

**NC STATE STUDENT AID ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2023 AND 2022**

**NC STATE STUDENT AID ASSOCIATION, INC.**  
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**JUNE 30, 2023 AND 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors,  
NC State Student Aid Association, Inc.:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of NC State Student Aid Association, Inc. (the Association), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 the Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditors' Responsibilities for the Audit 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 GAAS 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 an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

*James Moore & Co., P.L.*

Gainesville, Florida  
August 25, 2023

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND JUNE 30, 2022**

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 22,681,426	\$ 26,333,842
Investments	2,031,156	314,829
Current portion of pledges receivable, net of allowance	16,562,154	13,720,220
Prepaid expenses and other current assets	265,499	57,945
Total current assets	41,540,235	40,426,836
<b>Non-current assets</b>		
Pledges receivable less current portion, net of allowance	9,741,388	9,014,871
Long term investments	38,842,695	40,775,606
Land held for investment	225,500	490,750
Property and equipment, net of accumulated depreciation	22,591,074	23,698,218
Investments held under gift annuities and charitable remainder trusts	821,205	953,610
Funded status of pension plan	-	906,815
Cash restricted for long-term purposes	326,368	1,451,760
Cash surrender value of life insurance	134,885	134,885
Total non-current assets	72,683,115	77,426,515
<b>Total Assets</b>	<b>\$ 114,223,350</b>	<b>\$ 117,853,351</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable and other accrued expenses	\$ 432,491	\$ 283,875
Accrued vacation and benefits	538,567	459,609
Current portion of long-term debt	3,083,872	2,689,000
Current portion of deferred revenue	3,870,550	3,835,976
Total current liabilities	7,925,480	7,268,460
<b>Non-current liabilities</b>		
Long-term debt, less current portion, net of amortization	25,649,764	24,860,455
Deferred revenue, less current portion	98,769	24,800
Due to donors of charitable remainder trusts and gift annuities	1,192,522	1,308,926
Unfunded status of pension plan	132,220	-
Total non-current liabilities	27,073,275	26,194,181
<b>Total Liabilities</b>	<b>34,998,755</b>	<b>33,462,641</b>
<b>Net Assets</b>		
Without donor restrictions	10,624,272	13,877,472
With donor restrictions	68,600,323	70,513,238
Total net assets	79,224,595	84,390,710
<b>Total Liabilities and Net Assets</b>	<b>\$ 114,223,350</b>	<b>\$ 117,853,351</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenues</b>			
General contributions	\$ 19,633,648	\$ 10,289,002	\$ 29,922,650
Donated services, property, and equipment	431,732	-	431,732
Clubs income	188,184	-	188,184
Investment income (loss), net of fees	280,445	-	280,445
TowneBank Center	-	4,448,738	4,448,738
Advertising income	42,642	-	42,642
Special events	152,157	-	152,157
Change in value of split interest agreements	-	(16,000)	(16,000)
Other income (loss)	(249,747)	-	(249,747)
Net assets released from restrictions	16,634,655	(16,634,655)	-
Total support and revenues	<u>37,113,716</u>	<u>(1,912,915)</u>	<u>35,200,801</u>
<b>Expenses</b>			
Program services			
University support	38,984,581	-	38,984,581
Supporting services			
Management and general	504,274	-	504,274
Fundraising - member services	878,061	-	878,061
Total supporting services	<u>1,382,335</u>	<u>-</u>	<u>1,382,335</u>
Total expenses	<u>40,366,916</u>	<u>-</u>	<u>40,366,916</u>
<b>Change in net assets</b>	(3,253,200)	(1,912,915)	(5,166,115)
<b>Net assets, beginning of year</b>	13,877,472	70,513,238	84,390,710
<b>Net assets, end of year</b>	<u>\$ 10,624,272</u>	<u>\$ 68,600,323</u>	<u>\$ 79,224,595</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenues</b>			
General contributions	\$ 16,982,287	\$ 14,579,193	\$ 31,561,480
Donated services, property, and equipment	392,267	-	392,267
Clubs income	131,071	-	131,071
Investment income (loss), net of fees	1,157,487	-	1,157,487
TowneBank Center	-	3,854,683	3,854,683
Advertising income	42,567	-	42,567
Special events	129,826	-	129,826
Change in value of split interest agreements	-	(214,553)	(214,553)
Net assets released from restrictions	2,309,936	(2,309,936)	-
Total support and revenues	<u>21,145,441</u>	<u>15,909,387</u>	<u>37,054,828</u>
<b>Expenses</b>			
Program services			
University support	20,041,257	-	20,041,257
Supporting services			
Management and general	452,118	-	452,118
Fundraising - member services	763,254	-	763,254
Total supporting services	<u>1,215,372</u>	<u>-</u>	<u>1,215,372</u>
Total expenses	<u>21,256,629</u>	<u>-</u>	<u>21,256,629</u>
<b>Change in net assets</b>	(111,188)	15,909,387	15,798,199
<b>Net assets, beginning of year</b>	13,988,660	54,603,851	68,592,511
<b>Net assets, end of year</b>	<u>\$ 13,877,472</u>	<u>\$ 70,513,238</u>	<u>\$ 84,390,710</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>University Support</u>	<u>Management and General</u>	<u>Fundraising - Member Services</u>	<u>Total Supporting Services</u>	
Scholarships	\$ 14,279,884	\$ -	\$ -	\$ -	\$ 14,279,884
Non scholarship expenses	253,000	-	-	-	253,000
Facility improvements and support	17,932,310	-	-	-	17,932,310
Salaries and wages	2,006,920	185,342	322,722	508,064	2,514,984
Depreciation and amortization	1,101,161	3,894	6,781	10,675	1,111,836
Retirement, insurance, and other employee benefits	1,509,347	139,390	242,711	382,101	1,891,448
Promotion	192,839	17,809	31,010	48,819	241,658
Professional fees	84,857	7,837	13,645	21,482	106,339
Office rent	5,595	517	900	1,417	7,012
Publications	139,572	12,889	22,444	35,333	174,905
Bank charges	367,357	33,926	59,073	92,999	460,356
Special events	224,624	20,744	36,121	56,865	281,489
Auto expense	112,273	10,368	18,054	28,422	140,695
Computer expense	191,188	17,657	30,744	48,401	239,589
Payroll taxes	139,735	12,905	22,470	35,375	175,110
Club expenses	65,003	6,003	10,453	16,456	81,459
Postage and mailing expenses	44,707	4,129	7,189	11,318	56,025
Insurance	70,500	6,511	11,336	17,847	88,347
Office supplies	32,247	2,978	5,186	8,164	40,411
Printing	20,815	1,922	3,348	5,270	26,085
Travel	79,795	7,369	12,832	20,201	99,996
Meetings	22,065	2,038	3,548	5,586	27,651
Telephone	39,672	3,664	6,379	10,043	49,715
Dues and subscriptions	7,611	703	1,224	1,927	9,538
Property taxes and fees	7,084	654	1,139	1,793	8,877
Maintenance	31,894	2,945	5,129	8,074	39,968
Miscellaneous	22,526	2,080	3,623	5,703	28,229
<b>Total expenses</b>	<b>\$ 38,984,581</b>	<b>\$ 504,274</b>	<b>\$ 878,061</b>	<b>\$ 1,382,335</b>	<b>\$ 40,366,916</b>

The accompanying notes to financial statements are an integral part of this statement.



**NC STATE STUDENT AID ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>University Support</u>	<u>Management and General</u>	<u>Fundraising - Member Services</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Scholarships	\$ 12,363,246	\$ -	\$ -	\$ -	\$ 12,363,246
Non scholarship expenses	259,365	-	-	-	259,365
Facility improvements and support	3,061,492	-	-	-	3,061,492
Salaries and wages	1,284,480	176,079	297,252	473,331	1,757,811
Depreciation and amortization	1,099,373	5,536	9,345	14,881	1,114,254
Retirement, insurance, and other employee benefits	492,629	67,530	114,003	181,533	674,162
Promotion	171,489	23,508	39,686	63,194	234,683
Professional fees	138,356	18,966	32,018	50,984	189,340
Office rent	2,749	377	636	1,013	3,762
Publications	85,421	11,709	19,768	31,477	116,898
Bank charges	281,866	38,639	65,229	103,868	385,734
Special events	162,146	22,227	37,524	59,751	221,897
Auto expense	100,333	13,754	23,218	36,972	137,305
Computer expense	135,775	18,612	31,421	50,033	185,808
Payroll taxes	103,344	14,167	23,915	38,082	141,426
Club expenses	66,713	9,145	15,439	24,584	91,297
Postage and mailing expenses	26,408	3,620	6,112	9,732	36,140
Insurance	31,136	4,268	7,205	11,473	42,609
Office supplies	46,420	6,363	10,743	17,106	63,526
Printing	5,136	704	1,188	1,892	7,028
Travel	57,280	7,852	13,256	21,108	78,388
Meetings	12,873	1,765	2,979	4,744	17,617
Telephone	27,572	3,780	6,380	10,160	37,732
Dues and subscriptions	4,224	579	977	1,556	5,780
Property taxes and fees	7,156	981	1,656	2,637	9,793
Miscellaneous	14,275	1,957	3,304	5,261	19,536
<b>Total expenses</b>	<u>\$ 20,041,257</u>	<u>\$ 452,118</u>	<u>\$ 763,254</u>	<u>\$ 1,215,372</u>	<u>\$ 21,256,629</u>

The accompanying notes to financial statements are an integral part of this statement.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (5,166,115)	\$ 15,798,199
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,111,836	1,114,254
Loss (gain) on disposal of equipment	3,361	-
Realized (gain)/loss on sale of investments	(292,851)	(164,790)
Unrealized (gain)/loss on sale of investments	78,373	(1,277,019)
Change in value of split-interest agreements	132,405	268,184
Change in pension funded status	1,039,035	147,880
Change in assets and liabilities:		
Pledges receivable	(3,568,451)	(5,514,722)
Prepaid expenses and other current assets	(207,554)	60,517
Accounts payable and other accrued expenses	148,616	(74,971)
Accrued vacation and benefits	78,958	(69,922)
Deferred revenue	108,543	788,066
Net cash provided by (used in) operating activities	(6,533,844)	11,075,676
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(6,923)
Proceeds from sale of investments	3,815,512	1,590,747
Purchase of investments	(3,119,200)	(3,903,363)
Net cash provided by (used in) investing activities	696,312	(2,319,539)
<b>Cash flows from financing activities</b>		
Proceeds from borrowing	4,200,000	-
Contributions (payments) on obligations under split-interest agreements	(116,404)	(53,631)
Repayment of long term debt	(3,023,872)	(839,000)
Net cash provided by (used in) financing activities	1,059,724	(892,631)
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,777,808)	7,863,506
<b>Cash and cash equivalents, beginning of year</b>	27,785,602	19,922,096
<b>Cash and cash equivalents, end of year</b>	\$ 23,007,794	\$ 27,785,602
<b>Presented on the Statement of Financial Position as:</b>		
Cash and cash equivalents	\$ 22,681,426	\$ 26,333,842
Cash restricted for long-term purposes	326,368	1,451,760
<b>Total cash and cash equivalents</b>	\$ 23,007,794	\$ 27,785,602
<b>Supplemental disclosure of cash flow information</b>		
Cash payments for interest	\$ 883,949	\$ 892,126

The accompanying notes to financial statements  
are an integral part of these statements.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

(1) **Summary of Significant Accounting Policies:**

(a) **Organization**—The NC State Student Aid Association, Inc. (the “Association”), located in Raleigh, North Carolina, was organized to support the athletic program at North Carolina State University (“NCSU” or “University”).

(b) **Basis of accounting**—The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification.

(c) **Net assets**—The Association's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the Statements of Activities.

(d) **Accounting estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) **Cash and cash equivalents**—For the purpose of the Statements of Cash Flows, the Association considers all demand, money market, and time deposits with original maturities of three months or less to be cash and cash equivalents.

(f) **Investments**—Investments are measured at fair value on the Statements of Financial Position. Fair value is based on quoted market prices when available. Gains and losses are determined using the specific identification method.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Contributions**—The Association recognizes as revenues, contributions received including unconditional, legally enforceable promises to give, in the period in which the Association is notified that a donor has made a promise to give. Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

(h) **TowneBank Center revenue**—The Association recognizes revenue of suite and club seat rentals in TowneBank Center at Carter-Finley Stadium at the time the service, suite and club seats are provided to members.

(i) **Pledges receivable**—Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in campaign pledge revenue.

(j) **Property and equipment**—Property and equipment are recorded at original cost, or denoted value, to the Association. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. A capitalization threshold of \$5,000 is utilized.

(k) **Deferred revenue**—Income from advance collections on suite and club rentals in TowneBank Center for events with dates after fiscal year end is deferred and recognized after the event has taken place. Advertising revenue received in advance of providing the related service is deferred and recognized over the period to which the fees relate.

(l) **In-kind donations**—The Association received donated services, benefits and items of \$431,732 and \$392,267 for the years ended June 30, 2023 and 2022, respectively. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as donated services, property, and equipment and supporting services on the accompanying statements of activities and statements of functional expenses.

(m) **Tax-exempt status**—The Association is exempt from federal and state income taxes under Section 501 (a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association had no unrelated business income for the years ended June 30, 2023 and 2022. The Association has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi). In addition, the Association, at June 30, 2023 and 2022, had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Functional allocation of expenses**—The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following program and supporting services are included in the accompanying financial statements:

University Support—The Association helps support the athletic program at NCSU by funding scholarships for student athletes and other Athletic Department expenses, including improvements, renovations, and additions to athletic facilities of the University.

Management and General—Management and general expenses include the general, administrative, and operating costs of the Association.

Fundraising—Member Services—These expenses include direct and indirect activities undertaken to solicit contributions from donors.

(o) **New accounting pronouncements**—The Financial Accounting Standards Board (FASB) issued new or modifications to, or interpretations of, existing accounting guidance during the year ended June 30, 2023 and earlier years. The Association has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Association's reported financial position or operations in the near term.

In February 2016, the FASB issued Accounting Standards Update 2016-02: *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard (as amended) is effective for the year end June 30, 2023 for the Association, and may be adopted early. The Association evaluated this standard for the year ended June 30, 2023 and determined there was no material impact to the financial statements.

In June 2016, the FASB issued ASU 2016-13: *Financial Instruments – Credit Losses* (Topic 326), which amends the accounting guidance on the impairment of financial instruments. The ASU adds an impairment model to U.S. GAAP known as current expected credit loss (CECL), which is based upon expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The standard is effective for annual periods beginning after December 15, 2022 with early adoption permissible. The Association is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(p) **Subsequent events**—The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 25, 2023, the date the financial statements were available to be issued. No subsequent events have been identified or disclosed.

(q) **Reclassifications**—Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications had no effect on the 2022 change in net assets in aggregate.

**NC STATE STUDENT AID ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

(2) **Availability and Liquidity:**

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use within one year of the Statement of Financial Position date, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Total assets at year end	\$114,223,350	\$117,853,351
Less amounts not available to be used within one year due to liquidity:		
Prepaid assets	(21,675)	(26,242)
Life insurance, cash surrender value	(134,885)	(134,885)
Pension funded status	(-)	(906,815)
Property and equipment, net	(22,591,074)	(23,698,218)
Land held for investment	<u>(225,500)</u>	<u>(490,750)</u>
	91,250,216	92,596,441
Less amounts not available to be used within one year due to:		
Contractual or donor imposed restrictions:		
Net assets with donor restrictions	(68,600,323)	(70,513,238)
Cash restricted for long-term purposes	(326,368)	(1,451,760)
Investments held under gift annuities and charitable remainder trusts	(821,205)	(953,610)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,502,320</u>	<u>\$ 19,677,833</u>

As part of its liquidity plan, the Association has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Association invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

(3) **Concentrations of Credit Risk:**

The Association maintains cash balances at several financial institutions located in Raleigh, North Carolina, and in several brokerage accounts located in North Carolina. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2023 and 2022. From time to time, the Association's cash balances may exceed the FDIC limits.

(4) **Cash Surrender Value of Life Insurance Policies:**

The Association was the owner and beneficiary on whole life insurance policies covering twelve individuals having a total cash surrender value of \$134,885 at June 30, 2023 and 2022, respectively.

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(5) **Pledges Receivable:**

Pledges receivable are as follows at June 30:

	<b>2023</b>	<b>2022</b>
Receivable in less than one year	\$ 16,562,154	\$ 13,720,220
Receivable in one to five years	12,607,258	11,819,481
Receivable in more than five years	729,341	940,087
	29,898,753	26,479,788
Less allowance for uncollectible pledges	1,494,938	1,323,989
Less discount on pledges	2,100,273	2,420,708
	26,303,542	22,735,091
Less current portion	16,562,154	13,720,220
Pledges due after one year	\$ 9,741,388	\$ 9,014,871

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4.15% and 3.92% for the years ended June 30, 2023 and 2022, respectively.

A portion of the pledges receivables, and future pledges, are secured against current and future debt drawdowns. For the year ended 2023, a total of \$11,629,456 of the pledges receivables, gross amount recorded, is secured for debt.

(6) **Investments Held Under Net Income Split-Interest Agreements:**

The Association has been named as a beneficiary in gift annuities and charitable remainder trusts in which the Association is the trustee. When the Association receives assets in connection with an annuity or charitable remainder trust, the assets are recorded at fair value, generally invested in stocks and fixed income securities, while a liability is recorded at the present value of the expected future payments to be made to the beneficiary. The discount rate and actuarial assumptions used in determining the present value of the expected future payments are based on applicable Internal Revenue Service discount rates and life expectancy assumptions.

The change in value of split-interest agreements on the Statements of Activities includes the change in market value of the investments, the change in present value of future payments to donors, actual payments made to donors, and contributions of split-interest agreements received.

Investments held under split-interest agreements consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Cash equivalents	\$ 15,921	\$ 91,604
Fixed income securities	281,739	310,948
Equities	403,774	417,502
Real estate	119,771	133,556
	\$ 821,205	\$ 953,610

All investments held under gift annuities and charitable remainder trusts are measured as Level 1 in the fair value hierarchy with the exception of real estate that is measured at Level 2. Note (9) of the financial statement note disclosures provides further information over the fair value measurements and hierarchy.

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(7) **Fixed Assets:**

Fixed asset activity at year end June 30, 2023 and 2022 is summarized as follows:

<b>Depreciable:</b>	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
TowneBank Center	\$ 41,184,845	\$ 41,184,845
Furniture, fixtures, and office equipment	235,807	310,955
Total property and equipment	41,420,652	41,495,800
Less: Accumulated depreciation	(18,829,578)	(17,797,582)
Total property and equipment, net	\$ 22,591,074	\$ 23,698,218

Depreciation expense for the years ended June 30, 2023 and 2022, was \$1,103,783 and \$1,106,201, respectively.

(8) **Long-Term Debt:**

The Association's obligation under long-term debt consisted of the following at June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Bond payable, due in annual installments thru fiscal year 2033, interest effective for 2023 was 3.34%. Interest payable monthly at greater of prime rate plus 2% or 6%.	\$ 8,390,000	\$ 9,229,000
Note payable, secured against future pledges, due in annual installments thru fiscal year 2033. Interest payable quarterly at 2.38%.	16,598,127	18,402,999
Variable note payable, secured against future pledges, due in quarterly installments thru fiscal year 2039. Interest payable quarterly at 3.92%. See further information regarding debt drawdowns below.	400,000	-
Note payable, secured against future pledges, due in annual installments thru fiscal year 2032. Interest payable quarterly at 4.15%.	3,420,000	-
Total long-term debt	\$ 28,808,127	\$ 27,631,999

The Association has a delay-draw variable term loan in the principal amount of up to \$11,700,000 that matures August 2028. The loan is secured against future pledges and interest is payable at a rate of 3.92%. As of June 30, 2023, the Association has drawn down \$400,000 related to the delay-draw variable loan.



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(8) **Long-Term Debt:** (Continued)

Maturities of long-term debt are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 3,083,872	\$ 753,348	\$ 3,837,220
2025	3,103,872	665,394	3,769,266
2026	3,103,872	579,280	3,683,152
2027	3,103,872	493,165	3,597,037
2028	3,103,872	408,081	3,511,953
2029-2033	13,308,767	798,413	14,107,180
Total	<u>\$ 28,808,127</u>	<u>\$ 3,697,681</u>	<u>\$ 32,505,808</u>

The Association recorded gross bond issuance costs of \$120,796 as of June 30, 2023 and 2022. Amortization is calculated on a straight line method over 15 years at an annual expense of \$8,053. Accumulated amortization as of June 30, 2023 and 2022, totalled \$46,305 and \$38,252, respectively.

Interest expense totaled \$871,315 and \$821,467 for the years ended June 30, 2023 and 2022, respectively.

The Association is subject to a financial covenant related to the note payable that requires the Association to maintain a minimum debt service coverage ratio of 1.00. The Association was in compliance with the financial covenant for the year ended June 30, 2023.

(9) **Investments and Fair Value Measurements:**

Investment income (loss), net of fees, consists of the following for the years ended June 30:

	<b><u>2023</u></b>	<b><u>2022</u></b>
Interest	\$ 89,979	\$ 27,815
Dividends	91,840	34,009
Realized gain/(loss) on sale of investments	539,237	164,790
Unrealized gain/(loss) on investments	(78,373)	1,277,019
Investment expenses	<u>(339,708)</u>	<u>(346,146)</u>
Investment income (loss), net of fees	<u>\$ 280,445</u>	<u>\$ 1,157,487</u>

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**(9) Investments and Fair Value Measurements:** (Continued)

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access as of the measurement date.

Level 2 – Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those that reflect the Association’s own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes to the methodology used at June 30, 2023 and 2022.

*Common and preferred stocks* – Valued at quoted market prices.

*Government and corporate bonds, mutual funds* – Valued at quoted market prices for similar assets or liabilities in active markets.

The fair value of the Association’s investment held by the North Carolina State Investment Fund (NCSIF) is measured using the net asset value as a practical expedient for fair value.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2023</b>				
Marketable equity securities	\$ 223,051	\$ -	\$ -	\$ 223,051
Other marketable debt securities	114,148	-	-	114,148
Mutual funds	-	3,507,863	-	3,507,863
Total assets by fair value level	<u>\$ 337,199</u>	<u>\$ 3,507,863</u>	<u>\$ -</u>	<u>\$ 3,845,062</u>
Investments measured at NAV				37,028,789
Total assets at fair value				<u>\$ 40,873,851</u>

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(9) **Investments and Fair Value Measurements:** (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>June 30, 2022</b>				
Marketable equity securities	\$ 197,427	\$ -	\$ -	\$ 197,427
Other marketable debt securities	122,420	-	-	122,420
Mutual funds	-	2,127,493	-	2,127,493
Total assets by fair value level	<u>\$ 319,847</u>	<u>\$ 2,127,493</u>	<u>\$ -</u>	<u>\$ 2,447,340</u>
Investments measured at NAV				38,643,095
Total assets at fair value				<u>\$ 41,090,435</u>

In accordance with FASB ASU 2015-07, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Financial Position.

The following tables set forth a summary of the Association's alternative investments reported at NAV as a practical expedient to estimate fair value at June 30:

<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds	\$ 1,030,865	\$ -	Quarterly	None
Private equity	2,761,101	1,139,162	Quarterly	None
Real estate	162,692	175,887	Quarterly	10 days
NCSIF	33,074,131	-	Monthly	30 days
Total alternative investments	<u>\$ 37,028,789</u>	<u>\$ 1,315,049</u>		

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds	\$ 1,310,097	\$ -	Quarterly	None
Private equity	3,153,321	1,391,087	Quarterly	None
Real estate	208,913	175,887	Quarterly	10 days
NCSIF	33,970,764	-	Monthly	30 days
Total alternative investments	<u>\$ 38,643,095</u>	<u>\$ 1,566,974</u>		

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(10) **Scholarship Expenses:**

Direct payments for scholarship expenses for the years ended June 30, 2023 and 2022, were made to the University scholarship fund. Indirect payments for funds held at the University are applied as a reduction against the Association's scholarship liability and amounted to \$337,930 and \$634,220 for the years June 30, 2023 and 2022, respectively.

(11) **Retirement Plans:**

The Association has a non-contributory defined benefit pension plan covering full-time employees after 12 months of service with 1,000 or more hours of service. The expense of the plan for the years ended June 30, 2023 and 2022 amounted to \$1,479,896 and \$169,796, respectively. The plan was fully funded at June 30, 2022, and had an unfunded status at June 30, 2023 of \$132,220.

A comparison of accumulated plan benefits and plan net assets for the defined benefit plan is presented below.

	<b>January 1, 2023</b>	<b>January 1, 2022</b>
Actuarial present value of accumulated plan benefits	\$ 5,548,717	\$ 5,359,658
Net assets available for plan benefits - insured	5,416,497	6,266,473
Actuarial Present Value of Accumulated Plan Benefits, January 1, 2022 and 2021, respectively	\$ 5,359,658	\$ 4,976,198
Change due to:		
Interest accumulation	364,152	338,272
Benefits paid	(320,406)	(292,429)
Assumption changes	(11,077)	8,954
Other changes	156,390	328,663
Net change	189,059	383,460
Actuarial Present Value of Accumulated Plan Benefits, January 1, 2023 and 2022, respectively	\$ 5,548,717	\$ 5,359,658

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%. Rate of compensation increase was assumed to be 4%. Normal retirement age is 65.

The Association also has a tax deferred 403(b) plan to benefit all employees. Under the terms of the plan, the Association matches 100% of the first five percent of employee contributions. Expenses related to this plan totaled \$107,180 and \$91,427 for employer contributions made for the years ended 2023 and 2022, respectively. The Association incurs minimal administrative expenses for all retirement plans.

The Association has established a supplemental retirement plan for the former executive director. The plan became fully vested on January 1, 2013 due to certain employment conditions being met at that date. The liability for this plan is included in accrued vacation and benefits on the Statements of Financial Position and totaled \$349,030 and \$326,832 for the years ended 2023 and 2022, respectively.

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(12) **Related Party Transactions:**

In the course of providing support to the athletic program at NCSU, the Athletic Department of the University becomes a related party. The Association provided the following forms of support to the Athletic Department during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Funding of scholarships for student athletes	\$ 14,279,884	\$ 12,363,246
Salaries, benefits, and administrative overhead	4,581,542	2,425,519
Non-scholarship contributions	253,000	259,365
Subtotal	<u>19,114,426</u>	<u>15,048,130</u>
Facility Improvements:		
Facility debt obligations	-	501,556
Courtside club expenses	285,605	170,807
TowneBank Center expenses	2,732,769	1,194,663
North End Zone	-	67,512
Sports medicine	200,000	189,500
Sport specific	761,556	389,990
Baseball stadium enhancement	8,405,133	247,500
Football weight room	949,750	-
Athletic Support	1,742,823	-
ImPack	1,976,591	191,055
Other fundraising initiatives	878,083	108,909
Total facility improvements	<u>17,932,310</u>	<u>3,061,492</u>
Total	<u>\$ 37,046,736</u>	<u>\$ 18,109,622</u>

**NC STATE STUDENT AID ASSOCIATION, INC.**  
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(13) **Net Assets:**

Net assets with donor restrictions are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Facility Improvements:		
TowneBank Center	\$ 7,251,429	\$ 6,602,505
Sport Specific	8,358,912	10,451,106
Sports Medicine	691,007	805,136
AD Enhancement and Guardian Wolves	1,077,627	1,226,548
Property Improvements and Enhancements	1,395,000	-
Time restricted	9,949,213	10,550,087
Endowment Fund - Scholarships	39,877,135	40,877,856
	<u>\$ 68,600,323</u>	<u>\$ 70,513,238</u>

Net assets released from net assets with donor restrictions are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Facilities	\$ 13,966,942	\$ 1,053,391
Depreciation	1,058,992	1,058,992
Amortization	8,053	8,053
Miscellaneous charges	200,000	189,500
Underwater Endowments	1,400,668	-
Total	<u>\$ 16,634,655</u>	<u>\$ 2,309,936</u>

(14) **Endowment Fund:**

The Association's endowment fund provides long-term scholarship support through annual earnings. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of North Carolina enacted the North Carolina ("NC") Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

For the years ended June 30, 2023 and 2022, the Association has classified as net assets with donor restrictions the original value of gifts donated to the permanent endowment.

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(14) **Endowment Fund:** (Continued)

Changes in endowment assets with donor restrictions for the year ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 40,974,004	\$ 37,567,450
Investment return:		
Investment income, net	75,782	30,790
Realized gain on sale of investments	497,595	120,633
Net appreciation (depreciation) on investments	<u>(63,795)</u>	<u>668,280</u>
Total investment return, net	509,582	819,703
Contributions	415,947	3,142,443
Change in value of split-interest agreements	(16,000)	(214,553)
Appropriation of endowment assets for expenditures - Spending	(1,666,173)	-
Appropriation of endowment assets for expenditures - Fees	<u>(340,225)</u>	<u>(341,039)</u>
Endowment net assets, end of year	<u>\$ 39,877,135</u>	<u>\$ 40,974,004</u>

Underwater Endowments:

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There was a deficiency of \$1,400,668 as of June 30, 2023, and no deficiency as of June 30, 2022. The deficiency resulted from unfavorable market fluctuations.

Investment return objectives and strategies:

The Association's investment policies include several investment objectives relative to its long-term investments, including permanent endowment funds. These objectives include (1) preservation of capital, (2) prudent investment of capital, (3) production of reasonable earnings, and (4) low-risk growth in principal of invested capital. To achieve these objectives, the Association has employed the investment strategy of diversifying amongst various fund managers. The investment composition at any given time is dependent upon a number of factors, including the amount available for investment and current market conditions. Expected average rate of return is 5%.

Spending policy and how the investment objectives relate to spending policy:

The Association's policy allows for distribution of funds not to exceed 4.75% of the three year rolling average for the fund's assets as of December 30th for each year. A 3% floor can be implemented in the event that the market drops by more than 40% in a 12-month period.