

**NORTH CAROLINA STATE UNIVERSITY
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2023 and 2022

**North Carolina State University Foundation, Inc.
Consolidated Financial Report
For the Years Ended June 30, 2023 and 2022**

Contents

Independent Auditors' Report	1 - 3
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Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 27

Supplementary Information	
Fund for Excellence Budget vs. Actual - Unaudited	28
Ten Year Summary of Asset Growth – Unaudited	29
Ten Year Summary of Revenues and Support - Unaudited	30



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Carolina State University Foundation, Inc.

Opinion

We have audited the accompanying consolidated financial statements of North Carolina State University Foundation, Inc. (the "Foundation"), a nonprofit organization and a component unit of North Carolina State University, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of North Carolina State University Foundation, Inc. as of June 30, 2023 and 2022, and the results of its consolidated 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 Consolidated Financial Statements section of our report. We are required to be independent of North Carolina State University 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 North Carolina State University 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina State University 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 consolidated financial statements as a whole. The supplementary information on pages 28 through 30, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams Dyerman Pierce, LLP

Greensboro, North Carolina
September 20, 2023

North Carolina State University Foundation, Inc.

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents (Note 1)	\$ 36,373,620	\$ 38,053,463
Cash and cash equivalents - NC State Executive Education, LLC (Notes 1 and 13)	856,340	645,405
Intermediate investments (Note 1)	31,082,486	20,803,562
Long-term investments (Notes 1 and 3)	585,607,909	586,281,926
Pledges receivable, net (Notes 1 and 7)	22,849,687	23,249,091
Receivable - charitable lead trusts (Note 1)	566,678	859,961
Externally managed irrevocable trust (Note 6)	5,767,555	-
Annuity contract (Notes 1 and 4)	443,333	698,071
Donated property and land (Note 1)	2,036,350	2,301,950
University Club, net of accumulated depreciation of \$3,581,438 and \$3,377,954 at June 30, 2023 and 2022, respectively (Note 1)	5,435,865	5,645,981
Operating lease ROU assets (Notes 1 and 12)	47,915	-
NC State Executive Education, LLC accounts receivable and prepaid expenses (Note 13)	7,995	280,418
Other assets (Note 1)	206,224	301,194
Total Assets	\$ 691,281,957	\$ 679,121,022
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 317,401	\$ 239,850
Accounts payable (Note 1)	360,652	483,525
Operating lease liabilities (Notes 1 and 12)	47,915	-
Due to others (Note 1)	220,020	233,977
Life income funds payable (Note 6)	4,203,685	4,425,612
Life income funds payable - externally managed irrevocable trust (Note 6)	4,170,506	-
Deferred revenue (Note 1)	-	6,000
Agency funds held in custody for others (Note 9)	88,075	88,075
NC State Executive Education, LLC payables and deferred revenue (Note 13)	117,857	135,242
Total Liabilities	9,526,111	5,612,281
Net Assets		
Without donor restrictions:		
Undesignated	2,025,272	1,196,086
Undesignated nonexpendable - University Club	5,435,865	5,645,981
Board-designated endowments (Note 2)	13,311,201	13,845,173
Designated - NC State Executive Education, LLC (Note 13)	746,478	790,581
With donor restrictions:		
Perpetual in nature (Note 10)	361,696,191	347,469,050
Purpose restricted (Note 10)	298,540,839	304,561,870
Total Net Assets	681,755,846	673,508,741
Total Liabilities and Net Assets	\$ 691,281,957	\$ 679,121,022

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions	\$ 49,975	\$ 30,347,034	\$ 30,397,009
Change in pledges receivable, net	-	(399,404)	(399,404)
Donated salaries and services (Note 8)	644,000	-	644,000
Gain on disposal of donated property and land	-	112,217	112,217
Gain on realization of other assets	-	141,451	141,451
Net investment income	725,145	9,637,243	10,362,388
Change in value of split interest agreements	-	(124,451)	(124,451)
Change in value of charitable lead trusts	-	(293,283)	(293,283)
NC State Executive Education, LLC income (Note 13)	833,579	-	833,579
Other income	-	7,077,670	7,077,670
Net assets released from restrictions (Note 11)	38,649,758	(38,649,758)	-
Total Revenues, Gains, and Other Income	40,902,457	7,848,719	48,751,176
Grants to Support the University			
Program:			
Scholarships and fellowships	14,205,500	-	14,205,500
Faculty support	6,265,239	-	6,265,239
Departmental support	5,964,966	-	5,964,966
Capital support	775,206	-	775,206
NC State Executive Education, LLC expenses (Note 13)	877,682	-	877,682
Total Program Support	28,088,593	-	28,088,593
Administrative	377,910	-	377,910
Fundraising	11,991,828	-	11,991,828
Total Other Support	12,369,738	-	12,369,738
Total Support	40,458,331	-	40,458,331
Excess of Revenues, Gains, and Other Income Over Total Support	444,126	7,848,719	8,292,845
Net Transfers			
To other University-associated entities	-	(45,740)	(45,740)
Among funds	(403,131)	403,131	-
Total Net Transfers	(403,131)	357,391	(45,740)
Change in Net Assets	40,995	8,206,110	8,247,105
Net Assets			
Beginning of year	21,477,821	652,030,920	673,508,741
End of year	\$ 21,518,816	\$ 660,237,030	\$ 681,755,846

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

**Consolidated Statement of Activities
Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions	\$ 36,941	\$ 27,564,626	\$ 27,601,567
Change in pledges receivable, net	-	573,173	573,173
Donated salaries and services (Note 8)	545,000	-	545,000
Loss on disposal of donated property and land	-	(244,250)	(244,250)
Net investment income	(1,234,605)	8,384,404	7,149,799
Change in value of split interest agreements	-	(216,904)	(216,904)
Change in value of charitable lead trusts	-	(393,982)	(393,982)
NC State Executive Education, LLC income (Note 13)	1,297,207	-	1,297,207
Other income	-	6,369,139	6,369,139
Net assets released from restrictions (Note 11)	33,286,029	(33,286,029)	-
Total Revenues, Gains, and Other Income	33,930,572	8,750,177	42,680,749
Grants to Support the University			
Program:			
Scholarships and fellowships	10,821,831	-	10,821,831
Faculty support	7,179,848	-	7,179,848
Departmental support	4,701,307	-	4,701,307
Capital support	1,554,697	-	1,554,697
NC State Executive Education, LLC expenses (Note 13)	902,503	-	902,503
Total Program Support	25,160,186	-	25,160,186
Administrative	277,438	-	277,438
Fundraising	9,557,380	-	9,557,380
Total Other Support	9,834,818	-	9,834,818
Total Support	34,995,004	-	34,995,004
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(1,064,432)	8,750,177	7,685,745
Net Transfers			
To other University-associated entities	-	(351,280)	(351,280)
Among funds	(295,165)	295,165	-
Total Net Transfers	(295,165)	(56,115)	(351,280)
Change in Net Assets	(1,359,597)	8,694,062	7,334,465
Net Assets			
Beginning of year	22,837,418	643,336,858	666,174,276
End of year	\$ 21,477,821	\$ 652,030,920	\$ 673,508,741

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

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

	2023	2022
Cash Flows From Operating Activities		
Change in net assets:	\$ 8,247,105	\$ 7,334,465
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	210,976	210,976
(Gain) loss on disposal of donated property and land	(112,217)	244,250
(Gain) loss on realization of other assets	(141,451)	-
Net investment income	(10,362,388)	(7,149,799)
Investment income (loss) restricted for split interest agreements	1,078,864	(236,728)
Change in value of split interest agreements	242,351	218,112
Change in value of externally managed trust	(1,597,049)	-
Change in value of split interest agreements due to others	(13,274)	(1,208)
Contributions restricted for permanent endowment	(15,438,842)	(14,938,499)
Increase (decrease) in:		
Pledges receivable, net	399,404	(573,173)
Receivable - charitable lead trusts	293,283	393,982
Annuity contract	254,738	254,738
NC State Executive Education, LLC accounts receivable and prepaid expenses	272,423	(171,793)
Other assets	(16,525)	10,624
Increase (decrease) in:		
Accounts payable - North Carolina State University	77,551	88,165
Accounts payable	(122,873)	328,339
Due to others	(683)	(32,011)
Deferred revenue	(6,000)	(6,000)
NC State Executive Education, LLC payables and deferred revenue	(17,385)	26,276
Net Cash Used in Operating Activities	(16,751,992)	(13,999,284)
Cash Flows From Investing Activities		
Proceeds from sales of investments	21,433,875	19,977,488
Purchases of investments	(20,676,394)	(26,672,866)
Proceeds from life insurance policy	252,086	-
Proceeds from sales of donated property and land	377,817	1,390,454
Net Cash Provided by (Used in) Investing Activities	1,387,384	(5,304,924)
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	15,438,842	14,938,499
Investment income restricted for split interest agreements	(1,078,864)	236,728
Payments on life income fund obligations	(620,722)	(668,128)
Proceeds from life income fund obligations	156,444	15,994
Net Cash Provided by Financing Activities	13,895,700	14,523,093
Net Decrease in Cash and Cash Equivalents	(1,468,908)	(4,781,115)
Cash and Cash Equivalents:		
Beginning of year	38,698,868	43,479,983
End of year	\$ 37,229,960	\$ 38,698,868
Supplemental Disclosure of Noncash Activities:		
Donated salaries and services	\$ 644,000	\$ 545,000
Operating lease ROU assets obtained in exchange for operating lease liabilities	\$ 63,381	\$ -

See notes to consolidated financial statements.

North Carolina State University Foundation, Inc.

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

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: North Carolina State University Foundation, Inc. (the “Foundation”) is one of a group of foundations which provides financial support exclusively to one or more of the colleges at North Carolina State University (the “University”). The Foundation, founded in 1942, supports, by financial assistance and otherwise, the various colleges within the University, the libraries, and other University-connected functions. Effective July 1, 2003, North Carolina State University considers the Foundation to be a component unit.

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

Basis of accounting and presentation: The consolidated 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 consolidated 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.

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and NC State Executive Education, LLC (the “LLC”), which was organized to further the purposes of its sole member, the Foundation. All significant intercompany balances and transactions have been eliminated in consolidation. Additional details regarding the financial position and activities of the LLC are contained in Note 13.

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*.

North Carolina State University Foundation, Inc.

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

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

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 of 90 days or less to be cash equivalents. Cash designated or restricted for long-term purposes is included with long-term investments. At times, the Foundation places deposits with a high-quality financial institution that may be in excess of federal insurance limits.

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

Intermediate investments: Intermediate investments consist of 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 \$31,082,486 and \$20,803,562 at June 30, 2023 and 2022, respectively. The cost of these investments were \$32,083,657 and \$22,053,403 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 and invests specific endowment assets in the NC State Sustainable Responsible Impact Fund (the "SRI Fund").

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.

Receivable – charitable lead trusts: The receivable for the split-interest agreements is carried at fair value, which the Foundation has estimated based on the present value of its expected future cash inflows.

Annuity contract: An annuity contract was purchased to cover the estimated payments on a large charitable gift annuity.

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.

North Carolina State University Foundation, Inc.

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

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

University Club: The value of the North Carolina State University Club (the "Club") and leasehold improvements are stated at depreciated value. It is the Foundation's policy to capitalize all assets costing greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. There were no additional leasehold improvements capitalized for years ended June 30, 2023 and 2022.

Other assets: Other assets include beneficiary interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender values. Cash surrender values of these policies were \$162,667 and \$261,666 at June 30, 2023 and 2022, respectively. Other assets also include leasehold improvements, sales tax receivable, and accrued interest on municipal bonds and U.S. Treasuries.

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 amounts due to associated entities at June 30, 2023 and 2022.

Due to others: Due to others at June 30, 2023 and 2022 included \$220,020 and \$233,977, respectively, due to remainder beneficiaries of life income funds.

Deferred revenue: Deferred revenue consists of revenue collected for programs not yet held.

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 consolidated statements 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.

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 1% designated for University Advancement, 0.25% 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 1% designated for University Advancement and 0.25% designated to college-level fundraising efforts.

North Carolina State University Foundation, Inc.

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

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

Revenue recognition: Executive Education, LLC program revenue is reported at the amount that reflects the consideration to which the LLC expects to be entitled in exchange for providing services. The LLC's programs are offered to customers on a standalone basis, and the revenues from these services are recognized at a point in time, upon the completion of the event, which signifies the satisfaction of the performance obligation. The LLC also has membership fees; the revenue from such fees is recognized equally over the period of benefit. The timing of revenue recognition may differ from the timing of invoicing. Amounts for the LLC's programs are billed in accordance with agreed-upon contractual terms, either at periodic intervals, or upon achievement of contractual milestones. Contract assets include unbilled amounts that occur when revenues recognized exceed the amounts invoiced to customers. Such amounts are collectible based upon various measures of performance. No such contract assets were recorded as of June 30, 2023 or 2022. Contract liabilities arise when amounts invoiced exceed revenues recognized, and are presented as deferred revenue in the consolidated statements of financial position and in Note 13.

Estimates: The preparation of consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Change 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 modified retrospective transition allows application of the new standard at the adoption date and the recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption with no adjustment to previously reported results. In accordance with this approach, the Foundation's financial statements for periods prior to July 1, 2022 were not revised to reflect the new lease accounting guidance. The Foundation also elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allowed the carry forward of historical lease classification.

North Carolina State University Foundation, Inc.

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

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

Upon adoption of ASC 842 on July 1, 2022, the Foundation recognized a right-of-use asset and a corresponding lease liability based on the present value of existing lease obligations of approximately \$8,879 on the consolidated statement of financial position. The adoption did not have an impact on the consolidated statement of activities.

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

Note 2. Endowment

The Foundation's endowment consists of approximately 930 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 to the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions and were (\$127,114) and (\$160,313) 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 Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP and the SRI Fund in a manner that is intended to produce results that exceed a 70% MCSI ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

North Carolina State University Foundation, Inc.

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

Note 2. Endowment (continued)

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 proceeding 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 \$14,993,040 and \$16,459,490 for fiscal years 2023 and 2024, respectively.

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

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

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	\$ 14,006,593	\$ 576,888,208	\$ 590,894,801
Total investment return	232,901	9,282,219	9,515,120
Contributions, including change in accrued pledges and other income	50	13,648,398	13,648,448
Appropriations of endowment assets for expenditure	(776,070)	(25,667,420)	(26,443,490)
Change in value of split interest agreements and charitable lead trust	-	(417,734)	(417,734)
Other changes:			
Transfers	-	1,961,796	1,961,796
Endowment net assets, end of year	<u>\$ 13,463,474</u>	<u>\$ 575,695,467</u>	<u>\$ 589,158,941</u>

North Carolina State University Foundation, Inc.

**Notes to Consolidated 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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 13,311,201	\$ -	\$ 13,311,201
Donor-designated endowment funds:			
Corpus	-	361,696,191	361,696,191
Appreciation	152,273	214,126,390	214,278,663
Underwater endowments	-	(127,114)	(127,114)
Total funds	<u>\$ 13,463,474</u>	<u>\$ 575,695,467</u>	<u>\$ 589,158,941</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	\$ 14,024,034	\$ 575,337,056	\$ 589,361,090
Total investment return	706,203	7,907,272	8,613,475
Contributions, including change in accrued pledges and other income	216	12,217,162	12,217,378
Appropriations of endowment assets for expenditure	(723,860)	(19,728,854)	(20,452,714)
Change in value of split interest agreements and charitable lead trust	-	(610,886)	(610,886)
Other changes:			
Transfers	-	1,766,458	1,766,458
Endowment net assets, end of year	<u>\$ 14,006,593</u>	<u>\$ 576,888,208</u>	<u>\$ 590,894,801</u>

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	\$ 13,845,173	\$ -	\$ 13,845,173
Donor-designated endowment funds:			
Corpus	-	347,469,050	347,469,050
Appreciation	161,420	229,579,471	229,740,891
Underwater endowments	-	(160,313)	(160,313)
Total funds	<u>\$ 14,006,593</u>	<u>\$ 576,888,208</u>	<u>\$ 590,894,801</u>

North Carolina State University Foundation, Inc.

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

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 consolidated statements of financial position.

Long-term investments consisted of the following at June 30:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 37,919	\$ 37,919	\$ 174,206	\$ 174,206
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	265,515,567	515,971,303	261,019,667	516,304,535
SRI Fund	52,267,101	64,699,962	55,341,577	65,182,245
Life Income Funds	4,774,171	4,898,725	4,607,917	4,620,940
	<u>\$ 322,594,758</u>	<u>\$ 585,607,909</u>	<u>\$ 321,143,367</u>	<u>\$ 586,281,926</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.

North Carolina State University Foundation, Inc.

**Notes to Consolidated 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
ST IF	\$ 37,919	\$ -	\$ -	\$ 37,919
Municipal Bonds and U.S. Treasuries	-	11,506,673	-	11,506,673
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	19,575,813	-	19,575,813
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	515,971,303	515,971,303
SRI Fund	-	-	64,699,962	64,699,962
Life Income Funds	-	4,898,725	-	4,898,725
Externally managed irrevocable trust	-	5,767,555	-	5,767,555
Annuity Contract	-	-	443,333	443,333
Beneficial Interest in Life Insurance Policies	-	-	162,667	162,667
	\$ 37,919	\$ 41,748,766	\$ 581,277,265	\$ 623,063,950

	2022			
	Level 1	Level 2	Level 3	Total Fair Value
ST IF	\$ 174,206	\$ -	\$ -	\$ 174,206
Municipal Bonds	-	1,547,410	-	1,547,410
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	19,256,152	19,256,152
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	516,304,535	516,304,535
SRI Fund	-	-	65,182,245	65,182,245
Life Income Funds	-	4,620,940	-	4,620,940
Annuity Contract	-	-	698,071	698,071
Beneficial Interest in Life Insurance Policies	-	-	261,666	261,666
	\$ 174,206	\$ 6,168,350	\$ 601,702,669	\$ 608,045,225

North Carolina State University Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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

	2023				
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	SRI Fund	Annuity Contract	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 19,256,152	\$ 516,304,535	\$ 65,182,245	\$ 698,071	\$ 261,666
Participant additions	-	15,496,225	-	-	-
Investment income	-	-	1,041,587	-	-
Realized gains	-	10,315,605	1,323,331	-	-
Unrealized gain (loss)	319,661	(4,829,132)	2,592,193	-	11,636
Participant withdrawals	-	(21,315,930)	(5,127,560)	(254,738)	(110,635)
Expenses	-	-	(311,834)	-	-
Transfer to Level 2	(19,575,813)	-	-	-	-
Ending balance	\$ -	\$ 515,971,303	\$ 64,699,962	\$ 443,333	\$ 162,667

	2022				
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	SRI Fund	Annuity Contract	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 10,719,807	\$ 501,661,885	\$ 71,929,103	\$ 952,809	\$ 279,097
Transfer to Level 3	-	244,214	-	-	-
Participant additions	10,000,000	18,841,136	-	-	-
Investment income	86,595	110,834	883,765	-	-
Realized gains	5,466	10,956,216	4,505,766	-	-
Unrealized (loss) gain	(1,340,648)	4,467,739	(10,554,938)	-	(17,431)
Participant withdrawals	(208,436)	(19,283,944)	(1,169,770)	(254,738)	-
Expenses	(6,632)	(693,545)	(411,681)	-	-
Ending balance	\$ 19,256,152	\$ 516,304,535	\$ 65,182,245	\$ 698,071	\$ 261,666

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.

North Carolina State University Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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.

SRI Fund – This investment is a combination of equities and fixed income securities valued using quoted market prices or net asset values per share provided by the fund manager. The SRI Fund also has an investment in the STIF, valued as described above. The SRI Fund’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.

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

Externally Managed Irrevocable Trust – Valued using quoted market prices.

Annuity Contract – Valued using cash purchase price of contract less payments to date.

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.

Note 5. Financial Assets and Liquidity Resources

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

The spendable portion of the Foundation’s board-designated endowments is approximately \$13.3 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 2, the board-designated endowments have a spending rate of 4%. \$731,840 of appropriations from the board-designated endowments and \$8,970 from unrestricted donor-designated endowments will be available within the next 12 months.

North Carolina State University Foundation, Inc.

**Notes to Consolidated 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, were as follows:

Total assets, less nonfinancial assets	\$ 683,794,809
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(361,684,841)
Subject to appropriation and satisfaction of donor restrictions	(295,696,980)
Board-designated endowments	(12,579,361)
Designated - NC State Executive Education, LLC	(746,478)
Total liabilities	<u>(9,526,111)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,561,038</u>

Note 6. Life Income Funds

The consolidated 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 \$4,898,725 and \$4,620,940, respectively.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$4,203,685 and \$4,425,612 at June 30, 2023 and 2022, respectively. Payments from these funds were \$620,722 and \$668,128 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 \$42,211 and \$8,010, respectively.

In addition to the above life income funds, the Foundation was named the recipient of an externally managed trust which represents irrevocable life income funds with a market value totaling \$5,767,555 and life income funds payable of \$4,170,506 as of June 30, 2023. The Foundation is serving as trustee for these funds. These life income funds have been reflected in the accompanying consolidated financial statements at their fair value. Estimated future distributions to the beneficiaries have been reflected in the accompanying consolidated financial statements and were computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries.

North Carolina State University Foundation, Inc.

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

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2023	2022
Receivable in less than one year	\$ 7,901,175	\$ 8,583,414
Receivable in one to five years	17,559,999	15,977,527
Receivable in greater than five years	1,607,500	2,128,750
Total gross pledges receivable	27,068,674	26,689,691
Less allowance for uncollectible pledges	(1,354,000)	(1,335,000)
Less unamortized discount (discount rates of 2.65% to 5.24%)	(2,864,987)	(2,105,600)
Pledges receivable, net	\$ 22,849,687	\$ 23,249,091

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding large pledges for which signed memorandums of understanding exist and therefore the Foundation is reasonably assured of collecting. 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 \$9.1 million of total undiscounted pledges receivable at June 30, 2023. Two donors represented approximately \$10.6 million of total undiscounted pledges receivable at June 30, 2022.

Note 8. Donated Salaries and Services

For the years ended June 30, 2023 and 2022, salaries and benefits paid by the University for college development personnel in the amount of \$423,000 and \$419,000, 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 have been recorded as donated services. For the years ended June 30, 2023 and 2022, donated services amounted to \$221,000 and \$126,000, respectively.

Note 9. Agency Funds

The Foundation acts as funds custodian for the North Carolina State University Greek Court funds. The funds are for the sole benefit for the redevelopment of the Greek Court and totaled \$88,075 at June 30, 2023 and 2022, and are for Kappa Sigma, Sigma Alpha Epsilon, Chi Psi, Delta Gamma, and Lambda Chi Alpha.

North Carolina State University Foundation, Inc.

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

Note 10. Net Assets With Donor Restriction

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

	2023	2022
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 10,809,420	\$ 10,843,519
Faculty support	2,562,233	3,938,086
Library support	2,202,017	2,225,167
Research support	1,834,314	1,522,197
Performance and Retention Fund	15,982	15,983
Student Emergency Fund	894,270	903,328
Pledges receivable	17,497,211	15,926,097
Other	48,567,301	39,621,156
	84,382,748	74,995,533
Subject to passage of time:		
Beneficial interest in life insurance policies	162,667	261,666
Assets held under split-interest agreements, net	2,638,747	821,312
Annuity contract	443,333	698,071
	3,244,747	1,781,049
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	178,682,422	173,522,735
Faculty support and professorships	1,315,171	1,137,143
Library support	20,091,434	19,055,702
Research support	980,058	735,730
Pledges receivable	5,352,476	7,322,994
Other	366,187,974	373,480,034
	572,609,535	575,254,338
Total Net Assets With Donor Restrictions	\$ 660,237,030	\$ 652,030,920

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

North Carolina State University Foundation, Inc.

**Notes to Consolidated 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:

	<u>2023</u>	<u>2022</u>
Scholarships and fellowships	\$ 14,205,500	\$ 10,821,831
Faculty support	6,265,239	7,179,848
Departmental support	5,435,429	4,323,140
Capital support	775,206	1,554,697
Administrative and fundraising	11,968,384	9,406,513
	<u>\$ 38,649,758</u>	<u>\$ 33,286,029</u>

Note 12. Leasing Arrangements

The Foundation leases vehicles for use by certain individuals at the University. For the years ended June 30, 2023 and 2022, the Foundation incurred operating lease expenses of \$26,257 and \$24,790, respectively, which has been included in fundraising support on the accompanying consolidated statement of activities. As of June 30, 2023, the weighted-average remaining lease term was 2.04 years and the weighted-average discount rate was 3.66%.

Maturities of operating lease liabilities:

Years ending June 30:	
2024	\$ 24,587
2025	22,323
2026	2,857
Lease payments	<u>49,767</u>
Less: present value discount	(1,852)
Total operating lease liabilities	<u>\$ 47,915</u>

North Carolina State University Foundation, Inc.

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

Note 13. NC State Executive Education, LLC

NC State Executive Education, LLC (the "LLC") was organized on June 6, 2008 to further the purposes of its sole member, the Foundation, and is consolidated for the purposes of these consolidated financial statements. The purposes of the LLC are exclusively charitable within the meaning of paragraph 501(c)(3) of the Internal Revenue Code of 1986, and more specifically are to support the educational mission of the University by operating an executive education program.

The Statements of Financial Position for NC State Executive Education, LLC were as follows at June 30:

	2023	2022
Assets		
Cash and cash equivalents	\$ 856,340	\$ 645,405
Accounts receivable	5,995	273,416
Prepaid expenses	2,000	7,002
Total Assets	\$ 864,335	\$ 925,823
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University	\$ 960	\$ 6,491
Other payables	11,762	47,646
Deferred revenue	105,135	81,105
Total Liabilities	117,857	135,242
Net Assets		
Unrestricted	746,478	790,581
Total Net Assets	746,478	790,581
Total Liabilities and Net Assets	\$ 864,335	\$ 925,823

North Carolina State University Foundation, Inc.

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

Note 13. NC State Executive Education, LLC (continued)

The Statements of Activities for NC State Executive Education, LLC were as follows for the years ended June 30:

	2023	2022
Revenues, Gains, and Other Income		
Program revenue	\$ 823,333	\$ 1,296,603
Interest and dividends	10,246	604
Total Revenues, Gains, and Other Income	833,579	1,297,207
Expenses		
Program:		
Salaries & benefits	320,416	330,678
Contract labor	204,090	363,276
Other program expenses	295,910	196,666
Transfers to University departments	57,266	11,883
Total Expenses	877,682	902,503
Change in Net Assets	(44,103)	394,704
Net Assets		
Beginning of year	790,581	395,877
End of year	\$ 746,478	\$ 790,581

North Carolina State University Foundation, Inc.

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

Note 14. Functional Expense

The Foundation's primary program is to provide financial support to the various colleges within the University, the libraries, and other University-collected functions 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	\$ 20,831,387	\$ -	\$ 3,886,526	\$ 24,717,913
Legal	23,753	18,410	2,675	44,838
Accounting	174,120	138,500	-	312,620
Advertising	228,330	-	266,482	494,812
Office Expenses	93,184	-	246,872	340,056
Occupancy	112,091	-	1,403	113,494
Travel	895,732	-	294,956	1,190,688
Conferences and Meetings	277,646	-	88,030	365,676
Depreciation	210,976	-	-	210,976
Insurance	4,869	-	95,591	100,460
Departmental Equipment	345,141	-	395,472	740,613
Equipment Rental and Maintenance	405,211	-	252,960	658,171
Contracted Services	831,067	-	2,046,659	2,877,726
Services and Fees	1,900,678	-	2,601,231	4,501,909
Donated Services and Salaries	-	221,000	423,000	644,000
Gift Assessment Fees	15,307	-	-	15,307
Printing and Binding	114,473	-	635,345	749,818
Dues and Subscriptions	67,567	-	507,485	575,052
Supplies	781,855	-	247,141	1,028,996
Capital Transfers	775,206	-	-	775,206
Total	<u>\$ 28,088,593</u>	<u>\$ 377,910</u>	<u>\$ 11,991,828</u>	<u>\$ 40,458,331</u>

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, media services, and maintenance agreements. Services and Fees include annual giving appeals and advancement and alumni relations support.

North Carolina State University Foundation, Inc.

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

Note 14. 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	\$ 18,459,038	\$ -	\$ 2,194,070	\$ 20,653,108
Legal	18,253	27,438	7,209	52,900
Accounting	151,000	124,000	-	275,000
Advertising	524,875	-	217,086	741,961
Office Expenses	88,455	-	229,873	318,328
Occupancy	95,867	-	3,613	99,480
Travel	377,709	-	178,850	556,559
Conferences and Meetings	167,943	-	96,498	264,441
Depreciation	210,976	-	-	210,976
Insurance	43,649	-	159,562	203,211
Departmental Equipment	318,738	-	93,406	412,144
Equipment Rental and Maintenance	578,668	-	179,787	758,455
Contracted Services	812,191	-	2,474,734	3,286,925
Services and Fees	1,013,377	-	1,952,151	2,965,528
Donated Services and Salaries	-	126,000	419,000	545,000
Gift Assessment Fees	21,178	-	-	21,178
Printing and Binding	148,929	-	589,145	738,074
Dues and Subscriptions	70,933	-	560,398	631,331
Supplies	503,710	-	201,998	705,708
Capital Transfers	1,554,697	-	-	1,554,697
Total	\$ 25,160,186	\$ 277,438	\$ 9,557,380	\$ 34,995,004

Grants include scholarships, fellowships and salary support. Contracted Services include consulting services, media services, and maintenance agreements. Services and Fees include annual giving appeals, solutions and campaign strategy work.

North Carolina State University Foundation, Inc.

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

Note 15. Subsequent Events

The Foundation has evaluated subsequent events through September 20, 2023, the date which the consolidated financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University Foundation, Inc.

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

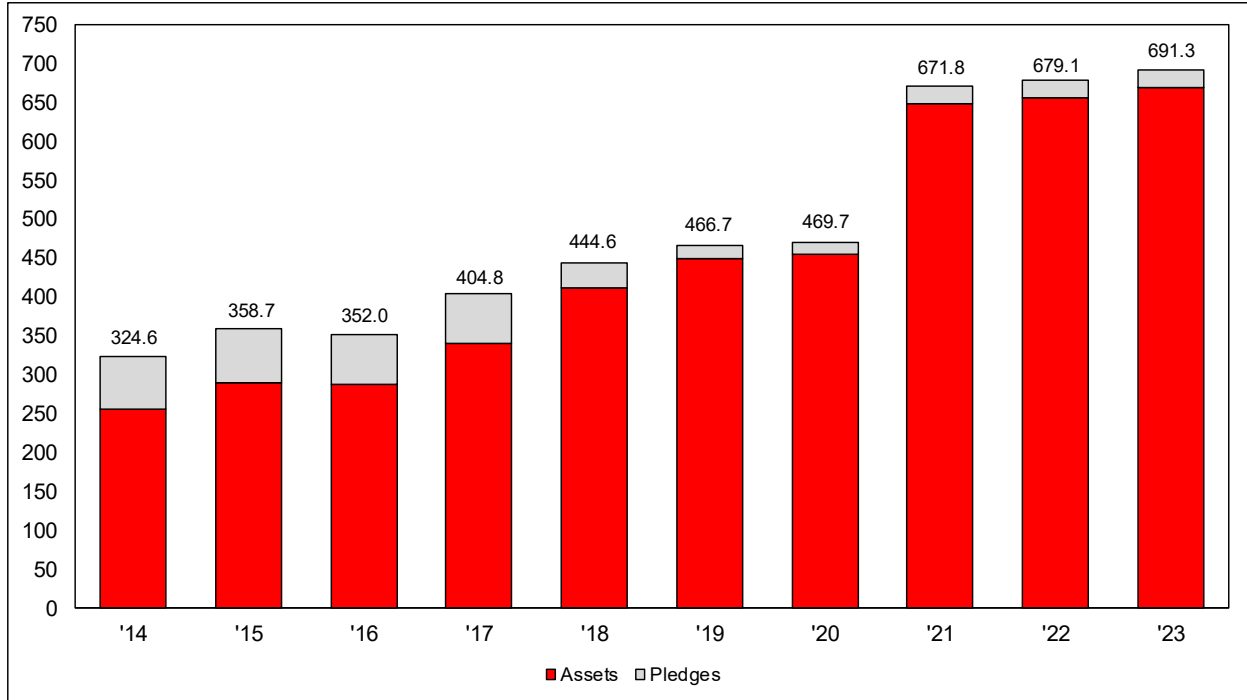
	Budget	Actual	Over (Under) Variance
Income			
Endowment spending budget	\$ 694,290	\$ 694,290	\$ -
General Fund contributions	5,000	58,188	53,188
Interest and dividends	430,000	747,658	317,658
Total Income	1,129,290	1,500,136	370,846
Support			
Program support	828,645	686,206	(142,439)
Foundation administration	290,500	286,881	(3,619)
Total Support	1,119,145	973,087	(146,058)
Income Less Support	10,145	527,049	516,904
Fund Balance			
Beginning of year	1,633,191	1,633,191	-
End of year	\$ 1,643,336	\$ 2,160,240	\$ 516,904

North Carolina State University Foundation, Inc.

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

Total Assets

(Dollars in Millions)

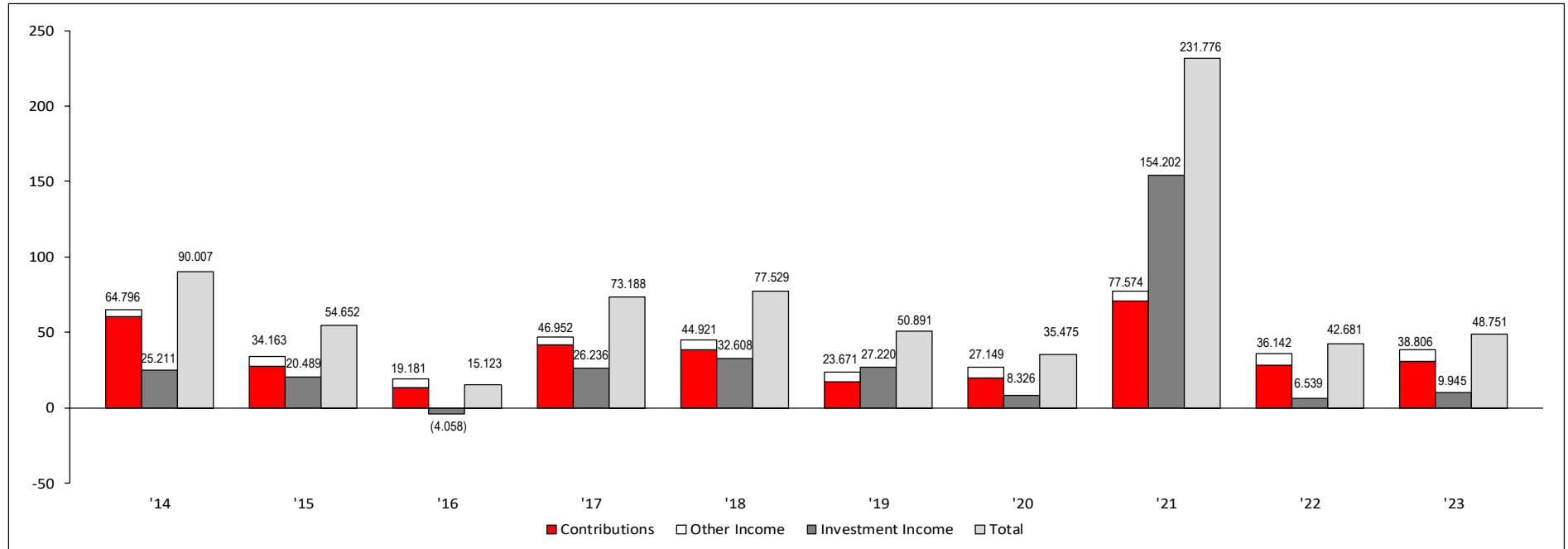


North Carolina State University Foundation, Inc.

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)

