

**NORTH CAROLINA STATE UNIVERSITY
COLLEGE OF SCIENCES FOUNDATION, INC.**

FINANCIAL REPORT

JUNE 30, 2023 and 2022

North Carolina State University College of Sciences Foundation, Inc.

**Financial Report
For the Years Ended June 30, 2023 and 2022**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of North Carolina State University College of Sciences 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 State University College of Sciences 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 State University College of Sciences 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.

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 State University College of Sciences 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 State University College of Sciences 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 State University College of Sciences 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 18, 2023

North Carolina State University College of Sciences Foundation, Inc.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents (Note 1)	\$ 2,900,444	\$ 3,737,399
Intermediate investments (Note 1)	4,302,826	3,230,983
Long-term investments (Notes 1 and 3)	33,528,809	33,465,581
Pledges receivable, net (Notes 1 and 7)	278,852	463,591
Accounts receivable (Note 1)	1,156	-
Donated property (Note 1)	5,500	5,500
Other assets (Note 1)	3,893	30,855
Total Assets	\$ 41,021,480	\$ 40,933,909
Liabilities and Net Assets		
Liabilities		
Accounts payable - North Carolina State University (Note 1)	\$ 8,535	\$ 49,134
Life income funds payable (Note 6)	694,180	797,640
Total Liabilities	702,715	846,774
Net Assets		
Without donor restrictions:		
Undesignated	1,630,740	1,491,692
Board-designated - endowments (Note 2)	608,587	644,590
With donor restrictions:		
Perpetual in nature (Note 9)	16,959,167	16,338,228
Purpose restricted (Note 9)	21,120,271	21,612,625
Total Net Assets	40,318,765	40,087,135
Total Liabilities and Net Assets	\$ 41,021,480	\$ 40,933,909

See notes to financial statements.

North Carolina State University College of Sciences 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)	\$ 447,690	\$ 1,168,840	\$ 1,616,530
Change in pledges receivable, net (Note 7)	-	(184,739)	(184,739)
Donated salaries, services and facilities (Note 8)	251,000	-	251,000
Net investment income	119,075	439,645	558,720
Change in value of split interest agreements	-	57,994	57,994
Royalties	-	289,426	289,426
Other income	-	24,750	24,750
Net assets released from restrictions (Note 10)	1,721,114	(1,721,114)	-
Total Revenues, Gains, and Other Income	2,538,879	74,802	2,613,681
Grants to Support the University Program:			
Scholarships and fellowships	890,084	-	890,084
Faculty support & professorships	186,085	-	186,085
Departmental support	631,806	-	631,806
Total Program Support	1,707,975	-	1,707,975
Administrative	72,726	-	72,726
Fundraising	598,795	-	598,795
Total Other Support	671,521	-	671,521
Total Support (Note 11)	2,379,496	-	2,379,496
Excess of Revenues, Gains, and Other Income Over Total Support	159,383	74,802	234,185
Net Transfers			
To other University-associated entities	-	(2,555)	(2,555)
Among funds	(56,338)	56,338	-
Total Net Transfers	(56,338)	53,783	(2,555)
Change in Net Assets	103,045	128,585	231,630
Net Assets			
Beginning of year	2,136,282	37,950,853	40,087,135
End of year	\$ 2,239,327	\$ 38,079,438	\$ 40,318,765

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Income:			
Contributions (Note 1)	\$ 449,344	\$ 2,419,352	\$ 2,868,696
Change in pledges receivable, net (Note 7)	-	(146,997)	(146,997)
Donated salaries, services and facilities (Note 8)	146,000	-	146,000
Donated property	-	5,500	5,500
Net investment (loss) income	(171,347)	733,428	562,081
Change in value of split interest agreements	-	(13,950)	(13,950)
Royalties	-	336,887	336,887
Other income	-	1,707	1,707
Net assets released from restrictions (Note 10)	1,345,525	(1,345,525)	-
Total Revenues, Gains, and Other Income	1,769,522	1,990,402	3,759,924
Grants to Support the University Program:			
Scholarships and fellowships	604,290	-	604,290
Faculty support & professorships	176,420	-	176,420
Departmental support	539,124	-	539,124
Total Program Support	1,319,834	-	1,319,834
Administrative	69,154	-	69,154
Fundraising	434,311	-	434,311
Total Other Support	503,465	-	503,465
Total Support (Note 11)	1,823,299	-	1,823,299
(Deficit) Excess of Revenues, Gains, and Other Income Over Total Support	(53,777)	1,990,402	1,936,625
Net Transfers			
Among funds	(56,454)	56,454	-
Total Net Transfers	(56,454)	56,454	-
Change in Net Assets	(110,231)	2,046,856	1,936,625
Net Assets			
Beginning of year	2,246,513	35,903,997	38,150,510
End of year	\$ 2,136,282	\$ 37,950,853	\$ 40,087,135

See notes to financial statements.

North Carolina State University College of Sciences Foundation, Inc.

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

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 231,630	\$ 1,936,625
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for permanent endowment	(442,257)	(1,446,119)
Contribution of donated property	-	(5,500)
Net investment income	(558,720)	(562,081)
Change in value of split interest agreements	(57,994)	13,950
(Increase) decrease in:		
Pledges receivable, net	184,739	146,997
Accounts receivable	(1,156)	-
Other assets	26,962	(1,063)
Increase (decrease) in:		
Accounts payable - North Carolina State University	(40,599)	40,639
Net Cash (Used in) Provided by Operating Activities	(657,395)	123,448
Cash Flows From Investing Activities		
Proceeds from sales of investments	1,413,601	1,300,843
Purchases of investments	(2,003,597)	(2,724,454)
Net Cash Used in Investing Activities	(589,996)	(1,423,611)
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	442,257	1,446,119
Investment income restricted for split interest agreements	13,645	11,932
Payments on life income fund obligations	(45,466)	(48,347)
Net Cash Provided by Financing Activities	410,436	1,409,704
Net (Decrease) Increase in Cash and Cash Equivalents	(836,955)	109,541
Cash and Cash Equivalents		
Beginning of year	3,737,399	3,627,858
End of year	\$ 2,900,444	\$ 3,737,399
Supplemental Disclosures of Noncash Activities		
Donated salaries, services and facilities	\$ 251,000	\$ 146,000
Contribution of donated property	\$ -	\$ 5,500

See notes to financial statements.

North Carolina State University College of Sciences 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 State University College of Sciences 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 July 1, 1983, provides financial support for all types of education and research in physical, mathematical, and biological sciences in the College of Sciences at the University.

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

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

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

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

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

Cash and cash equivalents 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 \$4,302,826 and \$3,230,983 as of June 30, 2023 and 2022, respectively. The cost of these investments were \$4,433,534 and \$3,410,430 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.

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.

North Carolina State University College of Sciences 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)

Accounts receivable: Accounts receivable consists of sales tax receivable and accrued interest on U.S. Treasuries.

Software license: A donated software license is recorded net of accumulated amortization totaling \$536,352 as of June 30, 2023 and 2022. As of June 30, 2023 and 2022, the software license was fully amortized.

Copyright: A donated copyright is recorded net of accumulated amortization totaling \$828,099 as of June 30, 2023 and 2022. As of June 30, 2023 and 2022, the copyright was fully amortized.

Donated property: Donated property includes a contribution of equipment and is valued using the estimated fair market value on the date of donation. It is the Foundation's intention to sell the equipment.

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

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

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

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

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

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

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 \$3,893 and \$30,855 at June 30, 2023 and 2022, respectively.

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.

North Carolina State University College of Sciences 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)

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

The University has a gift assessment program that supports Central Development and college-level fund-raising efforts. For years ended June 30, 2023 and 2022, a one-time fee of 7% is 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 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.

Royalties: Royalties are generated by the software license and copyright owned by the Foundation.

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

Income taxes and uncertain tax positions: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation had no significant unrelated trade or business income for 2023 and 2022. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to tax year 2019.

North Carolina State University College of Sciences 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)

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 adoption of this standard did not have an impact on the accompanying financial statements for the years ended June 30, 2023 or 2022.

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

Note 2. Endowment

The Foundation's endowment consists of approximately 180 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 as net assets perpetual in nature is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation's endowment spending policy.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance with the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions and were \$(22,987) and \$(35,998) as of June 30, 2023 and 2022, respectively.

Investment return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP in a manner that is intended to produce results that exceed a 70% MSCI ACWI/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 College of Sciences Foundation, Inc.

**Notes to 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 preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions, endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation's policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowments. Spending budgets were calculated at \$916,400 and \$1,040,580 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 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.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 644,590	\$ 32,418,262	\$ 33,062,852
Total investment return	16,637	411,898	428,535
Contributions, including change in accrued pledges, royalties and other income	-	741,198	741,198
Appropriations of endowment assets for expenditure	(52,640)	(1,279,120)	(1,331,760)
Change in value of split interest agreements	-	57,994	57,994
Other changes:			
Transfers	-	12,000	12,000
Endowment net assets, end of year	<u>\$ 608,587</u>	<u>\$ 32,362,232</u>	<u>\$ 32,970,819</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 608,587	\$ -	\$ 608,587
Donor-designated endowment funds			
Corpus	-	16,959,167	16,959,167
Appreciation	-	15,426,052	15,426,052
Underwater endowments	-	(22,987)	(22,987)
Total funds	<u>\$ 608,587</u>	<u>\$ 32,362,232</u>	<u>\$ 32,970,819</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	\$ 642,162	\$ 30,656,676	\$ 31,298,838
Total investment return	51,708	709,145	760,853
Contributions, including change in accrued pledges, royalties and other income	-	2,029,140	2,029,140
Appropriations of endowment assets for expenditure	(49,280)	(1,127,750)	(1,177,030)
Change in value of split interest agreements	-	(13,950)	(13,950)
Other changes:			
Transfers	-	165,001	165,001
Endowment net assets, end of year	<u>\$ 644,590</u>	<u>\$ 32,418,262</u>	<u>\$ 33,062,852</u>

North Carolina State University College of Sciences Foundation, Inc.

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

Note 2. Endowment (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 644,590	\$ -	\$ 644,590
Donor-designated endowment funds			
Corpus	-	16,338,228	16,338,228
Appreciation	-	16,116,032	16,116,032
Underwater endowments	-	(35,998)	(35,998)
Total funds	<u>\$ 644,590</u>	<u>\$ 32,418,262</u>	<u>\$ 33,062,852</u>

Note 3. Long-Term Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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

	<u>2023</u>		<u>2022</u>	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 19,500	\$ 19,500	\$ 53,100	\$ 53,100
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	16,488,446	32,716,107	16,092,539	32,625,020
Life Income Funds	757,941	793,202	775,013	787,461
	<u>\$ 17,265,887</u>	<u>\$ 33,528,809</u>	<u>\$ 16,920,652</u>	<u>\$ 33,465,581</u>

North Carolina State University College of Sciences Foundation, Inc.

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

Note 4. Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the FASB ASC 820, provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The 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 were measured at fair value on a recurring basis at June 30:

	2023			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 19,500	\$ -	\$ -	\$ 19,500
U.S. Treasuries	-	1,018,207	-	1,018,207
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	3,284,619	-	3,284,619
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	32,716,107	32,716,107
Life Income Funds	-	793,202	-	793,202
Beneficial Interest in Life Insurance Policies	-	-	3,893	3,893
	\$ 19,500	\$ 5,096,028	\$ 32,720,000	\$ 37,835,528

	2022			
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 53,100	\$ -	\$ -	\$ 53,100
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	-	3,230,983	3,230,983
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	32,625,020	32,625,020
Life Income Funds	-	787,461	-	787,461
Beneficial Interest in Life Insurance Policies	-	-	30,855	30,855
	\$ 53,100	\$ 787,461	\$ 35,886,858	\$ 36,727,419

North Carolina State University College of Sciences Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

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

	2023		
	NC State	NC State	Beneficial
	Investment Fund, Inc. ITF	Investment Fund, Inc. LTIP	Interest in Life Insurance Policies
Beginning balance	\$ 3,230,983	\$ 32,625,020	\$ 30,855
Participant additions	-	1,069,940	-
Realized gains	-	657,727	-
Unrealized appreciation (depreciation)	53,636	(304,820)	113
Participant withdrawals	-	(1,331,760)	(27,075)
Transfer to level 2	(3,284,619)	-	-
Ending balance	<u>\$ -</u>	<u>\$ 32,716,107</u>	<u>\$ 3,893</u>
	2022		
	NC State	NC State	Beneficial
	Investment Fund, Inc. ITF	Investment Fund, Inc. LTIP	Interest in Life Insurance Policies
Beginning balance	\$ 2,971,280	\$ 30,730,589	\$ 29,792
Participant additions	500,000	2,185,961	-
Investment income	16,655	6,801	-
Realized gains	1,109	682,919	-
Unrealized (depreciation) appreciation	(221,907)	238,280	1,063
Participant withdrawals	(34,974)	(1,177,030)	-
Expenses	(1,180)	(42,500)	-
Ending balance	<u>\$ 3,230,983</u>	<u>\$ 32,625,020</u>	<u>\$ 30,855</u>

North Carolina State University College of Sciences Foundation, Inc.

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

Note 4. Fair Value Measurement (continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

STIF – This investment has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

NC State Investment Fund, Inc. Long-Term Investment Pool (“LTIP”) – The LTIP’s investment in UNC Investment Fund (UNCIF) is valued using the net asset value per share of the fund provided by the fund manager. The LTIP’s private equity investments are initially valued based on transaction price with subsequent valuation adjustments based on trading multiples of comparable public companies adjusted for differences in factors such as liquidity. The LTIP’s investment in a Blackrock Liquid Policy Portfolio (“LPP”) is valued at the closing price of the exchange-traded fund’s shares. The LTIP’s investment in U.S. Treasuries is valued at quoted market prices. The LTIP also has an investment in the STIF, valued as described above.

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

Beneficial Interest in Life Insurance Policies – Valued based on 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.

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

North Carolina State University College of Sciences 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 \$609,000. Although the Foundation does not intend to spend from its board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation, amounts could be made available if necessary. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$143,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$53,000 of appropriations from board-designated endowments will be available within 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 financial assets	\$ 41,015,980
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(16,959,167)
Subject to appropriation and satisfaction of donor restrictions	(20,972,015)
Board-designated endowments	(555,947)
Total liabilities	(702,715)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,826,136</u>

North Carolina State University College of Sciences Foundation, Inc.

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

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 and marked to market thereafter. Life income funds at June 30, 2023 and 2022 had asset balances of \$793,202 and \$787,461, 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 expectancies of the beneficiaries, and totaled \$694,180 and \$797,640 at June 30, 2023 and 2022, respectively. Payments from these funds to beneficiaries were \$45,466 and \$48,347 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, there was a zero balance in this reserve.

Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2023	2022
Receivable in less than one year	\$ 133,347	\$ 263,970
Receivable in one to five years	188,629	251,188
Total pledges receivable, gross	321,976	515,158
Less allowance for uncollectible pledges	(17,000)	(26,000)
Less unamortized discount (discount rates of 2.65% to 5.24%)	(26,124)	(25,567)
Pledges receivable, net	\$ 278,852	\$ 463,591

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.

Three donors represented approximately \$192,000 of total undiscounted pledges receivable at June 30, 2023. Two donors represented approximately \$191,000 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 \$235,000 and \$130,000, 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 \$16,000.

North Carolina State University College of Sciences 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 were available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	\$ 2,053,471	\$ 2,043,658
Faculty support and professorships	115,196	103,234
Essentials Building fund	342,766	342,766
NC Sciences Olympiad Fund	457,108	487,579
Pledges receivable, net	146,555	99,535
Other	2,602,110	2,455,819
	<u>5,717,206</u>	<u>5,532,591</u>
Subject to passage of time:		
Beneficial interest in life insurance policies	3,893	30,855
Assets held under split-interest agreements, net	99,022	(10,179)
	<u>102,915</u>	<u>20,676</u>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	20,154,725	20,158,117
Faculty support and professorships	742,486	767,580
Wertz Chemistry Endowment	2,699,713	2,587,124
Pledges receivable, net	132,297	364,056
Other	8,530,096	8,520,709
	<u>32,259,317</u>	<u>32,397,586</u>
Total Net Assets With Donor Restrictions	<u>\$ 38,079,438</u>	<u>\$ 37,950,853</u>

Donor restricted net asset grouping "Other" includes amounts designated for research, general college 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 year ended June 30:

	<u>2023</u>	<u>2022</u>
Scholarships and fellowships	\$ 844,694	\$ 590,955
Faculty support and professorships	136,944	128,327
Departmental support	567,048	501,318
Administrative and fundraising	172,428	124,925
	<u>\$ 1,721,114</u>	<u>\$ 1,345,525</u>

North Carolina State University College of Sciences 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 for education and research in the College of Sciences at NC State University. Expenses by functional classification for the year ended June 30, 2023 were as follows:

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 1,035,492	\$ -	\$ 238,281	\$ 1,273,773
Legal	-	8,226	-	8,226
Accounting	-	48,500	-	48,500
Advertising	32,596	-	2,034	34,630
Office Expenses	1,731	-	2,506	4,237
Occupancy	150	-	-	150
Travel	70,554	-	9,678	80,232
Conferences and Meetings	7,879	-	28,293	36,172
Insurance	-	-	5,865	5,865
Departmental Equipment	71,756	-	-	71,756
Equipment Rental and Maintenance	16,839	-	-	16,839
Contracted Services	21,004	-	125	21,129
Services and Fees	145,892	-	55,406	201,298
Donated Salaries, Services and Facilities	-	16,000	235,000	251,000
Gift Assessment Fees	170,937	-	-	170,937
Printing and Binding	28,347	-	2,909	31,256
Dues and Subscriptions	22,719	-	-	22,719
Supplies	82,079	-	18,698	100,777
Total	\$ 1,707,975	\$ 72,726	\$ 598,795	\$ 2,379,496

Grants include scholarships, fellowships, and salary support.

North Carolina State University College of Sciences Foundation, Inc.

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

Note 11. Functional Expense (continued)

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

	Total Program Support	Supporting Activities		Total Support
		Administrative Support	Fundraising Support	
Grants	\$ 758,838	\$ -	\$ 214,575	\$ 973,413
Legal	-	8,054	-	8,054
Accounting	-	45,100	-	45,100
Advertising	22,460	-	-	22,460
Office Expenses	2,949	-	2,107	5,056
Occupancy	2,280	-	22,363	24,643
Travel	18,873	-	3,502	22,375
Conferences and Meetings	9,018	-	2,180	11,198
Insurance	-	-	3,564	3,564
Departmental Equipment	35,414	-	390	35,804
Equipment Rental and Maintenance	3,330	-	-	3,330
Contracted Services	62,611	-	-	62,611
Services and Fees	140,567	-	41,980	182,547
Donated Salaries, Services and Facilities	-	16,000	130,000	146,000
Gift Assessment Fees	148,205	-	-	148,205
Printing and Binding	4,148	-	4,978	9,126
Dues and Subscriptions	26,683	-	-	26,683
Supplies	84,458	-	8,672	93,130
Total	\$ 1,319,834	\$ 69,154	\$ 434,311	\$ 1,823,299

Grants include scholarships, fellowships, and salary support.

Note 12. Subsequent Events

The Foundation has evaluated subsequent events through October 18, 2023, the date which the financial statements were available to be issued, and there were none to report.

SUPPLEMENTARY INFORMATION

North Carolina State University College of Sciences Foundation, Inc.

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

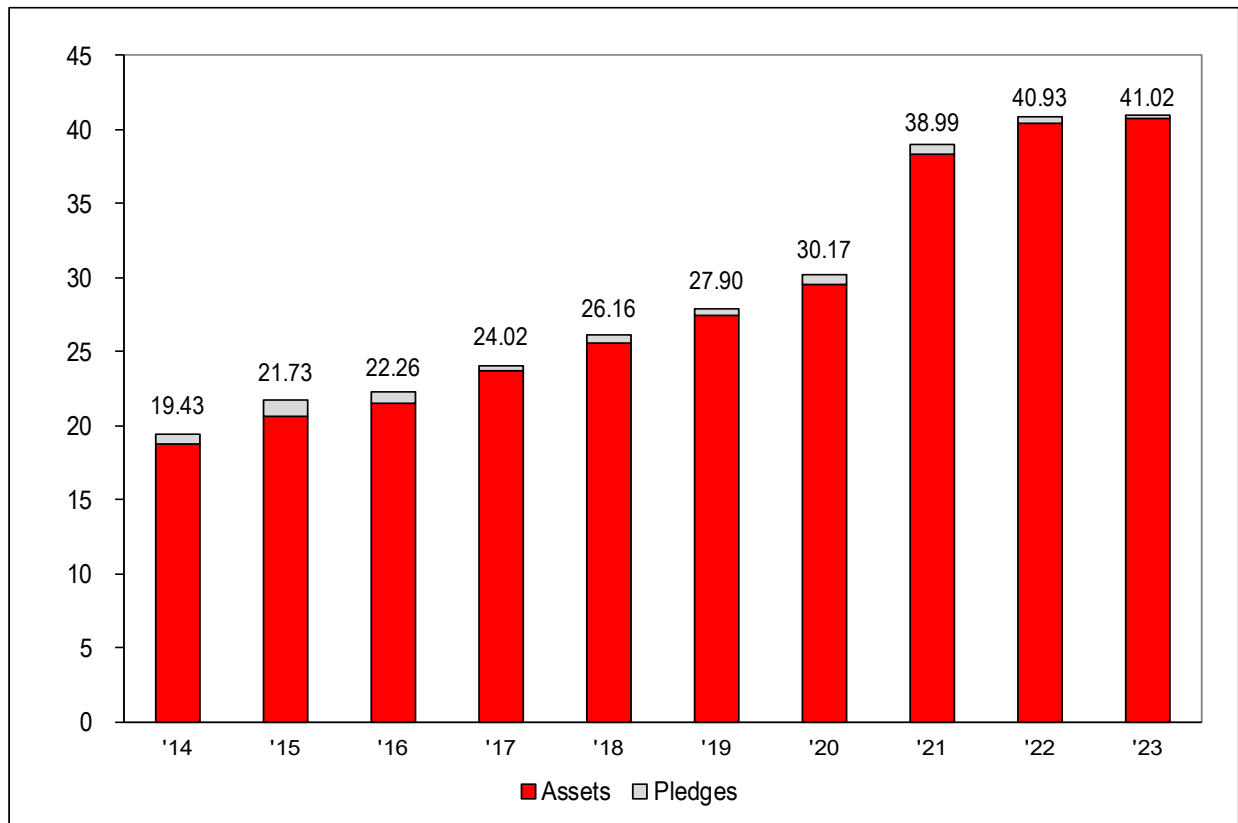
	Approved Budget	Actual	Variance Over/(Under)
Income			
Contributions	\$ 350,000	\$ 416,352	\$ 66,352
Endowment spending budgets	49,280	49,280	-
Interest income	50,000	61,338	11,338
Transfer from Essentials Building fund	166,960	-	(166,960)
Total Income	616,240	526,970	(89,270)
Support			
Program support	176,700	159,289	(17,411)
Foundation administration and development support	439,540	322,373	(117,167)
Total Support	616,240	481,662	(134,578)
Income Less than Support	-	45,308	45,308
General Fund Balance			
Beginning of year	1,661,790	1,661,790	-
End of year	\$ 1,661,790	\$ 1,707,098	\$ 45,308

North Carolina State University College of Sciences Foundation, Inc.

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

TOTAL ASSETS

(Dollars in Millions)



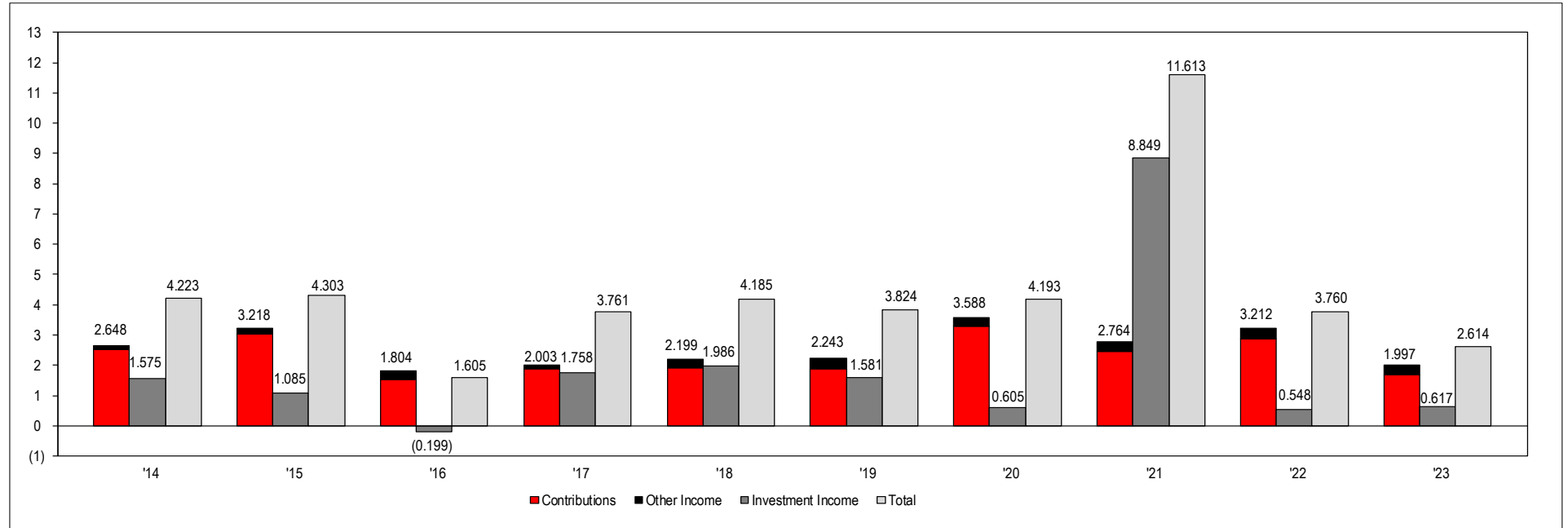
Not reflected above for FY23 are contributions and gifts-in-kind of approximately \$1,347,000 which benefit the College of Sciences. These gifts were received due to the efforts of Foundation members and the College Development Staff.

North Carolina State University College of Sciences 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)

