

**NC STATE ENGINEERING  
FOUNDATION, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2024 and 2023**

**NC State Engineering Foundation, Inc.**

**Financial Report  
For the Years Ended June 30, 2024 and 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
NC State Engineering Foundation, Inc.

### ***Opinion***

We have audited the accompanying financial statements of NC State Engineering Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NC State Engineering Foundation, Inc. as of June 30, 2024 and 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NC State Engineering Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 NC State Engineering Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### ***Auditor's 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 auditor's 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 an audit in accordance with generally accepted auditing standards, 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 NC State Engineering Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NC State Engineering Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



***Disclaimer of Opinion on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 22 through 24, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Williams Dyerman Pierce, LLP*

Greensboro, North Carolina  
October 4, 2024

**NC State Engineering Foundation, Inc.**

**Statements of Financial Position  
June 30, 2024 and 2023**

	2024	2023
<b>Assets</b>		
Cash and cash equivalents (Note 1)	\$ 6,892,039	\$ 15,788,495
Intermediate investments (Note 1)	16,673,662	12,947,114
Long-term investments (Notes 1 and 3)	155,203,462	138,991,820
Accounts receivable (Note 1)	128,319	11,263
Pledges receivable, net (Notes 1 and 7)	4,776,094	6,002,079
Other assets (Note 1)	44,011	44,679
<b>Total Assets</b>	<b>\$183,717,587</b>	<b>\$173,785,450</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable (Note 1)	\$ 112,174	\$ 169,489
Life income funds payable (Note 6)	896,394	919,176
<b>Total Liabilities</b>	<b>1,008,568</b>	<b>1,088,665</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	3,309,324	2,340,922
Board-designated endowments (Note 2)	4,565,215	3,974,160
With donor restrictions:		
Perpetual in nature (Note 9)	84,893,477	78,633,043
Purpose restricted (Note 9)	89,941,003	87,748,660
<b>Total Net Assets</b>	<b>182,709,019</b>	<b>172,696,785</b>
<b>Total Liabilities and Net Assets</b>	<b>\$183,717,587</b>	<b>\$173,785,450</b>

See notes to financial statements.

**NC State Engineering Foundation, Inc.**

**Statement of Activities  
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Income</b>			
Contributions (Note 1)	\$ 648,996	\$ 10,091,411	\$ 10,740,407
Change in pledges receivable, net (Note 7)	-	(1,225,985)	(1,225,985)
Donated salaries, services and facilities (Note 8)	1,174,000	-	1,174,000
Net investment income	1,940,235	15,798,735	17,738,970
Change in value of split interest agreements	-	(61,775)	(61,775)
Other income	5,215	143,041	148,256
Net assets released from restrictions (Note 10)	16,374,769	(16,374,769)	-
<b>Total Revenues, Gains, and Other Income</b>	<b>20,143,215</b>	<b>8,370,658</b>	<b>28,513,873</b>
<b>Grants to Support the University Program:</b>			
Scholarships and fellowships	4,389,677	-	4,389,677
Faculty support and professorships	1,720,765	-	1,720,765
Departmental support	4,610,400	-	4,610,400
Capital support	5,380,682	-	5,380,682
<b>Total Program Support</b>	<b>16,101,524</b>	<b>-</b>	<b>16,101,524</b>
Administrative	152,500	-	152,500
Fundraising	2,230,389	-	2,230,389
<b>Total Other Support</b>	<b>2,382,889</b>	<b>-</b>	<b>2,382,889</b>
<b>Total Support (Note 11)</b>	<b>18,484,413</b>	<b>-</b>	<b>18,484,413</b>
<b>Excess of Revenues, Gains, and Other Income Over Total Support</b>	<b>1,658,802</b>	<b>8,370,658</b>	<b>10,029,460</b>
<b>Net Transfers</b>			
To other University-associated entities	-	(17,226)	(17,226)
Among funds	(99,345)	99,345	-
<b>Total Net Transfers</b>	<b>(99,345)</b>	<b>82,119</b>	<b>(17,226)</b>
<b>Change in Net Assets</b>	<b>1,559,457</b>	<b>8,452,777</b>	<b>10,012,234</b>
<b>Net Assets</b>			
Beginning of year	6,315,082	166,381,703	172,696,785
End of year	<u>\$ 7,874,539</u>	<u>\$ 174,834,480</u>	<u>\$ 182,709,019</u>

See notes to financial statements.

**NC State Engineering Foundation, Inc.**

**Statement of Activities  
Year Ended June 30, 2023**

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

See notes to financial statements.



**NC State Engineering Foundation, Inc.**

**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 10,012,234	\$ 1,168,011
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for permanent endowment	(4,914,936)	(2,847,148)
Net investment income	(17,053,443)	(1,704,019)
Net investment income restricted for split interest agreements	(28,819)	(30,319)
Change in value of split interest agreements	61,775	(205,958)
(Increase) decrease in:		
Accounts receivable	(117,056)	(1,204)
Pledges receivable, net	1,225,985	171,985
Other assets	668	-
Increase (decrease) in:		
Accounts payable	(57,315)	(57,874)
<b>Net Cash Used in Operating Activities</b>	<b>(10,870,907)</b>	<b>(3,506,526)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	9,097,586	7,572,217
Purchases of investments	(11,982,333)	(6,760,446)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(2,884,747)</b>	<b>811,771</b>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent endowment	4,914,936	2,847,148
Net investment income restricted for split interest agreements	28,819	30,319
Payments on split interest agreements	(84,557)	(107,112)
<b>Net Cash Provided by Financing Activities</b>	<b>4,859,198</b>	<b>2,770,355</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(8,896,456)</b>	<b>75,600</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	15,788,495	15,712,895
End of year	<b>\$ 6,892,039</b>	<b>\$ 15,788,495</b>
<b>Supplemental Disclosures of Noncash Activities</b>		
Donated salaries, services and facilities	<b>\$ 1,174,000</b>	<b>\$ 1,123,000</b>

See notes to financial statements.

## NC State Engineering Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2024 and 2023

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

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

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

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

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

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

Leases: The Foundation accounts for its leasing arrangements under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*. 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.

**NC State Engineering Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2024 and 2023**

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

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

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

Intermediate investments: Intermediate investments consist of taxable municipal bonds, U.S. Treasuries, certificates of deposit 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 \$16,673,662 and \$12,947,114 at June 30, 2024 and 2023, respectively. The cost of these investments were \$16,575,983 and \$13,363,756 as of June 30, 2024 and 2023, respectively.

Long-term investments: Long-term investments are stated at fair value based on readily determinable fair values, when available. Investments for which readily determinable fair values are not available are carried at estimated fair values as provided by the respective fund managers of the investments. The Foundation, in accordance with investment policies promulgated by its Board of Directors (the "Board"), invests with the NC State Investment Fund, Inc. Long-Term Investment Pool (the "LTIP"). In addition, the Foundation has planned giving instruments invested with TIAA Kaspick.

Accounts receivable: Accounts receivable consists of sales tax receivable and accrued interest on municipal bonds, U.S. Treasuries and certificates of deposit.

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

Other assets: Other assets include a beneficial interest in life insurance policies contributed to the Foundation and the Foundation is the owner of these policies. These gifts are recorded at current cash surrender values. The cash surrender value of these policies was \$44,011 and \$44,679 as of June 30, 2024 and 2023, respectively.

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

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

The University has a gift assessment program that supports Central Development and college-level fundraising efforts. For the years ended June 30, 2024 and 2023, a one-time fee of 7% was assessed on gifts that support current operations and facilities, with 4% designated for Central Development and 3% designated to the fundraising entity receiving the gift.

**Notes to Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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

Investment income: Investment income is allocated on the basis of average fund balances for net assets with and without donor restrictions. For endowments, investment income is allocated on the “unit value” method of valuing interest in an investment portfolio and the investment earnings are recorded as with or without donor restrictions, as appropriate. Earnings from investments are net of investment fees. Gains and losses on sales of investments are allocated on the unit value method. Investment income on investments owned individually by one fund is directly allocated to the owning fund.

As part of the University’s gift assessment program, an annual fee is assessed on the average twenty-quarter market value of assets held in the endowment investment portfolio. For the years ending June 30, 2024 and 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.

Allowance for credit losses: FASB ASC 326, *Measurement of Credit Losses on Financial Instruments*, provides a framework for measuring expected credit losses for various financial assets, including annuity contracts and beneficial interests in life insurance policies. Management estimates the allowance based on historical losses experienced, current conditions, and reasonable and supportable forecasts regarding collectability. Changes in the allowance are charged to the period in which management determines the change to be necessary. The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. An allowance for credit losses related to such financial assets has not been recorded because it was not considered material as of June 30, 2024 and 2023.

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 2024 and 2023. 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, 2024, 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 2020.

Changes in accounting principles: Effective July 1, 2023, the Foundation adopted FASB ASC 326, *Measurement of Credit Losses on Financial Instruments*, which requires the Foundation to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected.

## NC State Engineering Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2024 and 2023

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#### Note 2. Endowment

The Foundation's endowment consists of approximately 550 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

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

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value (underwater endowments). These deficiencies generally result from either spending of corpus in accordance with the gift agreement or unfavorable market fluctuations which produce unrealized losses to the fund. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions and were \$(6) and \$(224,202) as of June 30, 2024 and 2023, respectively.

Investment return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the LTIP in a manner that is intended to produce results that exceed a 70% MSCI/ACWI Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

Spending policy: The Foundation has a policy of appropriating for programmatic spending each year 4% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions endowments may not be able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, it is the Foundation's policy to allow up to 15% of the corpus of an endowment to be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowments. Spending budgets were calculated at \$4,453,100 and \$4,812,690 for fiscal years 2024 and 2025, respectively.

# NC State Engineering Foundation, Inc.

## Notes to Financial Statements For the Years Ended June 30, 2024 and 2023

### Note 2. Endowment (continued)

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

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

The following represents changes in endowment net assets for the fiscal year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,974,160	\$ 135,421,206	\$ 139,395,366
Total investment return	872,655	15,591,276	16,463,931
Contributions, including change in accrued pledges and other income	-	5,392,068	5,392,068
Appropriations of endowment assets for expenditure	(281,600)	(5,585,045)	(5,866,645)
Change in value of split interest agreements	-	(61,775)	(61,775)
Other changes:			
Transfers	-	512,877	512,877
Endowment net assets, end of year	\$ 4,565,215	\$ 151,270,607	\$ 155,835,822

The following represents endowment net asset composition by type of fund, as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,565,215	\$ -	\$ 4,565,215
Donor-designated endowment funds			
Corpus	-	84,893,477	84,893,477
Appreciation	-	66,377,136	66,377,136
Underwater endowments	-	(6)	(6)
Total funds	\$ 4,565,215	\$ 151,270,607	\$ 155,835,822

# NC State Engineering Foundation, Inc.

## Notes to Financial Statements For the Years Ended June 30, 2024 and 2023

### 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	\$ 5,387,688	\$ 135,620,225	\$ 141,007,913
Total investment return	89,112	1,475,692	1,564,804
Contributions, including change in accrued pledges and other income	-	3,436,140	3,436,140
Appropriations of endowment assets for expenditure	(1,502,640)	(5,277,140)	(6,779,780)
Change in value of split interest agreements	-	205,958	205,958
Other changes:			
Transfers	-	(39,669)	(39,669)
Endowment net assets, end of year	\$ 3,974,160	\$ 135,421,206	\$ 139,395,366

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,974,160	\$ -	\$ 3,974,160
Donor-designated endowment funds			
Corpus	-	78,633,043	78,633,043
Appreciation	-	57,012,365	57,012,365
Underwater endowments	-	(224,202)	(224,202)
Total funds	\$ 3,974,160	\$ 135,421,206	\$ 139,395,366

### 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:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
STIF	\$ 12,598	\$ 12,598	\$ 7,736	\$ 7,736
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	67,444,797	153,955,778	64,315,588	137,768,986
Life Income Funds	1,187,492	1,235,086	1,215,347	1,215,098
	<u>\$ 68,644,887</u>	<u>\$ 155,203,462</u>	<u>\$ 65,538,671</u>	<u>\$ 138,991,820</u>

# NC State Engineering Foundation, Inc.

## Notes to Financial Statements For the Years Ended June 30, 2024 and 2023

### Note 4. Fair Value Measurement

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

The fair value hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical investments

Level 2 – Valuations based on quoted prices in inactive markets or for which all significant inputs are observable (including quoted prices for similar investments, interest rates, credit risks, etc.)

Level 3 – Valuations based on significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments)

The Foundation's assets itemized below are measured at fair value on a recurring basis as of June 30:

2024				
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 12,598	\$ -	\$ -	\$ 12,598
Municipal Bonds and U.S. Treasuries	-	4,332,933	-	4,332,933
Certificates of Deposit	-	3,250,000	-	3,250,000
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	9,090,729	-	9,090,729
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	153,955,778	153,955,778
Life Income Funds	-	1,235,086	-	1,235,086
Beneficial Interest in Life Insurance Policies	-	-	44,011	44,011
	<u>\$ 12,598</u>	<u>\$ 17,908,748</u>	<u>\$ 153,999,789</u>	<u>\$ 171,921,135</u>
2023				
	Level 1	Level 2	Level 3	Total Fair Value
STIF	\$ 7,736	\$ -	\$ -	\$ 7,736
Municipal Bonds and U.S. Treasuries	-	4,380,290	-	4,380,290
NC State Investment Fund, Inc. Intermediate Term Fund (ITF)	-	8,566,824	-	8,566,824
NC State Investment Fund, Inc. Long-Term Investment Pool (LTIP)	-	-	137,768,986	137,768,986
Life Income Funds	-	1,215,098	-	1,215,098
Beneficial Interest in Life Insurance Policies	-	-	44,679	44,679
	<u>\$ 7,736</u>	<u>\$ 14,162,212</u>	<u>\$ 137,813,665</u>	<u>\$ 151,983,613</u>



**NC State Engineering Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2024 and 2023**

**Note 4. Fair Value Measurement (continued)**

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

	2024	
	NC State Investment Fund, Inc. LTIP	Beneficial Interest in Life Insurance Policies
Beginning balance	\$ 137,768,986	\$ 44,679
Participant additions	5,699,522	-
Realized gains	3,301,557	-
Unrealized appreciation (depreciation)	13,057,584	(668)
Participant withdrawals	(5,871,871)	-
Ending balance	<u>\$ 153,955,778</u>	<u>\$ 44,011</u>

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

**NC State Engineering Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2024 and 2023**

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**Note 4. Fair Value Measurement (continued)**

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

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

Municipal Bonds and U.S. Treasuries – Valued by the custodian using a computerized pricing service or, for less actively traded issues, using a yield-based matrix system.

Certificates of Deposit – Valued at face value, which approximates fair value.

NC State Investment Fund, Inc. Intermediate Term Fund (“ITF”) – The ITF is invested in publicly traded mutual funds, separately managed accounts 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 separately managed accounts and investments in U.S. Treasuries are valued at quoted market prices. The LTIP also has an investment in the STIF, valued as described above.

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

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

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

# NC State Engineering Foundation, Inc.

## Notes to Financial Statements For the Years Ended June 30, 2024 and 2023

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### Note 5. Financial Assets and Liquidity Resources

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

The spendable portion of the Foundation's board-designated endowments is approximately \$4.57 million. Although the Foundation does not intend to spend from these board-designated endowments, other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, amounts could be made available if necessary. As described in Note 1, 0.60% of the annual endowment assessment fee is designated to college-level fundraising efforts. Approximately \$644,000 of endowment assessments will be available within the next 12 months. As described in Note 2, endowments have a spending rate of 4%. Approximately \$263,000 of appropriations from the board-designated endowments will be available within the next 12 months.

As of June 30, 2024, financial assets available within one year for general expenditure, such as administrative and fundraising expenses, were as follows:

Total financial assets	\$ 183,717,587
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donor in perpetuity	(84,893,477)
Subject to appropriation and satisfaction of donor restrictions	(89,296,714)
Board-designated endowments	(4,302,615)
Total liabilities	<u>(1,008,568)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,216,213</u>

## NC State Engineering Foundation, Inc.

### Notes to Financial Statements For the Years Ended June 30, 2024 and 2023

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#### Note 6. Life Income Funds

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is the trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2024 and 2023 have asset balances of \$1,235,086 and \$1,215,098, respectively.

The liabilities for distributions to the grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreement, and the life expectancy of the beneficiaries, and totaled \$896,394 and \$919,176 at June 30, 2024 and 2023, respectively. Payments from these funds were \$84,557 and \$107,112 during the years ended June 30, 2024 and 2023, respectively. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity ("CGA") pool to receive 10% from all new CGAs established in order to offset the liabilities for any annuities that reach exhaustion. The goal is to build the unrestricted reserve fund to equal 10% of the total value of the Foundation's CGA pool. As of June 30, 2024 and 2023, the CGA reserve balance was \$52,980 and \$50,371, respectively.

#### Note 7. Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2024	2023
Receivable in less than one year	\$ 2,596,600	\$ 2,948,164
Receivable in one to five years	2,920,798	3,990,385
Total pledges receivable, gross	5,517,398	6,938,549
Less allowance for uncollectible pledges	(276,000)	(347,000)
Less unamortized discount (discount rates of 3.95% to 5.24%)	(465,304)	(589,470)
Pledges receivable, net	\$ 4,776,094	\$ 6,002,079

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance. Active past due and long-term pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to allow for or write off such pledges.

One donor represented approximately \$1.1 million of total undiscounted pledges receivable as of June 30, 2024. Two donors represented approximately \$2.2 million of total undiscounted pledges receivable as of June 30, 2023.

#### Note 8. Donated Salaries, Services and Facilities

For the years ended June 30, 2024 and 2023, salaries and benefits paid by the University for college development personnel in the amount of \$1,109,000 and \$1,046,000, respectively, have been recorded as donated salaries. The University Finance Division provides services to support the Foundation; the difference between the fair market value of services rendered and fees paid has been recorded as donated services. The University allows the Foundation to utilize space on campus at no charge; the fair market value of such space has been recorded as donated facilities. For the years ended June 30, 2024 and 2023, donated services and facilities amounted to approximately \$65,000 and \$77,000, respectively.

**NC State Engineering Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2024 and 2023**

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

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

	<b>2024</b>	<b>2023</b>
Subject to expenditure for specified purpose:		
Scholarships and fellowships	<b>\$ 5,539,094</b>	<b>\$ 5,090,585</b>
Faculty support and professorships	<b>1,005,779</b>	<b>1,148,926</b>
Research support	<b>4,605,485</b>	<b>5,466,518</b>
Fitts-Woolard Hall Project Fund	<b>190,536</b>	<b>4,668,177</b>
Pledges receivable, net	<b>3,247,340</b>	<b>4,679,357</b>
Other	<b>8,931,628</b>	<b>9,862,255</b>
	<b>23,519,862</b>	<b>30,915,818</b>
Subject to passage of time:		
Beneficial interest in life insurance policies	<b>44,011</b>	<b>44,679</b>
Assets held under split-interest agreements, net	<b>338,692</b>	<b>295,922</b>
	<b>382,703</b>	<b>340,601</b>
Endowments:		
Subject to Foundation endowment spending policy and appropriation:		
Scholarships and fellowships	<b>94,565,506</b>	<b>83,247,228</b>
Faculty support and professorships	<b>10,328,552</b>	<b>9,602,056</b>
Research support	<b>1,753,484</b>	<b>1,635,141</b>
Pledges receivable, net	<b>1,528,754</b>	<b>1,322,722</b>
Other	<b>42,755,619</b>	<b>39,318,137</b>
	<b>150,931,915</b>	<b>135,125,284</b>
Total Net Assets With Donor Restrictions	<b>\$ 174,834,480</b>	<b>\$ 166,381,703</b>

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

**NC State Engineering Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2024 and 2023**

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

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

	2024	2023
Scholarships and fellowships	\$ 3,979,573	\$ 3,603,920
Faculty support and professorships	1,720,765	1,250,341
Departmental support	4,610,400	3,566,587
Capital support	5,380,682	-
Administrative and fundraising	683,349	1,971,699
	<u>\$ 16,374,769</u>	<u>\$ 10,392,547</u>

**Note 11. Functional Expense**

The Foundation's primary program is to provide financial support to the College of Engineering at NC State University. Expenses by functional classification for the year ended June 30, 2024 were as follows:

	Total Program	Supporting Activities		
	Support	Administrative	Fundraising	Total Support
	Support	Support	Support	Support
Grants	\$ 6,125,955	\$ -	\$ 656,352	\$ 6,782,307
Legal	3,226	-	8,176	11,402
Accounting	-	87,500	-	87,500
Advertising	103,214	-	1,021	104,235
Office Expenses	61,424	-	49,241	110,665
Occupancy	323,126	-	-	323,126
Travel	689,241	-	34,231	723,472
Conferences and Meetings	215,751	-	63,092	278,843
Insurance	8,675	-	11,373	20,048
Departmental Equipment	303,792	-	11,734	315,526
Equipment Rental and Maintenance	234,691	-	18,644	253,335
Contracted Services	50,077	-	5,127	55,204
Services and Fees	855,073	-	129,958	985,031
Donated Salaries, Services and Facilities	-	65,000	1,109,000	1,174,000
Gift Assessment Fees	962,432	-	-	962,432
Printing and Binding	93,152	-	117,247	210,399
Dues and Subscriptions	50,399	-	1,422	51,821
Supplies	640,614	-	13,771	654,385
Capital Transfers	5,380,682	-	-	5,380,682
Total	<u>\$ 16,101,524</u>	<u>\$ 152,500</u>	<u>\$ 2,230,389</u>	<u>\$ 18,484,413</u>

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

**NC State Engineering Foundation, Inc.**

**Notes to Financial Statements  
For the Years Ended June 30, 2024 and 2023**

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

Expenses by functional classification for the year ended June 30, 2023 were as follows:

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

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

**Note 12. Subsequent Events**

The Foundation has evaluated subsequent events through October 4, 2024, the date which the financial statements were available to be issued, and there were none to report.

## **SUPPLEMENTARY INFORMATION**



**NC State Engineering Foundation, Inc.**

**General Fund Budget vs. Actual - Unaudited  
Year Ended June 30, 2024**

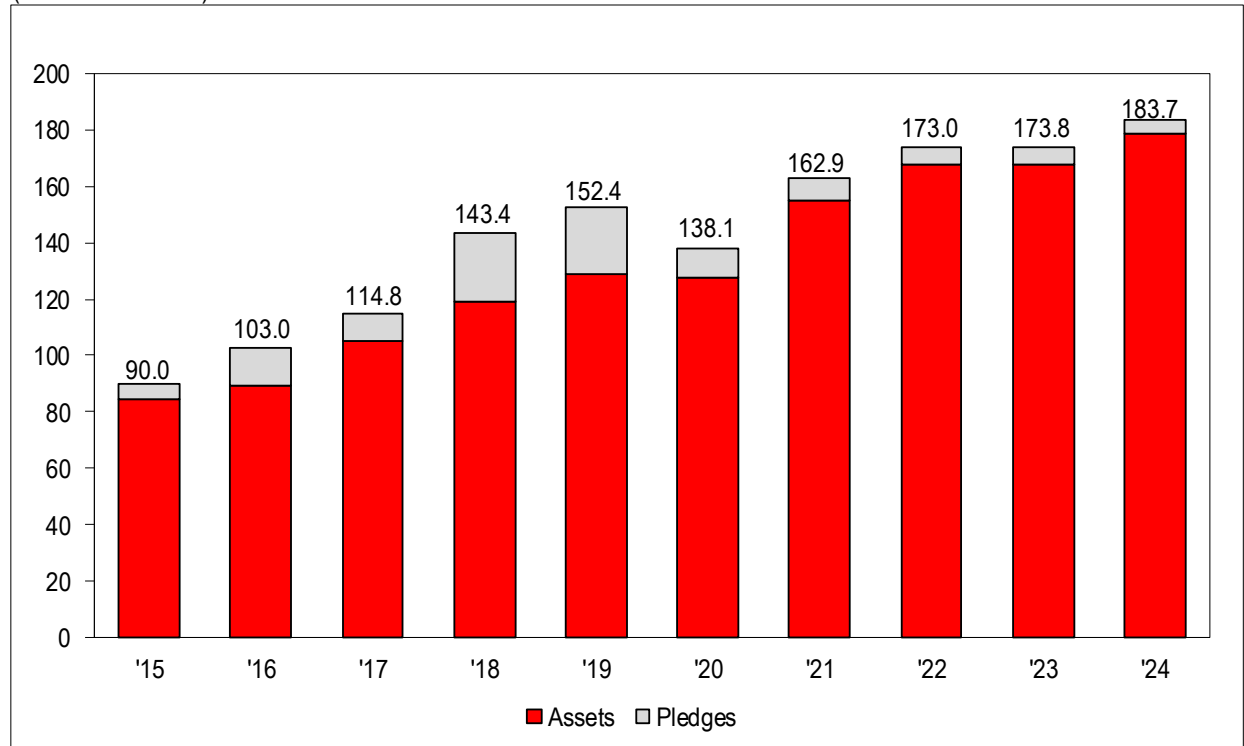
	Budget	Actual	Variance (Under) Over
<b>Income</b>			
<b>Contributions</b>			
Directors - Engineering Leadership	\$ 125,000	\$ 108,997	\$ (16,003)
Engineering Leadership Fund	600,000	500,050	(99,950)
<b>Total Contributions</b>	<u>725,000</u>	<u>609,047</u>	<u>(115,953)</u>
Endowment spending budget	231,670	231,670	-
Interest and dividends	500,000	709,314	209,314
<b>Total Income</b>	<u>1,456,670</u>	<u>1,550,031</u>	<u>93,361</u>
<b>Support</b>			
Program support	410,000	410,104	104
Foundation administration	762,050	732,994	(29,056)
<b>Total Support</b>	<u>1,172,050</u>	<u>1,143,098</u>	<u>(28,952)</u>
<b>Income Less Support</b>	284,620	406,933	122,313
<b>General Fund Balance</b>			
Beginning of year	2,469,710	2,469,710	-
End of year	<u>\$ 2,754,330</u>	<u>\$ 2,876,643</u>	<u>\$ 122,313</u>

**NC State Engineering Foundation, Inc.**

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

**Total Assets**

(Dollars in Millions)

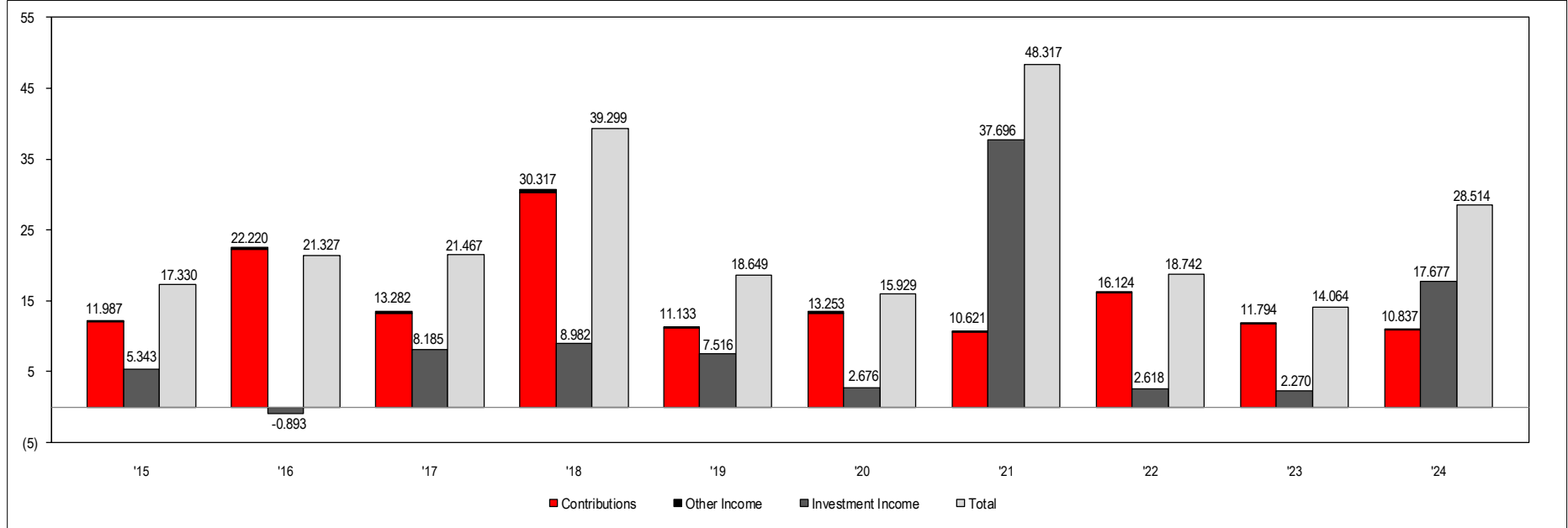


## NC State Engineering Foundation, Inc.

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

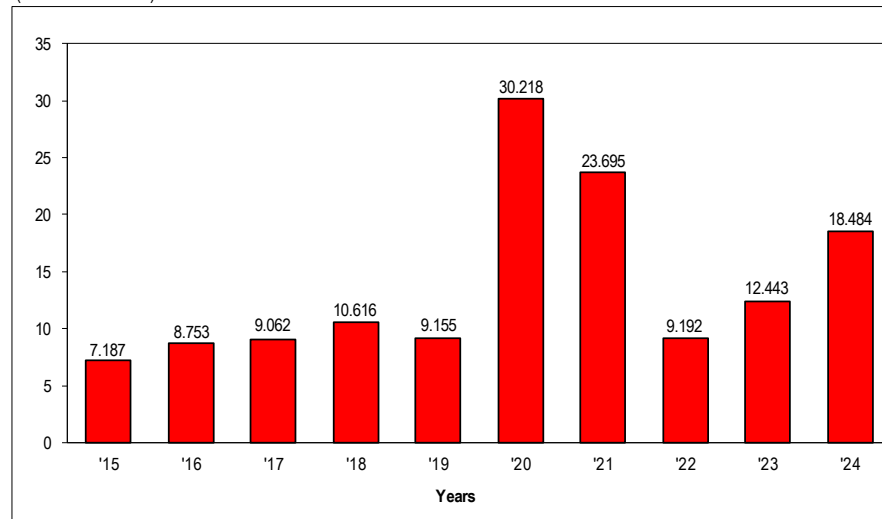
#### Total Revenues, Gains, and Other Income

(Dollars in Millions)



#### Total Support

(Dollars in Millions)



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