

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

FINANCIAL REPORT

JUNE 30, 2023 and 2022

North Carolina Veterinary Medical Foundation, Inc.
Financial Report
For the Years Ended June 30, 2023 and 2022

Contents

Independent Auditors' Report	1 - 3
-------------------------------------	-------

Financial Statements

Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 22

Supplementary Information

General Fund Budget vs. Actual - Unaudited	23
Ten Year Summary of Asset Growth - Unaudited	24
Ten Year Summary of Revenues and Support - Unaudited	25



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 opinion.

Prior Period Adjustment

As discussed in Note 12 to the financial statements, during the year ended June 30, 2023, it was discovered that previously reported net assets without donor restrictions, contributions without donor restrictions, and net assets released from restrictions were understated, and net investment income without donor restrictions was overstated as of and for the year ended June 30, 2022. Accordingly, adjustments have been made to contributions, net investment income, net assets released from restrictions, and net assets as of and for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.



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 North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 North Carolina Veterinary Medical 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 23 through 25, 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 25, 2023

North Carolina Veterinary Medical Foundation, Inc.

**Statements of Financial Position
June 30, 2023 and 2022 (As Restated)**

	2023	2022
Assets		
Cash and cash equivalents (Note 1)	\$ 11,271,219	\$ 11,487,132
Intermediate investments (Note 1)	13,263,986	9,041,070
Long-term investments (Notes 1 and 3)	102,954,050	103,672,354
Accounts receivable (Note 1)	326,945	-
Pledges receivable, net (Notes 1 and 7)	1,267,484	301,118
Other assets (Note 1)	110,168	110,168
Total Assets	\$ 129,193,852	\$ 124,611,842
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 6,760	\$ 13,005
Life income funds payable (Note 6)	421,740	448,505
Due to others (Note 1)	31,282	34,663
Total Liabilities	459,782	496,173
Net Assets		
Without Donor Restrictions:		
Undesignated	8,501,851	9,065,915
Board-designated - endowments (Note 2)	48,645,782	48,095,205
With Donor Restrictions:		
Perpetual in nature (Note 9)	34,224,014	32,898,929
Purpose restricted (Note 9)	37,362,423	34,055,620
Total Net Assets	128,734,070	124,115,669
Total Liabilities and Net Assets	\$ 129,193,852	\$ 124,611,842

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 4,679,921	\$ 6,068,158	\$ 10,748,079
Change in pledges receivable, net (Note 7)	-	966,366	966,366
Donated salaries, services and facilities (Note 8)	416,000	-	416,000
Change in value of split interest agreements	-	(22,147)	(22,147)
Net investment income	952,120	633,828	1,585,948
Other income	-	9,779	9,779
Net assets released from restrictions (Note 10)	3,161,204	(3,161,204)	-
Total Revenues, Gains, and Other Income	9,209,245	4,494,780	13,704,025
Grants to Support the University			
Program:			
Scholarships and fellowships	1,722,451	-	1,722,451
Faculty support and professorships	362,939	-	362,939
Departmental support	1,645,777	-	1,645,777
Terry Hospital debt service	920,116	-	920,116
Capital support	3,420,014	-	3,420,014
Total Program Support	8,071,297	-	8,071,297
Administrative	106,515	-	106,515
Fundraising	907,812	-	907,812
Total Other Support	1,014,327	-	1,014,327
Total Support (Note 11)	9,085,624	-	9,085,624
Excess of Revenues, Gains, and Other Income Over Total Support	123,621	4,494,780	4,618,401
Net Transfers			
Among funds	(137,108)	137,108	-
Total Net Transfers	(137,108)	137,108	-
Change in Net Assets	(13,487)	4,631,888	4,618,401
Net Assets			
Beginning of year	57,161,120	66,954,549	124,115,669
End of year	\$ 57,147,633	\$ 71,586,437	\$ 128,734,070

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Statement of Activities

Year Ended June 30, 2022 (As Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income			
Contributions (Note 1)	\$ 5,422,981	\$ 4,096,036	\$ 9,519,017
Change in pledges receivable, net (Note 7)	-	(71,648)	(71,648)
Donated salaries, services and facilities (Note 8)	420,000	-	420,000
Change in value of split interest agreements	-	(29,007)	(29,007)
Net investment income	826,429	1,503,750	2,330,179
Other income	-	8,121	8,121
Net assets released from restrictions (Note 10)	4,841,706	(4,841,706)	-
Total Revenues, Gains, and Other Income	11,511,116	665,546	12,176,662
Grants to Support the University			
Program:			
Scholarships and fellowships	1,538,017	-	1,538,017
Faculty support and professorships	377,844	-	377,844
Departmental support	2,394,215	-	2,394,215
Terry Hospital debt service	908,956	-	908,956
Capital support	1,160,555	-	1,160,555
Total Program Support	6,379,587	-	6,379,587
Administrative	86,611	-	86,611
Fundraising	875,731	-	875,731
Total Other Support	962,342	-	962,342
Total Support (Note 11)	7,341,929	-	7,341,929
Excess of Revenues, Gains, and Other Income Over Total Support	4,169,187	665,546	4,834,733
Net Transfers			
Among funds	(1,523,889)	1,523,889	-
Total Net Transfers	(1,523,889)	1,523,889	-
Change in Net Assets	2,645,298	2,189,435	4,834,733
Net Assets			
Beginning of year	54,515,822	64,765,114	119,280,936
End of year	\$ 57,161,120	\$ 66,954,549	\$ 124,115,669

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2023 and 2022 (As Restated)

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 4,618,401	\$ 4,834,733
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net investment income	(1,585,948)	(2,330,179)
Contributions restricted for permanent endowment	(1,188,675)	(1,955,612)
Change in value of split interest agreements	25,528	27,944
Change in value of split interest agreements due to others	(3,381)	1,063
Increase (decrease) in:		
Accounts receivable	(326,945)	-
Pledges receivable, net	(966,366)	71,648
Other assets	-	55
Decrease (increase) in:		
Accounts payable - North Carolina State University	(6,245)	(273,343)
Net Cash (Used in) Provided by Operating Activities	566,369	376,309
Cash Flows From Investing Activities		
Proceeds from sales of investments	7,356,122	2,299,474
Purchases of investments	(9,287,457)	(6,075,620)
Net Cash Used in Investing Activities	(1,931,335)	(3,776,146)
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	1,188,675	1,955,612
Investment income restricted for split interest agreements	12,671	9,198
Payments on life income fund obligations	(52,293)	(52,723)
Net Cash Provided by Financing Activities	1,149,053	1,912,087
Net Decrease in Cash and Cash Equivalents	(215,913)	(1,487,750)
Cash and Cash Equivalents		
Beginning of year	11,487,132	12,974,882
End of year	\$ 11,271,219	\$ 11,487,132
Supplemental Disclosures of Noncash Activities:		
Donated salaries, services and facilities	\$ 416,000	\$ 420,000

See notes to financial statements.

North Carolina Veterinary Medical Foundation, Inc.

Notes to 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 Veterinary Medical Foundation, Inc. (the "Foundation") is one of a group of foundations which provide financial support exclusively to one or more of the colleges at North Carolina State University (the "University"). The Foundation, established in 1978, provides financial support for all types of education and research in the field of veterinary medicine at the University.

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

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

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

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

Leases: The Foundation accounts for its leasing arrangements under Financial Accounting Standards Board ("FASB") 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.

North Carolina Veterinary Medical Foundation, Inc.

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

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

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

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

Intermediate investments: Intermediate investments consist of 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 \$13,263,986 and \$9,041,070 at June 30, 2023 and 2022, respectively. The cost of these investments was \$13,680,384 and \$9,588,057 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 accrued interest on U.S. Treasuries and a receivable from a University affiliated entity.

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

Other assets: Other assets include beneficiary interests in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender value, less any loans outstanding on the policies. Cash surrender values of these policies were \$15,673 at June 30, 2023 and 2022. Other assets also include nondepreciable artwork totaling \$94,495 at June 30, 2023 and 2022.

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

Due to others: Due to others includes amounts due to remainder beneficiaries of life income funds.

Contributions: Restricted contributions are segregated for income and expense reporting purposes; however, the assets are commingled. When a donor or grantor restriction expires because the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For fiscal years 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.

North Carolina Veterinary Medical Foundation, Inc.

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

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

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 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 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 previously reported change in net assets.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 2. Endowment

The Foundation's endowment consists of approximately 175 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation's Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

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

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance to the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. Deficiencies of this nature are reported in net assets with donor restrictions and were \$(19,250) and \$(24,613) 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 in a manner that is intended to produce results that exceed a 70% MCSI ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation's policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$1,633,780 and \$1,787,680 for fiscal years 2023 and 2024, respectively.

North Carolina Veterinary Medical 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	\$ 48,260,992	\$ 54,023,067	\$ 102,284,059
Total investment return	510,826	633,550	1,144,376
Contributions, including change in accrued pledges and other income	1,000,000	1,236,984	2,236,984
Appropriations of endowment assets for expenditure	(969,056)	(2,228,111)	(3,197,167)
Change in value of split interest agreements	-	(22,147)	(22,147)
Other changes:			
Transfers	-	100,002	100,002
Endowment net assets, end of year	<u>\$ 48,802,762</u>	<u>\$ 53,743,345</u>	<u>\$ 102,546,107</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 34,224,014	\$ 34,224,014
Appreciation	156,980	19,538,581	19,695,561
Underwater	-	(19,250)	(19,250)
Board-designated endowment funds	48,645,782	-	48,645,782
Total funds	<u>\$ 48,802,762</u>	<u>\$ 53,743,345</u>	<u>\$ 102,546,107</u>

North Carolina Veterinary Medical 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	\$ 46,831,183	\$ 53,578,595	\$ 100,409,778
Total investment return	1,389,105	1,497,529	2,886,634
Contributions, including change in accrued pledges and other income	1,000,000	940,519	1,940,519
Appropriations of endowment assets for expenditure	(959,296)	(2,078,929)	(3,038,225)
Change in value of split interest agreements	-	(29,007)	(29,007)
Other changes:			
Transfers	-	114,360	114,360
Endowment net assets, end of year	<u>\$ 48,260,992</u>	<u>\$ 54,023,067</u>	<u>\$ 102,284,059</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Corpus	\$ -	\$ 32,898,929	\$ 32,898,929
Appreciation	165,787	21,148,751	21,314,538
Underwater	-	(24,613)	(24,613)
Board-designated endowment funds	48,095,205	-	48,095,205
Total funds	<u>\$ 48,260,992</u>	<u>\$ 54,023,067</u>	<u>\$ 102,284,059</u>

North Carolina Veterinary Medical Foundation, Inc.

Notes to 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 statements of financial position.

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

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ -	\$ -	\$ 1,039	\$ 1,039
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	44,730,443	102,369,078	44,213,423	103,063,138
Life Income Funds	594,931	584,972	629,789	608,177
	<u>\$ 45,325,374</u>	<u>\$ 102,954,050</u>	<u>\$ 44,844,251</u>	<u>\$ 103,672,354</u>

Note 4. Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the 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)

North Carolina Veterinary Medical Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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
U.S. Treasuries	\$ -	\$ 4,072,830	\$ -	\$ 4,072,830
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	9,191,156	-	9,191,156
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	102,369,078	102,369,078
Life Income Funds	-	584,972	-	584,972
Beneficial Interest in Life Insurance Policies	-	-	15,673	15,673
	\$ -	\$ 13,848,958	\$ 102,384,751	\$ 116,233,709

	2022			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 1,039	\$ -	\$ -	\$ 1,039
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	9,041,070	9,041,070
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	103,063,138	103,063,138
Life Income Funds	-	608,177	-	608,177
Beneficial Interest in Life Insurance Policies	-	-	15,673	15,673
	\$ 1,039	\$ 608,177	\$ 112,119,881	\$ 112,729,097

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.

U. S. Treasuries – Valued by the custodian using a computerized pricing services 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.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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

Beneficial Interest in Life Insurance Policies – Valued based on the cash surrender value of the policies. Because these values are based on significant unobservable inputs, they are categorized in Level 3 of the fair value hierarchy.

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

	2023		
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 9,041,070	\$ 103,063,138	\$ 15,673
Participant additions	-	2,296,661	-
Realized gains	-	2,326,482	-
Unrealized appreciation (depreciation)	150,086	(1,211,081)	-
Participant withdrawals	-	(4,106,122)	-
Transfer to Level 2	(9,191,156)	-	-
Ending balance	<u>\$ -</u>	<u>\$ 102,369,078</u>	<u>\$ 15,673</u>

	2022		
	NC State Investment Fund, Inc. ITF	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 5,725,157	\$ 100,142,529	\$ 15,350
Participant additions	4,000,000	2,077,910	-
Investment income	41,912	22,046	-
Realized gains	2,643	1,468,965	-
Unrealized (depreciation) appreciation	(627,625)	1,618,863	323
Participant withdrawals	(97,864)	(2,129,270)	-
Expenses	(3,153)	(137,905)	-
Ending balance	<u>\$ 9,041,070</u>	<u>\$ 103,063,138</u>	<u>\$ 15,673</u>

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

North Carolina Veterinary Medical Foundation, Inc.

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

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 \$47 million as of June 30, 2023. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 2, the endowments have a spending rate of 4%. \$31,870 of appropriations from the board-designated endowments and \$8,890 of appropriations from the unrestricted donor-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, are as follows:

Total assets, less nonfinancial assets	\$ 129,099,357
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(34,224,014)
Subject to appropriation and satisfaction of donor restrictions	(37,243,060)
Board-designated endowments	(48,636,892)
Board commitment to construction of Equine Facility	(5,000,000)
Total liabilities	(459,782)
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,535,609

Note 6. Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2023 and 2022 have asset balances of \$584,972 and \$608,177, 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 \$421,740 and \$448,505 at June 30, 2023 and 2022, respectively. Payments from these funds were \$52,293 and \$52,723 during the years ended June 30, 2023 and 2022, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2023 and 2022, the CGA reserve balance was \$57,354 and \$55,506, respectively.

North Carolina Veterinary Medical Foundation, Inc.

**Notes to 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	\$ 336,001	\$ 80,810
Receivable in one to five years	1,171,456	259,957
Total pledges receivable, gross	1,507,457	340,767
Less allowance for uncollectible pledges	(76,000)	(18,000)
Less unamortized discount (discount rates of 2.65% to 5.24%)	(163,973)	(21,649)
Pledges receivable, net	\$ 1,267,484	\$ 301,118

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

One donor represented approximately \$1,000,000 of the total undiscounted pledges receivable at June 30, 2023. Two donors represented approximately \$194,000 of the total undiscounted pledges receivable at 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 \$363,000 and \$388,000, 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. 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 \$53,000 and \$32,000, respectively.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 9. Net Assets With Donor Restrictions

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

	2023	2022
Scholarships and fellowships	\$ 2,385,171	\$ 2,019,445
Faculty support and professorships	260,370	210,210
Research support	5,446,287	3,051,258
Pledges receivable, net	1,222,405	297,291
Other	8,513,186	7,337,605
	<u>17,827,419</u>	<u>12,915,809</u>

Subject to passage of time:

Beneficial interest in life insurance policies	15,673	15,673
Assets held under split-interest agreements, net	131,950	125,009
	<u>147,623</u>	<u>140,682</u>

Endowments:

Subject to Foundation endowment spending policy and appropriation:

Scholarships and fellowships	38,675,257	38,812,987
Faculty support and professorships	787,725	811,607
Research support	9,563,226	9,659,832
Pledges receivable	45,079	3,827
Other	4,540,108	4,609,805
	<u>53,611,395</u>	<u>53,898,058</u>

Total Net Assets With Donor Restrictions	<u>\$ 71,586,437</u>	<u>\$ 66,954,549</u>
--	----------------------	----------------------

Donor restricted net asset grouping "Other" includes amounts designated for general college support, general University support, capital support and funds with multiple purposes.

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:

	2023	2022
Scholarships and fellowships	\$ 1,292,451	\$ 1,208,017
Faculty support and professorships	362,939	377,844
Departmental support	1,393,945	2,003,343
Capital support	-	1,160,555
Administrative and fundraising	111,869	91,947
	<u>\$ 3,161,204</u>	<u>\$ 4,841,706</u>

North Carolina Veterinary Medical Foundation, Inc.

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

Note 11. Functional Expense

The Foundation's primary program is to provide financial support to the College of Veterinary Medicine. Expenses by functional classification for the year ended June 30, 2023 are as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 2,086,946	\$ -	\$ 374,258	\$ 2,461,204
Legal	-	3,951	-	3,951
Accounting	-	48,500	-	48,500
Advertising	6,619	-	4,443	11,062
Office Expenses	7,304	-	6,870	14,174
Occupancy	5	-	-	5
Travel	63,403	-	13,513	76,916
Conferences and Meetings	4,754	-	4,905	9,659
Insurance	1,119	74	5,292	6,485
Departmental Equipment	335,342	-	5,045	340,387
Equipment Rental and Maintenance	16,336	-	575	16,911
Contracted Services	84,654	-	5,300	89,954
Services and Fees	388,550	990	40,969	430,509
Donated Salaries, Services and Facilities	-	53,000	363,000	416,000
Gift Assessment Fees	483,589	-	-	483,589
Printing and Binding	1,609	-	27,735	29,344
Dues and Subscriptions	2,585	-	6,407	8,992
Supplies	248,352	-	49,500	297,852
Capital Transfers	4,340,130	-	-	4,340,130
Total	\$ 8,071,297	\$ 106,515	\$ 907,812	\$ 9,085,624

Grants include scholarships, fellowships and salary support. Capital Transfers include the Terry debt payment, funding for the new Dairy and Equine facilities and classroom renovations.

North Carolina Veterinary Medical 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 are as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 1,918,909	\$ -	\$ 345,772	\$ 2,264,681
Legal	-	5,745	-	5,745
Accounting	-	45,100	-	45,100
Advertising	250	-	6,640	6,890
Office Expenses	13,877	-	6,235	20,112
Occupancy	412	-	583	995
Travel	33,266	-	8,786	42,052
Conferences and Meetings	10,580	-	4,650	15,230
Insurance	1,395	85	5,292	6,772
Departmental Equipment	1,289,622	-	5,915	1,295,537
Equipment Rental and Maintenance	178,033	-	410	178,443
Contracted Services	10,579	-	500	11,079
Services and Fees	7,730	401	54,677	62,808
Donated Salaries, Services and Facilities	-	32,000	388,000	420,000
Gift Assessment Fees	520,590	-	-	520,590
Printing and Binding	3,486	-	29,948	33,434
Dues and Subscriptions	1,745	3,280	1,215	6,240
Supplies	319,602	-	17,108	336,710
Capital Transfers	2,069,511	-	-	2,069,511
Total	\$ 6,379,587	\$ 86,611	\$ 875,731	\$ 7,341,929

Grants include scholarships, fellowships and salary support. Capital Transfers include the Terry debt payment and funding for the new Dairy and Equine facilities.

North Carolina Veterinary Medical Foundation, Inc.

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

Note 12. Restatement of 2022 Financial Statements

As a result of an internal review of the Foundation's net asset classifications as of June 30, 2022, it was discovered that the Net Assets without Donor Restrictions was understated and Net Assets with Donor Restrictions was overstated by an equal and opposite amount. Accordingly, the Foundation restated its results for the year ended June 30, 2022.

The effect of the restatement was as follows and had no effect on total net assets.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, as previously presented:			
Without donor restrictions:			
Undesignated	\$ 9,065,915	\$ -	\$ 9,065,915
Board-designated endowments	47,139,733	-	47,139,733
With donor restrictions:			
Perpetual in nature	-	33,898,929	33,898,929
Purpose restricted	-	34,011,092	34,011,092
Total Net Assets	56,205,648	67,910,021	124,115,669
Restatements:			
Contributions	1,000,000	(1,000,000)	-
Net investment income	(44,529)	44,529	-
Net assets released from restrictions	1	(1)	-
Net assets, as restated	\$ 57,161,120	\$ 66,954,549	\$ 124,115,669

Note 13. Subsequent Events

The Foundation has evaluated subsequent events through October 25, 2023, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina Veterinary Medical Foundation, Inc.

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

	Budget	Actual	Variance Over/(Under)
Income			
Contributions:			
All Gifts Great and Small	\$ 330,000	\$ 355,784	\$ 25,784
Walk of Honor	20,000	31,104	11,104
Gallop of Honor	5,000	2,604	(2,396)
Pet in Memoriam	15,000	10,335	(4,665)
Endowment spending budget	38,730	38,730	-
Interest and dividends	180,000	215,705	35,705
Total Income	588,730	654,262	65,532
Support			
Foundation administration	531,000	511,595	(19,405)
Dean's Discretionary	15,000	6,210	(8,790)
Hardship Support	10,000	10,000	-
Total Support	556,000	527,805	(28,195)
Income Less Support	32,730	126,457	93,727
General Fund Balance			
Beginning of year	781,845	781,845	-
End of year	\$ 814,575	\$ 908,302	\$ 93,727

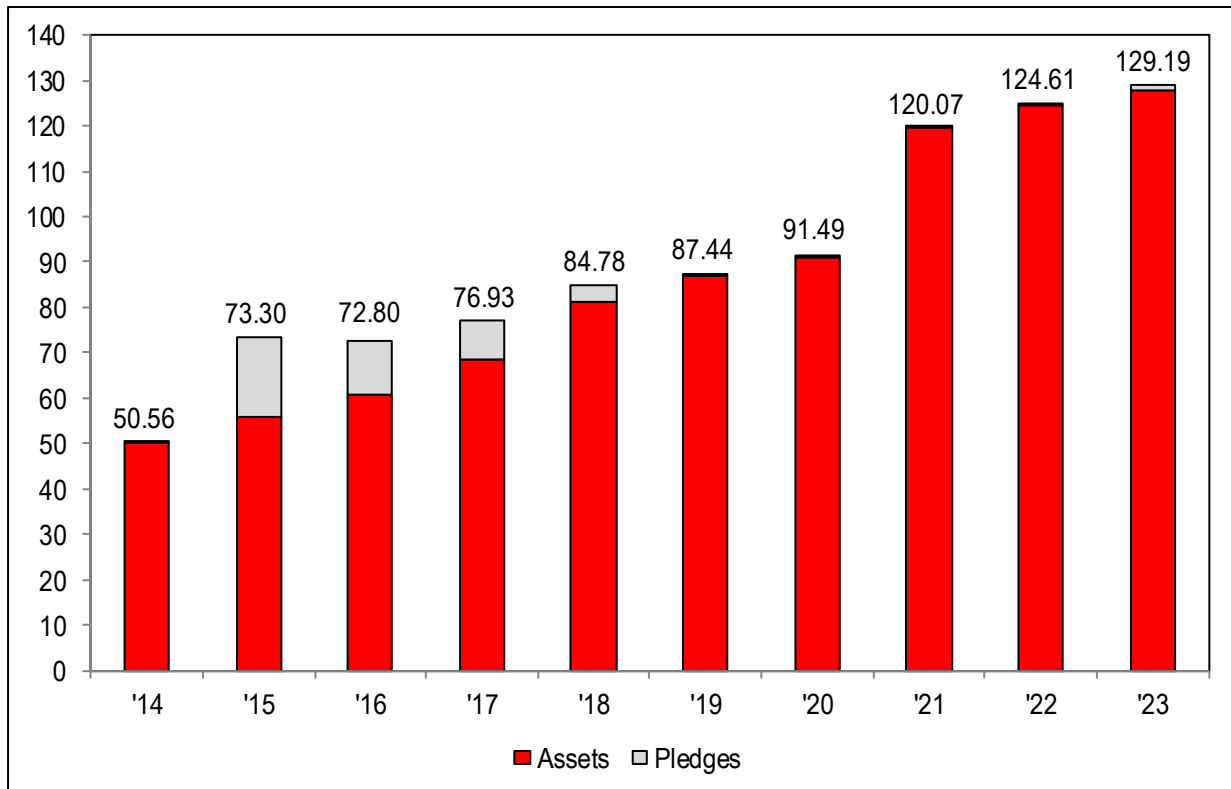
North Carolina Veterinary Medical Foundation, Inc.

Ten Year Summary of Asset Growth - Unaudited

As of June 30

TOTAL ASSETS

(Dollars in Millions)



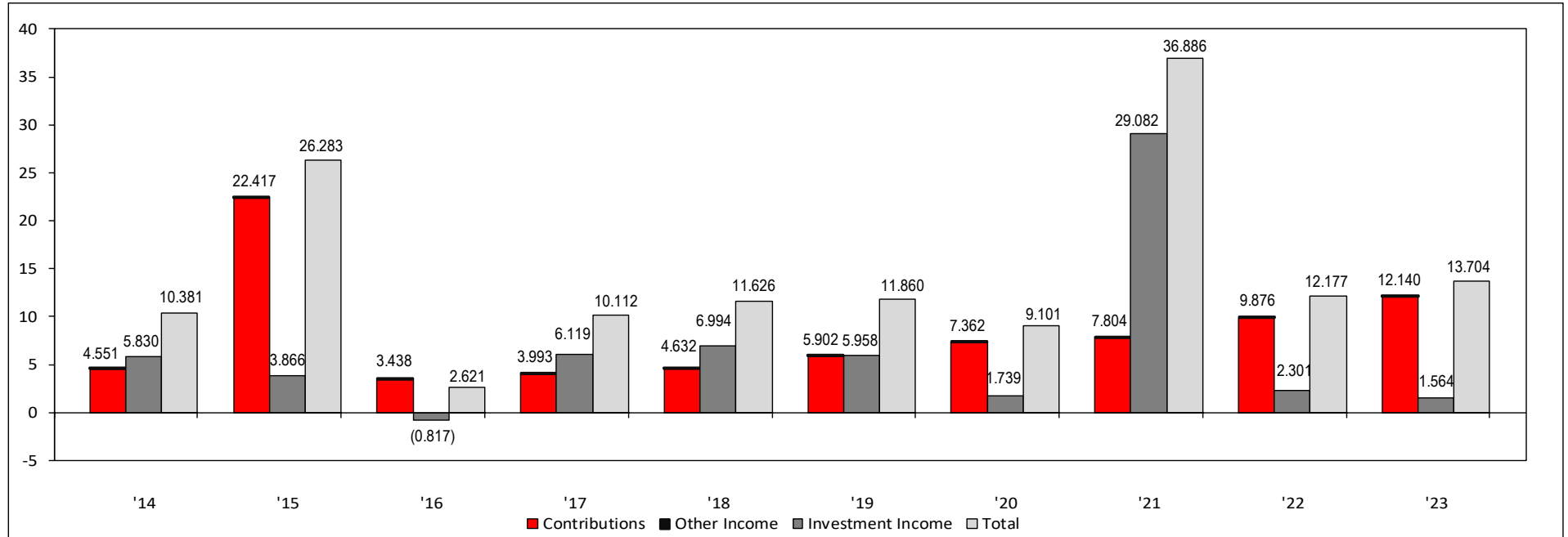
Not reflected above for FY'23 are gifts-in-kind of \$126,456, which benefit the College of Veterinary Medicine. These gifts were received due to the efforts of Foundation members and the College Development Staff.

North Carolina Veterinary Medical Foundation, Inc.

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

Total Revenues, Gains, and Other Income

(Dollars in Millions)



Total Support

(Dollars in Millions)

