,202) and \$(302,202) 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 endowments. Spending budgets were calculated at \$3,813,760 and \$4,453,100 for fiscal years 2023 and 2024, respectively.

NC State Engineering Foundation, Inc.

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

**Note 2. Endowment (continued)**

Strategies employed for achieving investment objectives: For the long term, the primary investment objective is to earn a total return (net of investment and custodial fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the LTIP and to meet the spending needs of the University. To meet this investment objective, the LTIP invests in various asset classes to offer diversification. The purpose of diversification is to provide reasonable assurance that no single security or class of securities or manager will have a disproportionate impact on the performance of the total fund.

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,387,688	\$ 135,620,225	\$ 141,007,913
Total investment return	89,112	1,475,692	1,564,804
Contributions, including change in accrued pledges and other income	-	3,436,140	3,436,140
Appropriations of endowment assets for expenditure	(1,502,640)	(5,277,140)	(6,779,780)
Change in value of split interest agreements	-	205,958	205,958
Other changes:			
Transfers	-	(39,669)	(39,669)
Endowment net assets, end of year	<u>\$ 3,974,160</u>	<u>\$ 135,421,206</u>	<u>\$ 139,395,366</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	\$ 3,974,160	\$ -	\$ 3,974,160
Donor-designated endowment funds			
Corpus	-	78,633,043	78,633,043
Appreciation	-	57,012,365	57,012,365
Underwater endowments	-	(224,202)	(224,202)
Total funds	<u>\$ 3,974,160</u>	<u>\$ 135,421,206</u>	<u>\$ 139,395,366</u>

**NC State Engineering 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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,394,142	\$ 126,386,956	\$ 131,781,098
Total investment return	274,456	3,100,685	3,375,141
Contributions, including change in accrued pledges and other income	1,000	10,489,577	10,490,577
Appropriations of endowment assets for expenditure	(281,910)	(4,640,350)	(4,922,260)
Change in value of split interest agreements	-	(65,403)	(65,403)
Other changes:			
Transfers	-	348,760	348,760
Endowment net assets, end of year	\$ 5,387,688	\$ 135,620,225	\$ 141,007,913

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	\$ 5,387,688	\$ -	\$ 5,387,688
Donor-designated endowment funds			
Corpus	-	75,369,635	75,369,635
Appreciation	-	60,552,792	60,552,792
Underwater endowments	-	(302,202)	(302,202)
Total funds	\$ 5,387,688	\$ 135,620,225	\$ 141,007,913

**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	\$ 7,736	\$ 7,736	\$ 26,567	\$ 26,567
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	64,315,588	137,768,986	63,752,791	139,329,402
Life Income Funds	1,215,347	1,215,098	1,721,620	1,712,466
	<u>\$ 65,538,671</u>	<u>\$ 138,991,820</u>	<u>\$ 65,500,978</u>	<u>\$ 141,068,435</u>

**NC State Engineering Foundation, Inc.**

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

**Note 4. Fair Value Measurement**

The Fair Value Measurements and Disclosures Topic of 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 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 as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 7,736	\$ -	\$ -	\$ 7,736
Municipal Bonds and U.S. Treasuries	-	4,380,290	-	4,380,290
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	8,566,824	-	8,566,824
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	137,768,986	137,768,986
Life Income Funds	-	1,215,098	-	1,215,098
Beneficial Interest in Life Insurance Policies	-	-	44,679	44,679
	<b>\$ 7,736</b>	<b>\$ 14,162,212</b>	<b>\$ 137,813,665</b>	<b>\$ 151,983,613</b>

	2022			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 26,567	\$ -	\$ -	\$ 26,567
Municipal Bonds	-	1,551,318	-	1,551,318
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	8,426,933	8,426,933
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	139,329,402	139,329,402
Life Income Funds	-	1,712,466	-	1,712,466
Beneficial Interest in Life Insurance Policies	-	-	44,679	44,679
	<b>\$ 26,567</b>	<b>\$ 3,263,784</b>	<b>\$ 147,801,014</b>	<b>\$ 151,091,365</b>



NC State Engineering 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 for the year ended June 30:

	2023		
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 8,426,933	\$ 139,329,402	\$ 44,679
Participant additions	-	3,751,281	-
Realized gains	-	3,604,246	-
Unrealized appreciation (depreciation)	139,891	(2,123,213)	-
Participant withdrawals	-	(6,792,730)	-
Transfer to Level 2	(8,566,824)	-	-
Ending balance	\$ -	\$ 137,768,986	\$ 44,679

	2022		
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 8,550,055	\$ 130,725,170	\$ 44,801
Participant additions	500,000	9,901,756	-
Investment income	44,890	28,783	-
Realized gains	3,075	3,031,564	(122)
Unrealized (depreciation) appreciation	(576,747)	744,541	-
Participant withdrawals	(91,216)	(4,922,260)	-
Expenses	(3,124)	(180,152)	-
Ending balance	\$ 8,426,933	\$ 139,329,402	\$ 44,679

## NC State Engineering Foundation, Inc.

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

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#### 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.

NC State Investment Fund, Inc. Intermediate Term Fund (“ITF”) – 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 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.

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

**NC State Engineering Foundation, Inc.**

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

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

The Foundation's endowment funds consist of donor-designated endowments and board-designated endowments. Income from most donor-designated endowments is restricted for specific purposes and, therefore, is not available for general expenditures. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The LTIP is responsible for managing liquidity in a manner that balances the short-term liquidity needs with the fund's longer-term return objectives. However, both the board-designated endowments and donor-designated endowments contain investments with redemption provisions that could impact the availability of funds. In addition, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

The spendable portion of the Foundation's board-designated endowments is approximately \$3.97 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$600,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$284,730 of appropriations from the board-designated endowments will be available within the next 12 months.

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

Total financial assets	\$ 173,785,450
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(78,633,043)
Subject to appropriation and satisfaction of donor restrictions	(87,148,642)
Board-designated endowments	(3,689,430)
Total liabilities	<u>(1,088,665)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,225,670</u>

## NC State Engineering Foundation, Inc.

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

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#### 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. Life income funds at June 30, 2023 and 2022 have asset balances of \$1,215,098 and \$1,712,466, respectively.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreement, and the life expectancy of the beneficiaries, and totaled \$919,176 and \$1,232,246 at June 30, 2023 and 2022, respectively. Payments from these funds were \$107,112 and \$119,979 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 in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2023 and 2022, the CGA reserve balance was \$50,371 and \$42,669, respectively.

#### Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	<b>2023</b>	2022
Receivable in less than one year	<b>\$ 2,948,164</b>	\$ 2,619,921
Receivable in one to five years	<b>3,990,385</b>	4,175,494
Receivable in greater than five years	-	175,000
Total pledges receivable, gross	<b>6,938,549</b>	6,970,415
Less allowance for uncollectible pledges	<b>(347,000)</b>	(349,000)
Less unamortized discount (discount rates of 2.65% to 5.24%)	<b>(589,470)</b>	(447,351)
Pledges receivable, net	<b>\$ 6,002,079</b>	\$ 6,174,064

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance. 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 \$2.2 million of total undiscounted pledges receivable as of June 30, 2023. One donor represented approximately \$1.8 million of total undiscounted pledges receivable as of June 30, 2022.

#### Note 8. 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 \$1,046,000 and \$903,000, 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 \$77,000 and \$45,000, respectively.

NC State Engineering Foundation, Inc.

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

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

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

	<b>2023</b>	2022
Subject to expenditure for specified purpose:		
Scholarships and fellowships	<b>\$ 5,090,585</b>	\$ 4,777,233
Faculty support and professorships	<b>1,148,926</b>	1,094,047
Research support	<b>5,466,518</b>	5,346,679
Fitts-Woolard Hall Project Fund	<b>4,668,177</b>	3,036,891
Pledges receivable, net	<b>4,679,357</b>	5,003,808
Other	<b>9,862,255</b>	9,112,249
	<b>30,915,818</b>	28,370,907
Subject to passage of time:		
Beneficial interest in life insurance policies	<b>44,679</b>	44,679
Assets held under split-interest agreements, net	<b>295,922</b>	480,220
	<b>340,601</b>	524,899
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	<b>83,247,228</b>	82,798,706
Faculty support and professorships	<b>9,602,056</b>	9,846,985
Research support	<b>1,635,141</b>	1,686,402
Pledges receivable, net	<b>1,322,722</b>	1,170,256
Other	<b>39,318,137</b>	39,637,656
	<b>135,125,284</b>	135,140,005
Total Net Assets With Donor Restrictions	<b>\$ 166,381,703</b>	\$ 164,035,811

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

**NC State Engineering Foundation, Inc.**

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

**Note 10. Net Assets Released From Donor Restrictions**

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

	<b>2023</b>	2022
Scholarships and fellowships	\$ 3,603,920	\$ 3,262,849
Faculty support and professorships	1,250,341	847,248
Departmental support	3,566,587	2,687,178
Capital support	-	60,432
Administrative and fundraising	1,971,699	595,704
	<b>\$ 10,392,547</b>	<b>\$ 7,453,411</b>

**Note 11. Functional Expense**

The Foundation's primary program is to provide financial support to the College of Engineering at NC State University. Expenses by functional classification for the year ended June 30, 2023 were as follows:

	<b>Supporting Activities</b>			
	<b>Total Program Support</b>	<b>Administrative Support</b>	<b>Fundraising Support</b>	<b>Total Support</b>
Grants	\$ 5,275,577	\$ -	\$ 751,299	\$ 6,026,876
Legal	7,093	-	9,051	16,144
Accounting	-	83,500	-	83,500
Advertising	47,086	-	1,746	48,832
Office Expenses	69,593	-	39,317	108,910
Occupancy	192,848	-	-	192,848
Travel	619,159	-	31,743	650,902
Conferences and Meetings	152,245	-	41,735	193,980
Insurance	9,605	-	11,373	20,978
Departmental Equipment	186,091	-	7,291	193,382
Equipment Rental and Maintenance	95,880	-	11,126	107,006
Contracted Services	69,732	-	22,067	91,799
Services and Fees	646,211	-	141,081	787,292
Donated Services, Salaries, and Facilities	-	77,000	1,046,000	1,123,000
Gift Assessment Fees	826,312	-	-	826,312
Printing and Binding	102,118	-	116,737	218,855
Dues and Subscriptions	32,474	-	1,306	33,780
Supplies	488,678	-	29,462	518,140
Capital Transfers	1,200,000	-	-	1,200,000
Total	<b>\$ 10,020,702</b>	<b>\$ 160,500</b>	<b>\$ 2,261,334</b>	<b>\$ 12,442,536</b>

Grants includes scholarships, fellowships, and salary support. Capital Transfers includes payments for the Fitts-Woolard Hall debt service. Services and Fees include Fitts-Woolard Hall art commission and food costs associated with Foundation programs, events and student engagement.

NC State Engineering Foundation, Inc.

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

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

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

	Total Program	Supporting Activities		Total Support
		Support	Administrative Support	
Grants	\$ 4,487,559	\$ -	\$ 567,284	\$ 5,054,843
Legal	7,600	-	8,319	15,919
Accounting	-	75,500	-	75,500
Advertising	92,610	-	4,812	97,422
Office Expenses	18,016	-	62,589	80,605
Occupancy	8,843	-	-	8,843
Travel	309,815	-	13,981	323,796
Conferences and Meetings	95,021	-	35,463	130,484
Insurance	8,112	-	10,895	19,007
Departmental Equipment	55,681	-	4,609	60,290
Equipment Rental and Maintenance	82,624	-	49,632	132,256
Contracted Services	54,487	-	20,100	74,587
Services and Fees	628,410	-	84,571	712,981
Donated Services, Salaries, and Facilities	-	45,000	903,000	948,000
Gift Assessment Fees	777,702	-	-	777,702
Printing and Binding	74,781	-	54,643	129,424
Dues and Subscriptions	40,363	-	1,452	41,815
Supplies	419,051	-	14,170	433,221
Capital Transfers	75,791	-	-	75,791
Total	\$ 7,236,466	\$ 120,500	\$ 1,835,520	\$ 9,192,486

Grants includes scholarships, fellowships, and salary support. Capital Transfers includes payments for the fuel oil expansion project on Centennial Campus. Services and Fees include food costs associated with Foundation programs, events and student engagement.

**Note 12. Subsequent Events**

The Foundation has evaluated subsequent events through October 6, 2023, the date which the financial statements were available to be issued, and there were none to report.

**SUPPLEMENTARY INFORMATION**



NC State Engineering Foundation, Inc.

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

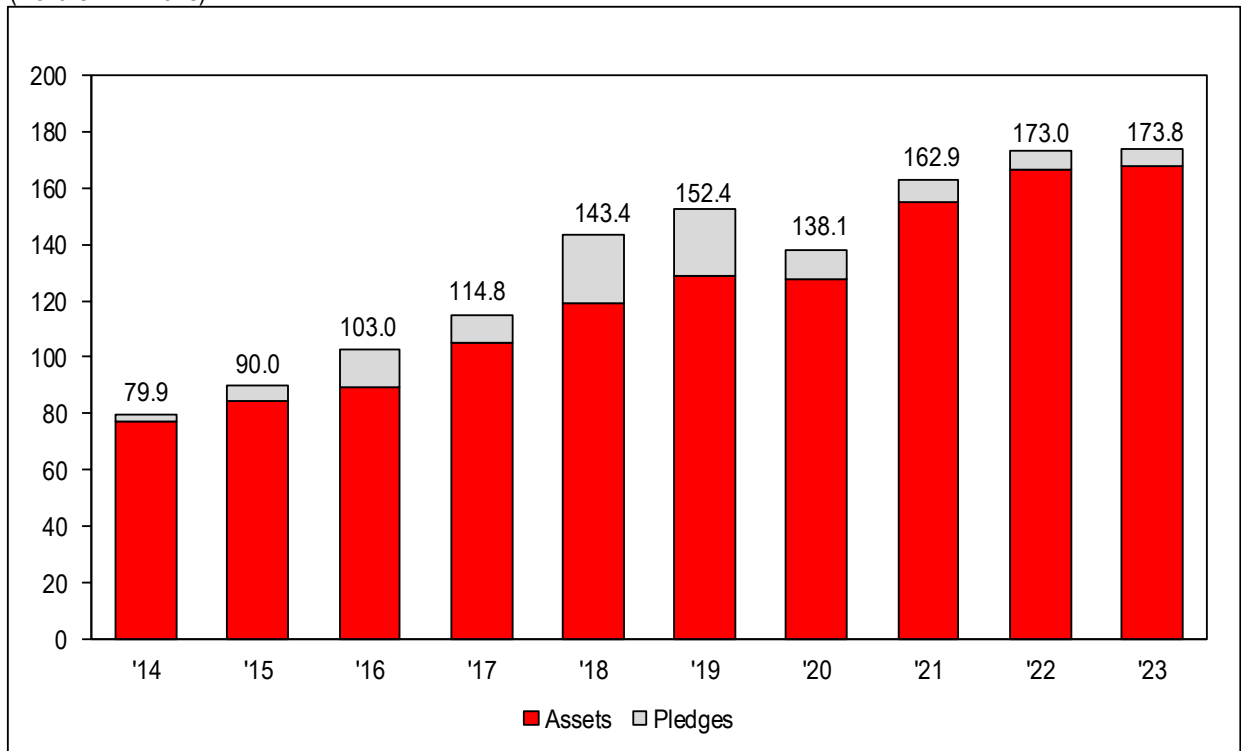
	Budget	Actual	Variance Over (Under)
<b>Income</b>			
<b>Contributions</b>			
Directors - Engineering Leadership	\$ 125,000	\$ 99,888	\$ (25,112)
Engineering Leadership Fund	600,000	537,417	(62,583)
<b>Total Contributions</b>	<b>725,000</b>	<b>637,305</b>	<b>(87,695)</b>
Endowment spending budget	1,416,830	1,416,830	-
Interest and dividends	210,000	376,155	166,155
<b>Total Income</b>	<b>2,351,830</b>	<b>2,430,290</b>	<b>78,460</b>
<b>Support</b>			
Program support	410,000	399,854	(10,146)
Foundation administration	740,500	726,054	(14,446)
Transfer to capital projects - Fitts-Woolard debt service	1,200,000	1,200,000	-
<b>Total Support</b>	<b>2,350,500</b>	<b>2,325,908</b>	<b>(24,592)</b>
<b>Income Less Support</b>	<b>1,330</b>	<b>104,382</b>	<b>103,052</b>
<b>General Fund Balance</b>			
Beginning of year	2,365,328	2,365,328	-
End of year	\$ 2,366,658	\$ 2,469,710	\$ 103,052

# NC State Engineering Foundation, Inc.

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

### Total Assets

(Dollars in Millions)

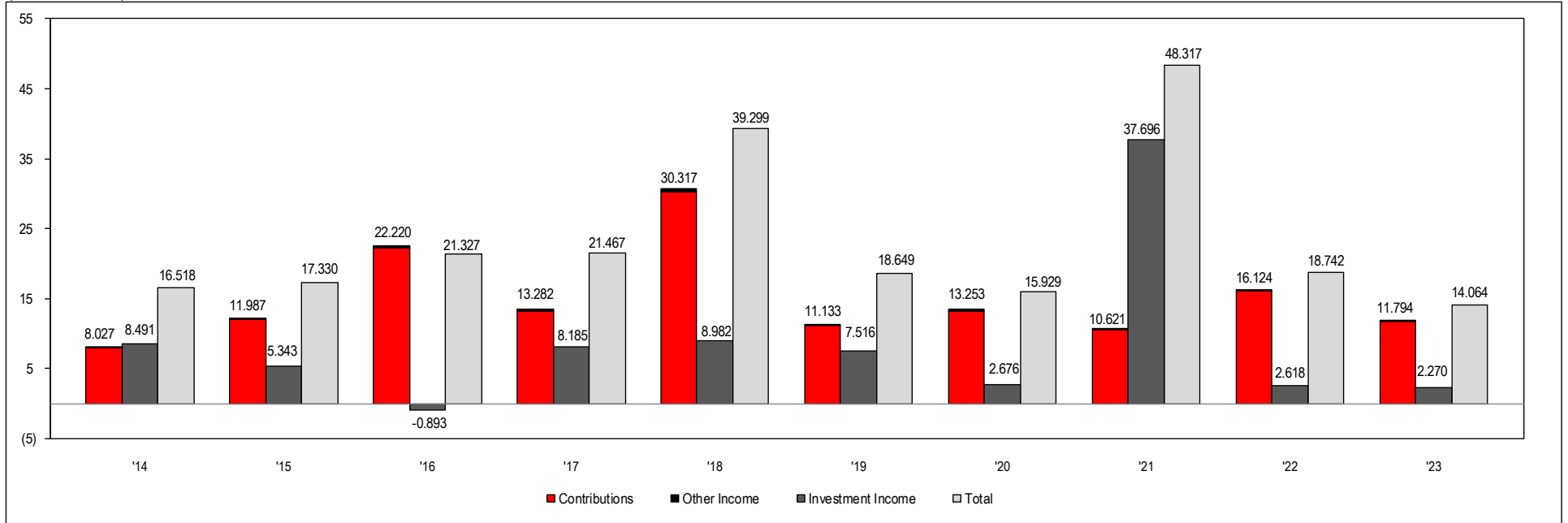


**NC State Engineering Foundation, Inc.**

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

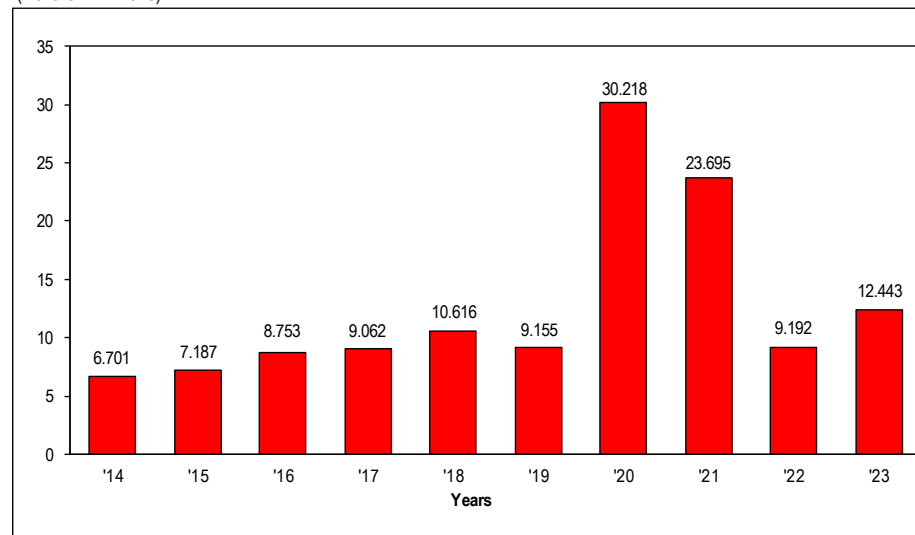
**Total Revenues, Gains, and Other Income**

(Dollars in Millions)



**Total Support**

(Dollars in Millions)



Approximately \$21.5M and \$15.5M was spent on Fitts-Woolard Hall in FY20 and FY21, respectively.