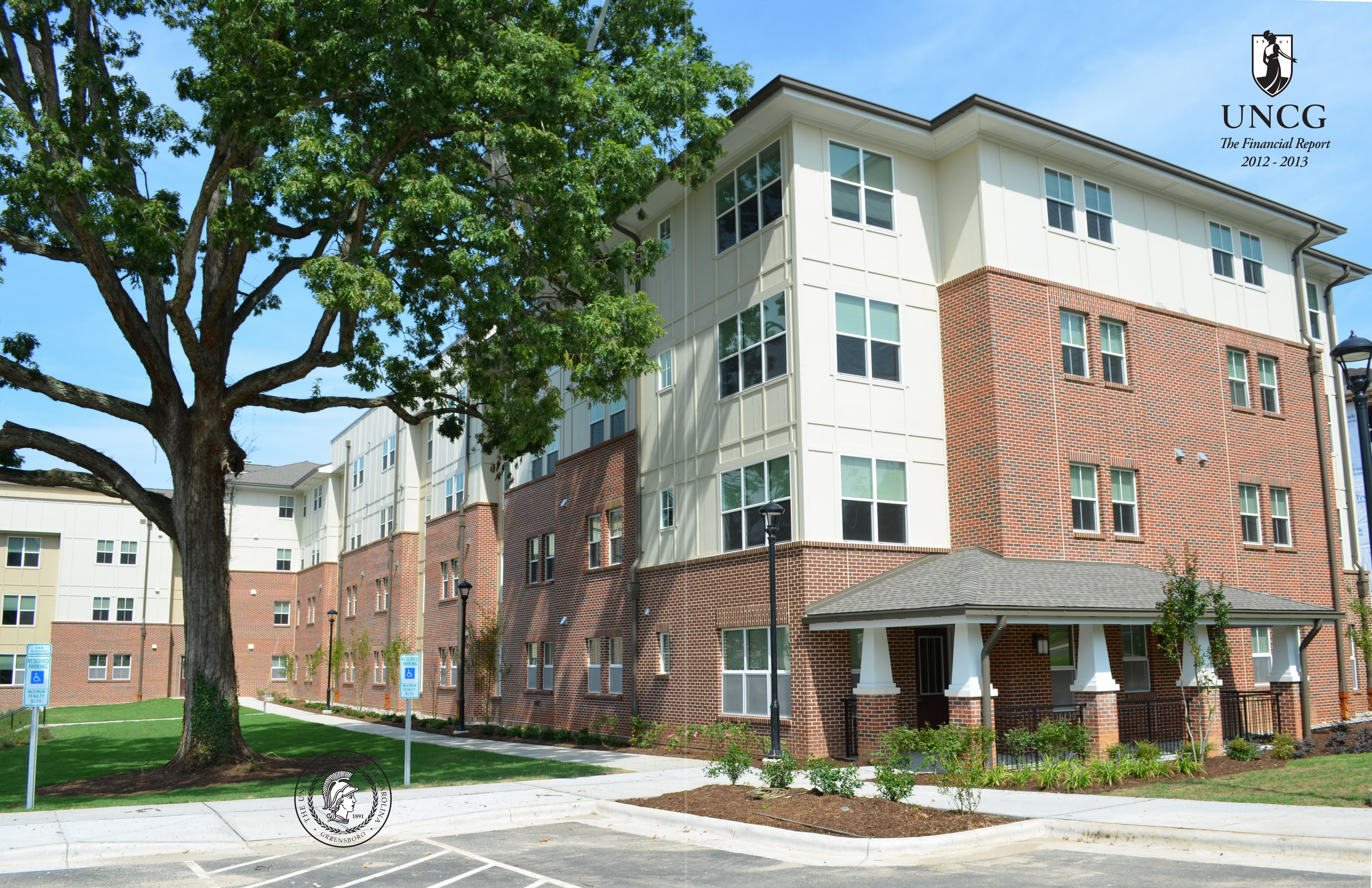

UNCG

The Financial Report
2012 - 2013

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Cover photo of New Spartan Village

THE UNIVERSITY *of* NORTH CAROLINA
GREENSBORO

Business Affairs

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PO Box 26170, Greensboro, NC 27402-6170
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The Chancellor and The Board of Trustees
of The University of North Carolina at Greensboro

I am pleased to present the University's Financial Report for the year ended June 30, 2013. The report is comprised of three sections: management's discussion and analysis of the three required financial statements; the financial statements; and the related footnote disclosures. The accompanying financial statements are presented in accordance with accounting principles generally prescribed by the Governmental Accounting Standards Board.

For the 2012-13 fiscal year, the University experienced a $41 million increase in its net position (assets less liabilities) due in part to positive investment returns. A $4 million increase in State Appropriations was primarily related to funding for mandated benefit rate increases and a 1.2% salary increase, the first received since the 2008-09 year. Many of our students and their families continue to struggle in the economic environment and we are committed to help students continue their studies.

In my letter accompanying the 2008-09 financial report I stated that the fiscal challenges we faced in 2008-09 were extraordinary. Appropriations in the previous year, 2007-08, were $156 million in support of 13,868 full time equivalent students. Five years hence, UNCG received appropriations of $154 million to serve a budgeted enrollment of 15,270 full time equivalent students.

Working together, we have retooled many processes, implemented new ways of teaching, learning, and research, while continuing to live our motto of "Service".

Sincerely,

Reade Taylor
Vice Chancellor for Business Affairs

The University of North Carolina at Greensboro
Management's Discussion and Analysis

Introduction

The University of North Carolina at Greensboro (the "University") provides the following management discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ended June 30, 2013. This discussion, the preceding transmittal letter, the following financial statements, and the related notes to the financial statements have been prepared by management and comprise the University's complete financial report. The financial statements, notes to the financial statements, and this discussion are the responsibility of management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. However, this discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the related financial statements and notes to the financial statements.

Using the Financial Report

The University's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net position categories.

Statement of Net Position

The Statement of Net Position is a "point of time" financial statement that presents the assets, liabilities, and net position of the University. The purpose of this financial statement is to present to the readers of the University's financial report a fiscal snapshot as of the end of the fiscal year (i.e., June 30th). The Statement of Net Position presents both the current and noncurrent portions of assets and liabilities. The differences between current and noncurrent assets and liabilities are discussed further in the notes to the financial statements.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, bond holders, and other creditors. The Statement of Net Position also provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the institution. Net position is divided into three major categories: net investment in capital assets; unrestricted net position; and restricted net position, which is reflected in two subcategories – expendable and nonexpendable. These three categories of net position are discussed further in the notes to the financial statements.

A condensed Statement of Net Position is reflected in the following table.

Condensed Statement of Net Position

	6/30/13	6/30/12 As Restated
Assets:		
Current Assets	$ 135,328,652	$ 137,502,112
Noncurrent Capital Assets, Net of Accumulated Depreciation	620,321,811	557,392,385
Other Noncurrent Assets	257,735,619	241,431,797
Total Assets	1,013,386,082	936,326,294
Liabilities:		
Current Liabilities	29,525,107	28,601,181
Noncurrent Liabilities	301,250,487	265,760,073
Total Liabilities	330,775,594	294,361,254
Net Position:		
Net Investment in Capital Assets	363,312,541	353,341,164
Restricted - Nonexpendable	123,082,199	113,703,826
Restricted - Expendable	111,022,683	99,284,725
Unrestricted	85,193,065	75,635,325
Total Net Position	$ 682,610,488	$ 641,965,040

The total assets of the University increased by $77.0 million for the year ($79.2 million increase for noncurrent assets and a $2.2 million decrease for current assets) and exceeded $1 billion for the first time. This overall increase was attributable to an increase of $62.9 million in capital assets, net of accumulated depreciation, an increase of $32.0 million in endowment investments, a decrease of $15.5 million in noncurrent restricted cash and cash equivalents, a decrease of $5.2 million in other assets, and a $2.8 million increase in all other assets. The increase in capital assets, net of accumulated depreciation, is the direct result of completion and capitalization of the comprehensive renovation of the seven Quad Residence Halls, the continuing comprehensive Dining Hall Renovation project, and the nearly completed Spartan Village Residence Hall project. The increase in endowment investments is due to increases in the value of all types of investments during the fiscal year. The decrease in other assets is due to a large deposit made by the Capital Facilities Foundation in the prior year for the purchase of real estate which was finalized on July 10, 2012. The increase in other asset categories is primarily due to a significant increase in restricted short term investments due to increases in the value of investments noted earlier.

The total liabilities of the University increased by $36.4 million for the year ($0.9 million increase for current liabilities and a $35.5 million increase in noncurrent liabilities). This overall increase in total liabilities consists of a $32.7 million increase in bonds payable, $1.1 million net increase in notes payable, a $1.8 million decrease in deferred revenue, a $1.6 million increase in accounts payable and accrued liabilities, a $1.2 million increase in the current portion of bonds payable, a $0.7 million increase in accrued vacation leave, and an increase of $0.9 million in all other liability categories, both current and noncurrent. The increase in bonds payable is due to the issuance of new bonds for $37.6 million during the fiscal year. The proceeds from this bond sale were used to retire a $31.0 million note associated with the construction of the 400 bed Jefferson Suites Residence Hall and to provide funding for the construction and equipping of a Campus Police Building on the University's campus. The corresponding change in notes payable is due primarily to the retirement of the aforementioned $31.0 million note, an increase of $35.6 million in a line of credit with SunTrust Bank which is being used for the construction of a mixed-used village, and a $2.0 million reduction in a line of credit with PNC Bank for land acquisition. The decrease in unearned revenue is due to reduced summer school enrollment for the second session, less federal grant activity, and reductions in the offerings of summer camp programs for children. The increase in accounts payable is due to the recording of a significant investment payable in the investment fund. The increase in the current portion of bonds payable is attributable to the new bonds issued in the current and past fiscal years. The increase in accrued vacation leave can be attributed to additional one-time bonus leave granted by the legislature which employees used in place of using annual leave thus resulting in higher annual leave balances at June 30, 2013.

The combination of the increase in total assets of $77.0 million and the increase in total liabilities of $36.4 million yields an overall increase in total net position of $40.6 million. This change consists of an increase in the category of net investment in capital assets of $10.0 million, an increase in the category of restricted nonexpendable net position of $9.4 million, an increase in the category of restricted expendable net position of $11.7 million, and an increase of $9.5 million in the category of unrestricted net position. The increase in net investment in capital assets is due to the capitalization of construction costs related to the Quad Residence Halls Renovation and Dining Hall Renovation projects, as well as the capitalization of several other building renovation projects. The increase in the restricted nonexpendable net position category is due to the continued receipt of endowed gifts. The increase in restricted expendable net position is the result of significant increases in the value of endowment investments. The increase in unrestricted net position is due to increases in the value of quasi endowment and unrestricted investments.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the institution, both operating and nonoperating, and the expenses incurred by the institution, operating and nonoperating, and any other revenues earned by the institution.

Generally speaking, operating revenues are earned for providing goods and services to the various constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. Nonoperating revenues are revenues earned for which goods and services are not provided. State appropriations and federal financial aid awards are included as nonoperating revenues in accordance with GASB guidelines, even though these revenues are instrumental to the University's mission and operations. Nonoperating expenses are expenses not directly related to the normal operations of the University (e.g., interest expense and other fees on capital asset related debt) and are netted against nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Position. Other revenues include capital contributions and additions to the principal of permanent and term endowments.

A condensed Statement of Revenues, Expenses, and Changes in Net Position is reflected in the following table.

Condensed Statement of
Revenues, Expenses and Changes in Net Position
For the Years Ended

	6/30/13	6/30/12
Operating revenues		
Student Tuition and Fees, Net	$ 90,250,294	$ 84,449,501
Grants and Contracts	15,104,751	16,676,350
Sales and Services, Net	44,703,777	39,272,492
Interest Earnings on Loans	73,073	167,665
Other Operating Revenues	863,721	472,700
Total Operating Revenues	150,995,616	141,038,708
Operating Expenses		
Salaries and Benefits	233,428,363	228,186,498
Supplies and Materials	20,847,405	19,976,479
Services	54,858,181	49,254,567
Scholarships and Fellowships	32,314,297	33,775,389
Utilities	9,080,839	8,619,851
Depreciation	15,561,374	14,805,994
Total Operating Expenses	366,090,459	354,618,778
Operating Loss	(215,094,843)	(213,580,070)
Nonoperating Revenues (Expenses)		
State Appropriations	154,110,667	150,359,030
Noncapital Grants and Gifts	71,669,295	66,154,424
Investment Income (Loss) (Net of Investment Expense)	22,615,080	(3,503,084)
Interest and Fees on Debt	(6,772,794)	(5,580,157)
Federal Subsidy on Debt	3,301	120,494
Other Nonoperating Expenses	(1,690,085)	(793,155)
Net Nonoperating Revenues	239,935,464	206,757,552
Income (Loss) Before Other Revenues	24,840,621	(6,822,518)
Other Revenues		
Capital Appropriations	714,900	0
Capital Grants and Gifts	7,734,170	3,417,631
Total Other Revenues	8,449,070	3,417,631
Income (Loss) Before Additions to Endowments	33,289,691	(3,404,887)
Additions to Endowments	7,355,757	4,612,805
Increase in Net Position	40,645,448	1,207,918
Net Position - July 1, 2012	641,965,040	640,757,122
Net Position - June 30, 2013	$ 682,610,488	$ 641,965,040

The Statement of Revenues, Expenses, and Changes in Net Position reflect an increase in the net position at the end of the year and an increase of $53.0 million (14.6%) in total revenues. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- Operating revenues increased by $10.0 million (7.1%), whereas operating expenses increased by $11.5 million (3.2%), for a combined net increase in operating loss of $1.5 million. The largest increases within operating revenues were in student tuition and fees, net, which increased by $5.8 million (6.9%) and sales and services, net which increased by $5.4 million (13.8%). The increase in net student tuition and fees is due to increases in tuition and fee rates, but these increases were partially offset by higher financial aid awards recorded as tuition discounts. The increase in sales and services, net is from the seven Quad Residence Halls being brought back into service after completion of the renovation project. The largest decrease within operating revenues was in federal grants and contracts which decreased by $2.4 million (17.5%). The decrease in federal grants and contracts is attributable to the continuing effects of the loss of a large federal grant for the SERVE regional laboratory.

  The increase in operating expenses is the result of a $5.6 million (11.4%) increase in services, $5.2 million (2.3%) increase in salaries and benefits, a $1.5 million (4.3%) decrease in scholarships and fellowships, a $.9 million (4.4%) increase in supplies and materials, a $0.8 million (5.1%) increase in depreciation, and a $.5 million (5.4%) increase in utilities. The increases in services and supplies and materials are related to increases in State appropriations. The decrease in scholarship and fellowships is due to an increase in the tuition discount amount and the corresponding reduction to scholarships and fellowships due to increased financial aid from state and federal sources. The increase in salaries and benefits is related to small salary increases granted to employees at the start of the fiscal year. The increase in depreciation is due to depreciation being recorded on newly capitalized major building additions and renovations. The increase in utilities is due to the seven Quad Residence Halls being brought back into service after completion of the renovation project.

- State appropriations increased by $3.8 million (2.5%) which was attributable to additional funding for legislative salary increases, health insurance and retirement rate increases, and additional funding for the Joint School of Nanoscience and Nanoengineering. Investment income increased by $26.1 million because of substantial increases in the value of investments after significant losses in the values of these investments in the previous fiscal year. The total return on the University's external investment pool was 11.2% for the current fiscal year compared to a decline of 2.8% for the prior fiscal year. Noncapital grants increased by $3.4 million (5.5%) due to an increase in state and federal student financial aid awards. Noncapital gifts increased by $2.1 million (60.0%) due to increased giving. Interest and fees on debt increased by $1.2 million (21.4%). The caption other nonoperating expenses consists of surplus property sales (a revenue), bond issue costs, the loss on the disposal of capitalized assets, and the return of capital improvement appropriations. Surplus property sales of $51,749 represent a 9.4% decrease from the prior year due to lower returns from public sales events during the fiscal year. Bond issue costs of $452,565 were incurred this fiscal year in relation to the bond issuance in July 2012. The loss on the disposal of capitalized assets was $952,353 which represented a significant increase from the prior year amount of $366,054, due to the disposal of the old Quad Residence Halls before the capitalization of the newly renovated Quad Residence Halls discussed earlier.

- Other revenues consist of capital appropriations, capital grants and gifts, and additions to endowments. Capital grants and gifts increased by $4.3 million, representing increases in funding from the State's COPS and two-thirds GO bond capital project funding sources. Additions to endowments increased by $2.7 million.

Capital Asset and Debt Administration

During fiscal year 2012-13, the Quad Residence Hall Renovation, the Health and Human Performance Wresting Room Renovation, the Cone Art Building Roof Replacement, the Graham Building Accessibility Improvement, and the Campus Supply Store fire alarm projects were all completed.

Major projects included in construction in progress are as follows: $46.7 million for the Spartan Village Residence Halls, $23.1 million for the Dining Hall Renovation, $1.7 million for the Campus Police Building, $6.1 million for the Railroad Pedestrian Underpass, $2.2 million for the Student Recreation Center, $0.7 million for the Reynolds & Grogan Dorm Renovations, and $1.8 million for other various campus projects.

On July 12, 2012 the University issued $37.6 million in general obligation revenue bonds. The proceeds were used to retire a $31.0 note payable to Bank of America for the construction of the Jefferson Suites Residence Hall and to provide funds for the construction and equipping of a Campus Police Building on the University's campus.

On July 12, 2012 the University issued $22.6 million in a combination of tax exempt and taxable bonds for the purpose of a current refunding of the 2002A University of North Carolina System Pool Revenue Bonds, an advance refunding of the 2004C University of North Carolina System Pool Revenue Bonds, and an advance refunding of the 2005A University of North Carolina System Pool Revenue Bonds.

For additional information concerning Capital Assets and Debt Administration, see Notes 5 and 7 in the notes to the financial statements.

Economic and Strategic Outlook

The University is operating in a challenging higher education environment of reduced State support and declining enrollments. The North Carolina State Legislature has continued to reduce funding to the University system, resulting in additional permanent reductions in State appropriations. These continued budget reductions have led to the loss of positions throughout all University divisions affecting both academic and administrative personnel. Tuition and fee rates have again been increased to raise additional revenues from which to continue to carryout the University's mission.

In an effort to maintain the University's strong financial condition in this challenging environment, the University has continued to expand its geographic footprint along the West Lee Street corridor. The key part of the West Lee Street mixed use development project is the Spartan Village which will provide 800 beds of apartment style housing for students. Three buildings were completed and occupied by students for the Fall 2013 semester and the remaining building will be completed and ready for Fall 2014 occupancy. Related projects in this area, the new campus police building and the railroad pedestrian underpass, are expected to be completed in the next fiscal year and will provide the new apartments with security and an easy connection to campus. A Student Recreation Center, additional student housing, and mixed-use spaces are planned for the future in this area.

As the past few years have demonstrated, it is not possible to predict ultimate results, but the University's overall financial condition is strong enough to allow it to continue to grow and strengthen in this challenging environment. Management will continue the University's ongoing efforts toward revenue diversification, cost containment, and implementation of operating efficiencies wherever possible, in addition to taking an enterprise-wide approach to risk management. Management will also continue to employ the University's long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from investment market volatility. The ability to achieve these investment goals will be enhanced by the formation of a limited partnership, UNCG Endowment Partners, LP, between The University of North Carolina at Greensboro Investment Fund, Incorporated and Cambridge Associates Resources, LLC. Despite the current challenging higher education environment discussed above, management believes the University has sufficient resources to allow it to continue to grow and provide excellent service to students, the campus community, and the Piedmont Triad region.

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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Raleigh, NC 27699-0601
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The University of North Carolina at Greensboro
Greensboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of The University of North Carolina at Greensboro, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The University of North Carolina at Greensboro Investment Fund, Incorporated, which represent 22 percent, 32 percent, and 6 percent, respectively, of the assets, net position, and revenues of the University; the financial statements of The UNCG Excellence Foundation, Inc., which represent 11 percent, 14 percent, and .48 percent, respectively, of the assets, net position, and revenues of the University; or the Capital Facilities Foundation, Inc., which represent 7 percent, .14 percent, and .11 percent, respectively, of the assets, net position, and revenues of the University. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

about whether the financial statements are free from material misstatement. The financial statements of The University of North Carolina at Greensboro Investment Fund, Incorporated, The UNCG Excellence Foundation, Inc. and the Capital Facilities Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements 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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina at Greensboro, as of June 30, 2013, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance. The report can be found in the University's financial statement audit report available on the North Carolina Office of the State Auditor's website.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 21, 2013

ASSETS		
Current Assets:		
Cash and cash equivalents	$	93,773,735
Restricted cash and cash equivalents		23,264,015
Short-term investments		804,272
Restricted short-term investments		7,551,901
Receivables, net (Note 4)		7,854,878
Due from State of North Carolina component units		200,000
Inventories		497,477
Notes receivable, net (Note 4)		1,382,374
Total current assets		135,328,652
Noncurrent Assets:		
Restricted cash and cash equivalents		24,329,750
Receivables (Note 4)		576,015
Endowment investments		224,566,440
Other investments		4,435,446
Notes receivable, net (Note 4)		3,827,968
Capital assets - nondepreciable (Note 5)		151,752,158
Capital assets - depreciable, net (Note 5)		468,569,653
Total noncurrent assets		878,057,430
Total assets		1,013,386,082
DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows of resources		0
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 6)		15,888,194
Due to primary government		10,354
Deposits payable		680,410
Funds held for others		119,654
Unearned revenue		3,108,876
Interest payable		2,439,235
Long-term liabilities - current portion (Note 7)		7,278,384
Total current liabilities		29,525,107
Noncurrent Liabilities:		
Accounts payable and accrued liabilities (Note 6)		3,288,412
Funds held for others		1,172,877
U. S. government grants refundable		5,084,360
Funds held in trust for pool participants		3,279,745
Long-term liabilities (Note 7)		288,425,093
Total noncurrent liabilities		301,250,487
Total liabilities		330,775,594
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources		0
NET POSITION		
Net investment in capital assets		363,312,541
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		71,136,768
Endowed professorships		17,815,945
Departmental uses		24,757,173
Loans		874,969
Art		1,504,674
Other		6,992,670
Expendable:		
Scholarships and fellowships		59,271,381
Research		33,188
Endowed professorships		18,075,568
Departmental uses		25,064,184
Loans		1,096,502
Capital projects		2,600,716
Debt service		46
Art		793,500
Other		4,087,598
Unrestricted		85,193,065
Total net position	$	682,610,488

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

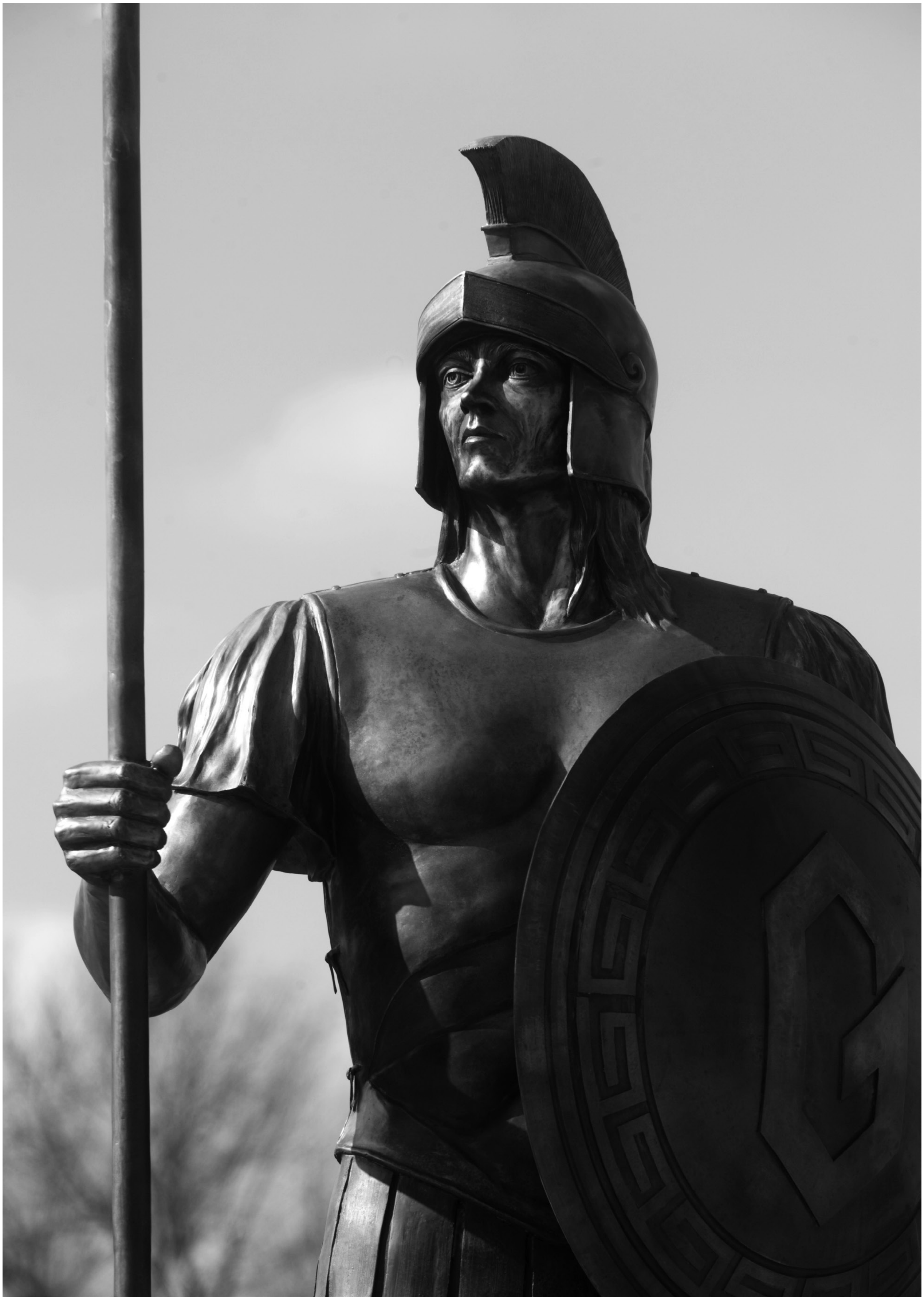
REVENUES	
Operating Revenues:	
Student tuition and fees, net (Note 9)	$ 90,250,294
Federal grants and contracts	11,436,826
State and local grants and contracts	2,476,261
Nongovernmental grants and contracts	1,191,664
Sales and services, net (Note 9)	44,703,777
Interest earnings on loans	73,073
Other operating revenues	863,721
Total operating revenues	150,995,616
EXPENSES	
Operating Expenses:	
Salaries and benefits	233,428,363
Supplies and materials	20,847,405
Services	54,858,181
Scholarships and fellowships	32,314,297
Utilities	9,080,839
Depreciation	15,561,374
Total operating expenses	366,090,459
Operating loss	(215,094,843)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	154,110,667
Noncapital grants - student financial aid	48,502,863
Other noncapital grants	17,589,775
Noncapital gifts, net (Note 9)	5,576,657
Investment income (net of investment expense of $739,833)	22,615,080
Interest and fees on debt	(6,772,794)
Federal interest subsidy on debt	3,301
Other nonoperating expenses	(1,690,085)
Net nonoperating revenues	239,935,464
Income before other revenues	24,840,621
Capital appropriations	714,900
Capital grants	7,714,970
Capital gifts, net	19,200
Additions to endowments	7,355,757
Increase in net position	40,645,448
NET ASSETS	
Net position - July 1, 2012	641,965,040
Net position - June 30, 2013	$ 682,610,488

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	$ 147,439,484
Payments to employees and fringe benefits	(232,694,320)
Payments to vendors and suppliers	(83,197,204)
Payments for scholarships and fellowships	(32,314,297)
Loans issued	(1,260,364)
Collection of loans	1,448,498
Interest earned on loans	103,439
Other receipts	954,400
Net cash used by operating activities	(199,520,364)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	154,110,667
Noncapital grants - student financial aid	48,502,863
Noncapital grants	17,037,281
Noncapital gifts	5,641,048
Additions to endowments	7,355,757
William D. Ford direct lending receipts	93,322,435
William D. Ford direct lending disbursements	(93,322,435)
Related activity agency disbursements	(130,167)
Net cash provided by noncapital financing activities	232,517,449
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	47,786,243
State capital appropriations	377,983
Capital grants	7,714,970
Capital gifts	19,200
Proceeds from sale of capital assets	51,749
Acquisition and construction of capital assets	(79,823,924)
Principal paid on capital debt	(10,989,456)
Interest and fees paid on capital debt	(8,565,981)
Federal interest subsidy on debt received	3,301
Net cash used by capital financing and related financing activities	(43,425,915)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	99,342,704
Investment income	8,242,123
Purchase of investments and related fees	(112,180,825)
Net cash used by investing activities	(4,595,998)
Net decrease in cash and cash equivalents	(15,024,828)
Cash and cash equivalents - July 1, 2012	156,392,328
Cash and cash equivalents - June 30, 2013	$ 141,367,500

		Year Ended June 30, 2013
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(215,094,843)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense		15,561,374
Allowances and write-offs		69,324
Changes in Assets and Liabilities:		
Receivables (net)		(950,932)
Inventories		(98,632)
Notes receivable (net)		(59,995)
Accounts payable and accrued liabilities		2,273,764
Due to primary government		(335)
Unearned revenue		(1,778,203)
Compensated absences		713,014
Deposits payable		(154,900)
Net cash used by operating activities	$	(199,520,364)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and cash equivalents	$	93,773,735
Restricted cash and cash equivalents		23,264,015
Noncurrent Assets:		
Restricted cash and cash equivalents		24,329,750
Total cash and cash equivalents - June 30, 2013	$	141,367,500
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets acquired through the assumption of a liability	$	451,268
Change in fair value of investments		11,830,790
Loss on disposal of capital assets		(468,830)
Bond issuance cost withheld		391,976
Funds escrowed to defease debt		24,248,513
Funds escrowed to refund bank loan		31,000,000

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



Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina at Greensboro is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are blended in the University's financial statements. Although legally separate, the following component units of the University are reported as if they were part of the University: The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated; The Weatherspoon Arts Foundation; The UNCG Excellence Foundation, Inc; The University of North Carolina at Greensboro Investment Fund, Incorporated; and the Capital Facilities Foundation, Inc.

The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated is governed by a 17 member board consisting of one ex officio director and 16 appointed directors. The Foundation is organized exclusively for the benefit of the departments and center formerly housed within the former School of Human Environmental Sciences at The University of North Carolina at Greensboro prior to July 1, 2011, which consist of the Consumer Apparel and Retail Studies Department, Human Development and Family Studies Department, Interior Architecture Department, Nutrition Department, Social Work Department, and the Center for New North Carolinians. The Foundation's purpose is to aid and promote excellence in higher education, service and research, and the endowment of the five departments and center listed above. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The Weatherspoon Arts Foundation is governed by a 28 member board consisting of three ex officio directors and 25 appointed directors. The Foundation's purpose is to acquire by gift, purchase, lease, loan, or other means of conveyance works of art and to maintain and enhance the arts collection teaching, research, and public services purposes exclusively for the use and benefit of The University of North Carolina at Greensboro. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The UNCG Excellence Foundation, Inc. is governed by a 31 member board consisting of two ex officio directors and 29 appointed directors. The Foundation's purpose is to aid, support and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro as long as The University of North Carolina at Greensboro qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954 (or corresponding provisions of any future United States Internal Revenue law), its financial statements have been blended with those of the University.

The University of North Carolina at Greensboro Investment Fund, Incorporated is governed by a 19 member board consisting of nine ex officio directors and ten appointed directors. The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. The Investment Fund is a governmental external investment pool. Because the directors of The Investment Fund are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and The Investment Fund's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The Capital Facilities Foundation, Inc. is governed by a nine member board consisting of four ex officio directors and five appointed directors. The Foundation's purpose is to enhance the University's educational mission through assisting with the acquisition, development, financing, construction, management, and operation of capital assets for the University. Because the directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

An electronic version of the separate financial statements for the Foundations and The Investment Fund is available by accessing the

UNCG Business Affairs home page (http://www.uncg.edu/baf) and clicking on "Foundation Finance", then "Foundation Audit Reports", or by calling (336) 334-5200. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding blended component units is provided in Note 16.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C. Basis of Accounting - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. Cash and Cash Equivalents - This classification includes petty cash, cash on deposit with private bank accounts, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF 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.

E. Investments - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase in the fair value of investments is recognized as a component of investment income.

Money market mutual funds, real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

F. Receivables - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied, and accrued interest receivable from investments and student loans. Receivables are recorded net of estimated uncollectible amounts.

G. Inventories - Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using the last invoice cost.

H. Capital Assets - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 50 years for general infrastructure, 25 years for building components, 50 years for buildings, and 4 to 20 years for equipment.

The Weatherspoon Art Collection is capitalized at cost or fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

I. Restricted Assets - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.

J. Funds Held in Trust for Pool Participants - Funds held in trust for pool participants represent the external portion of the University's governmental external investment pool more fully described in Note 2.

K. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include principal amounts of revenue bonds payable, notes payable, annuity and life income payable, and compensated absences that will not be paid within the next fiscal year.

Revenue bonds payable are reported net of unamortized premiums or discounts and deferred losses on refundings. The University amortizes bond premiums/discounts over the life of the bonds using the proportionate-to-stated interest method. The deferred losses on refundings are amortized over the life of the old debt using the straight-line method. Issuance costs are expensed.

L. Compensated Absences - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

M. Net Position- The University's net position is classified as follows:

Net Investment in Capital Assets- This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets.

Restricted Net Position- Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position- Expendable - Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position- Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

N. Scholarship Discounts - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and

Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

O. Revenue and Expense Recognition - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

P. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as the Fuel Depot, Postal Operations, Printing Services, Telecommunications, and Telephone Services. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

Note 2 - Deposits and Investments

A. Deposits - Unless specifically exempt, the University is required by *North Carolina General Statute* 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes $130,497,993 which represents the University's equity position in the State Treasurer's STIF. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2013. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Cash on hand at June 30, 2013 was $35,970. The carrying amount of the University's deposits not with the State Treasurer was $10,833,537 and the bank balance was $12,942,357. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2013, the University's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$ 10,993,718

B. Investments - The University is authorized by The University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; time deposits of specified institutions; prime quality commercial paper; and asset-backed securities with specified ratings. Also, G.S. 147-69.1(c) authorizes the following: specified bills of exchange or time drafts and corporate bonds and notes with specified ratings. G.S. 147-69.2 authorizes the following: general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, The UNCG Excellence Foundation, Inc., and The University of North Carolina at Greensboro Investment Fund, Incorporated are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income.

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the fair value of investments. The University's formal policy limits some fixed income holdings to those that have a high quality rating (AA/Aa or better) and those with a sufficient duration to provide effective protection in a deflationary environment. This actively-managed approach will be complemented by an intermediate duration, passive (index tracking) Treasury – only portfolio. Specific allocations to other strategies such as non-U.S. fixed income or a high yield product are allowed on a tactical basis.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's formal policy limits some fixed income holdings to those that have a high quality rating (AA/Aa or better) and those with a sufficient duration to provide effective protection in a deflationary environment. This actively-managed approach will be complemented by an intermediate duration, passive (index tracking) Treasury – only portfolio. Specific allocations to other strategies such as non-U.S. fixed income or a high yield product are allowed on a tactical basis.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's formal policy is that no one portfolio manager will be responsible for more than 20% of the portfolio.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The University does not have a formal policy for concentration of credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University does not have a formal policy for foreign currency risk. The foreign securities held by the University are traded in the currency of the United States, thus there is no foreign currency risk for these investments.

External Investment Pool – The University of North Carolina at Greensboro Investment Fund, Incorporated, an External Investment Pool sponsored by the University, was established on July 1, 1992. The Pool is utilized to manage the investments for charitable, nonprofit organizations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. Endowment funds of the University, as well as those of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, and The UNCG Excellence Foundation, Inc., represent the Pool's internal participants. Other affiliated organizations not included in the University's reporting entity represent the Pool's external participants. Fund ownership of the Pool is measured using the unit market value method. Under this method, each participating fund's investment balance is determined based on the number of units of ownership purchased when joining the Pool. Thereafter, the pooled assets are valued monthly, and a new market value is determined. The external portion of the Pool is presented in the accompanying financial statements as "Funds Held in Trust for Pool Participants."

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the Board of Directors. The Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board has chosen not to make individual security selection decisions. The Board's primary role is to oversee the allocation of the Pool's portfolio among the asset classes, investment vehicles, and investment managers.

US Bank is the custodian for the Pool and provides the University with monthly statements defining income and fair value information, which is then allocated among the fund's participants. There are no involuntary participants in the Pool. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Pool's investments. The annual financial report for the External Investment Pool may be obtained from the Business Affairs Office, 254 Mossman, Greensboro, NC 27402, or by calling (336) 334-5200.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2013, for the External Investment Pool.

External Investment Pool

		Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
Money Market Funds	$ 1,372,411	$ 1,372,411	$	$
Bond Mutual Funds				
Fixed Income	33,380,133		21,184,008	12,196,125
Total Debt Securities	34,752,544	$ 1,372,411	$ 21,184,008	$ 12,196,125
Other Securities				
Corporate Securities:				
Common Stocks	7,209,381			
International	787,875			
Mutual Funds:				
International Equity	48,478,187			
Inflation Hedging	12,419,182			
US Equity	10,832,487			
Partnerships:				
Hedge Funds	48,557,175			
Inflation Hedging	1,958,072			
Real Estate Securities	4,429,791			
US Equity	26,810,725			
Venture Capital	25,966,603			
Total External Investment Pool	$ 222,202,022			

At June 30, 2013, investments in the External Investment Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A
Money Market Funds	$ 1,372,411	$ 1,372,411	$	$
Bond Mutual Funds				
Fixed Income	33,380,133		12,196,125	21,184,008
Totals	$ 34,752,544	$ 1,372,411	$ 12,196,125	$ 21,184,008

Rating Agency: Moody's Investors Service, Standard & Poor's

Concentration of Credit Risk: The External Investment Pool Board places no limit on the amount the Board may invest in any one issuer. More than 5% of the External Investment Pool investments are in Adage Capital Partners LP, Forester Partners LP, and Forester Opportunities LP. These investments are 8.58%, 7.37% and 6.75%, respectively, of the External Investment Pool's total investments.

Non-Pooled Investments - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2013, for the University's non-pooled investments.

Non-Pooled Investments

		Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
Money Market Funds	$ 108,658	$ 108,658	$	$
Bond Mutual Funds				
Fixed Income	3,830,623		1,026,421	2,804,202
Total Debt Securities	3,939,281	$ 108,658	$ 1,026,421	$ 2,804,202
Corporate Securities:				
Common Stocks	1,316,821			
International	111,914			
Mutual Funds:				
International Equity	1,798,097			
Inflation Hedging	725,388			
REIT Mutual Funds	248,713			
Other	5,841,621			
Real Estate Investment Trust	17,705			
Other: Real Estate	1,156,497			
Total Non-Pooled Investments	$ 15,156,037			

At June 30, 2013, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	A	BB/Ba and below
Money Market Funds	$ 108,658	$ 108,658	$	$
Bond Mutual Funds				
Fixed Income	3,830,623	396,250	2,903,563	530,810
Totals	$ 3,939,281	$ 504,908	$ 2,903,563	$ 530,810

Rating Agency: Moody's Investors Service, Standard & Poor's

Total Investments - The following table presents the fair value of the total investments at June 30, 2013:

Total Investments

	Fair Value
Investment Type	
Debt Securities	
Money Market Funds	$ 1,481,069
Bond Mutual Funds:	
Fixed Income	37,210,756
Other Securities	
Corporate Securities:	
Common Stocks	8,526,202
International	899,789
Mutual Funds:	
International Equity	50,276,284
Inflation Hedging	13,144,570
REIT Mutual Funds	248,713
US Equity	10,832,487
Other	5,841,621
Partnerships:	
Hedge Funds	48,557,175
Inflation Hedging	1,958,072
Real Estate Securities	4,429,791
US Equity	26,810,725
Venture Capital	25,966,603
Real Estate Investment Trust	17,705
Other: Real Estate	1,156,497
Total Investments	$ 237,358,059

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the University as of June 30, 2013, is as follows:

Cash on Hand	$	35,970
Amount of Deposits with Private Financial Institutions		10,833,537
Deposits in the Short-Term Investment Fund		130,497,993
External Investment Pool		222,202,022
Non-Pooled Investments		15,156,037
Total Deposits and Investments	$	378,725,559
Deposits		
Current:		
Cash and Cash Equivalents	$	93,773,735
Restricted Cash and Cash Equivalents		23,264,015
Noncurrent:		
Restricted Cash and Cash Equivalents		24,329,750
Total Deposits	$	141,367,500
Investments		
Current:		
Short-Term Investments	$	804,272
Restricted Short-Term Investments		7,551,901
Noncurrent:		
Endowment Investments		224,566,440
Other Investments		4,435,446
Total Investments	$	237,358,059
Total Deposits and Investments	$	378,725,559

Note 3 - Endowment Investments

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's pooled endowment funds are equal to 4.25 percent of the average market value of the Investment Pool at December 31 for the past three years. Under this policy, the prior year spending percentage is increased by the inflation rate to determine the current year spending percentage. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net asset endowment balances to make up the difference. At June 30, 2013, net appreciation of $33,444,443 was available to be spent, of which $31,100,368 was classified in net position as Restricted Expendable Scholarships and Fellowships, Restricted Expendable Endowed Professorships, Restricted Expendable Departmental Uses, Restricted Expendable Loans, Restricted Expendable Art, and Restricted Expendable Other, as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

During the current year, the University incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2013 the amount of investment losses reported against the nonexpendable endowment balances was $6,096.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,854,847	$ 473,262	$ 1,381,585
Student Sponsors	501,757		501,757
Intergovernmental	3,607,596		3,607,596
Pledges	742,462	6,950	735,512
Investment Earnings	53,352		53,352
Interest on Loans	204,475		204,475
Other	1,370,601		1,370,601
Total Current Receivables	$ 8,335,090	$ 480,212	$ 7,854,878
Noncurrent Receivables:			
Pledges	$ 576,015	$	$ 576,015
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 1,342,110	$ 103,057	$ 1,239,053
Institutional Student Loan Programs	267,491	124,170	143,321
Total Notes Receivable - Current	$ 1,609,601	$ 227,227	$ 1,382,374
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 4,346,548	$ 518,580	$ 3,827,968

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land	$ 39,996,958	$ 7,049,601	$	$ 47,046,559
Art, Literature, and Artifacts	22,018,614	325,150	32,560	22,311,204
Construction in Progress	69,737,552	64,374,164	51,717,321	82,394,395
Total Capital Assets, Nondepreciable	131,753,124	71,748,915	51,749,881	151,752,158
Capital Assets, Depreciable:				
Buildings	470,111,614	55,730,911	4,223,192	521,619,333
Machinery and Equipment	52,215,902	3,281,434	1,119,902	54,377,434
General Infrastructure	67,412,516			67,412,516
Total Capital Assets, Depreciable	589,740,032	59,012,345	5,343,094	643,409,283
Less Accumulated Depreciation for:				
Buildings	108,576,812	9,971,564	3,879,108	114,669,268
Machinery and Equipment	27,876,864	2,931,070	943,407	29,864,527
General Infrastructure	27,647,095	2,658,740		30,305,835
Total Accumulated Depreciation	164,100,771	15,561,374	4,822,515	174,839,630
Total Capital Assets, Depreciable, Net	425,639,261	43,450,971	520,579	468,569,653
Capital Assets, Net	$ 557,392,385	$ 115,199,886	$ 52,270,460	$ 620,321,811

During the year ended June 30, 2013, the University incurred $8,288,519 in interest costs related to the acquisition and construction of capital assets. Of this total, $6,690,955 was charged in interest expense, and $1,597,564 was capitalized.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

		Amount
Current Accounts Payable and Accrued Liabilities		
Accounts Payable	$	8,499,759
Accrued Payroll		6,094,131
Other		1,294,304
Total Current Accounts Payable and Accrued Liabilities	$	15,888,194
Noncurrent Accounts Payable and Accrued Liabilities		
Contract Retainage	$	3,288,412

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Revenue Bonds Payable	$ 163,565,000	$ 60,190,000	$ 28,670,000	$ 195,085,000	$ 6,305,000
Add/Deduct Premium	9,928,163	5,554,885	2,003,788	13,479,260	
Deduct Unamortized Cost on Refunding	(2,042,859)	(1,408,143)	(271,426)	(3,179,576)	
Total Revenue Bonds Payable	171,450,304	64,336,742	30,402,362	205,384,684	6,305,000
Notes Payable	67,790,524	38,698,013	37,567,970	68,920,567	490,569
Compensated Absences	12,809,623	16,496,144	15,783,130	13,522,637	482,815
Annuity and Life Income Payable	7,500,817	374,772		7,875,589	
Total Long-Term Liabilities	$ 259,551,268	$ 119,905,671	$ 83,753,462	$ 295,703,477	$ 7,278,384

B. Revenue Bonds Payable - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2013	Principal Outstanding June 30, 2013
Revenue Bonds Payable						
General Revenue Bonds						
General Revenue Bonds (2009)	A	3.00%-5.00%	04/01/2034	$ 29,525,000	$ 2,750,000	$ 26,775,000
General Revenue Bonds (2009)	B	3.00%-4.00%	04/01/2016	4,120,000	2,220,000	1,900,000
General Revenue Bonds (2011)		2.00%-5.00%	04/01/2036	77,505,000	325,000	77,180,000
General Revenue Bonds (2012)	A	2.00%-5.00%	04/01/2037	52,360,000	1,645,000	50,715,000
General Revenue Bonds (2012)	B	.91%-2.98%	04/01/2023	7,830,000	165,000	7,665,000
Total General Revenue Bonds				171,340,000	7,105,000	164,235,000
The University of North Carolina System Pool Revenue Bonds						
General Revenue Bonds (2002A)	(A)	5.00%-5.38%	04/01/2027	8,835,000	8,835,000	0
General Revenue Bonds (2004C)	(B)	3.50%-5.00%	04/01/2029	18,350,000	17,740,000	610,000
General Revenue Bonds (2005A)	(C)	3.50%-5.25%	04/01/2026	22,235,000	12,640,000	9,595,000
General Revenue Bonds (2010B-2)	(D)	3.25%-5.25%	04/01/2026	23,780,000	3,135,000	20,645,000
Total The University of North Carolina System Pool Revenue Bonds				73,200,000	42,350,000	30,850,000
Total Revenue Bonds Payable (principal only)				$ 244,540,000	$ 49,455,000	195,085,000
Less: Unamortized Cost on Refunding						(3,179,576)
Plus: Unamortized Premium						13,479,260
Total Revenue Bonds Payable						$ 205,384,684

(A) The University of North Carolina System Pool Revenue Bonds, Series 2002A
(B) The University of North Carolina System Pool Revenue Bonds, Series 2004C
(C) The University of North Carolina System Pool Revenue Bonds, Series 2005A
(D) The University of North Carolina System Pool Revenue Bonds, Series 2010B-2

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2013, are as follows:

	Annual Requirements							
	Revenue Bonds Payable				Notes Payable			
Fiscal Year	Principal		Interest		Principal		Interest	
2014	$	6,305,000	$	9,014,382	$	490,569	$	984,877
2015		6,600,000		8,739,217		8,677,145		850,256
2016		6,930,000		8,424,376		560,952		703,674
2017		8,845,000		8,121,528		57,873,580		277,310
2018		8,380,000		7,753,475		638,384		47,562
2019-2023		46,120,000		33,150,205		679,937		24,531
2024-2028		44,270,000		22,317,413				
2029-2033		40,770,000		12,504,062				
2034-2037		26,865,000		2,770,450				
Total Requirements	$	195,085,000	$	112,795,108	$	68,920,567	$	2,888,210

D. Bond Defeasance - The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

On July 12, 2012, the University issued $1,460,000 in General Revenue and Refunding Revenue Bonds, Series 2012A with an average interest rate of 4.7323%. The bonds were issued for a current refunding of $1,580,000 of outstanding 2002A University of North Carolina System Pool Revenue Bonds with an average interest rate of 5.345%. The refunding was undertaken to reduce total debt service payments by $199,929 over the next six years and resulted in an economic gain of $181,901.

On July 12, 2012, the University issued $13,350,000 in General Revenue and Refunding Revenue Bonds, Series 2012A with an average interest rate of 4.3813%. The bonds were issued to advance refund $13,585,000 of outstanding 2004C University of North Carolina System Pool Revenue Bonds with an average interest rate of 4.9604%. The net proceeds of the refunding bonds (along with other resources) were used to purchase securities from a federally sponsored pool. These securities were deposited into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the University's Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by $1,510,081 over the next 17 years and resulted in an economic gain of $1,177,492. At June 30, 2013, the outstanding balance was $13,585,000 for the defeased 2004C University of North Carolina System Pool Revenue Bonds.

On July 12, 2012, the University issued $7,830,000 in Taxable Refunding Revenue Bonds, Series 2012B with an average interest rate of 2.7326%. The bonds were issued to advance refund $6,820,000 of outstanding 2005A University of North Carolina System Pool Revenue Bonds with an average interest rate of 4.9655%. The net proceeds of the refunding bonds (along with other resources) were used to purchase securities from a federally sponsored pool. These securities were deposited into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the University's Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments by $318,086 over the next 11 years and resulted in an economic gain of $281,712. At June 30, 2013, the outstanding balance was $6,820,000 for the defeased 2005A University of North Carolina System Pool Revenue Bond.

E. Notes Payable - The University was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges		Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2013	Principal Outstanding June 30, 2013
Enegy Savings Performance Contract	SunTrust Equip. Finance Corp.	3.61%		03/01/2019	$ 5,808,994	$ 2,315,487	$ 3,493,507
Property acquisition	PNC	3.00%	*	01/01/2015	13,262,359	5,110,130	8,152,229
Construction Spartan Village Phase I	SunTrust	1.07%	*	11/01/2016	57,274,831		57,274,831
Total Notes Payable					$ 76,346,184	$ 7,425,617	$ 68,920,567

For variable rate debt, interest rates in effect at June 30, 2013 are reflected in the table above.

Interest on the variable rate PNC line of credit (LOC) is calculated at 3% at June 30, 2013. The interest rate is set on the first day of the month and can be reset on the first day of the following month. The rate is calculated at the sum of (1) LIBOR Base Rate and (2) 200 basis points [2%], calculated on the basis of a 365 day year for the actual number of days elapsed but at no time less than a total interest rate of 3%. The maximum amount approved for this LOC is $20 million.

Interest on the variable rate SunTrust line of credit (LOC) is calculated at 1.07% at June 30, 2013. The interest rate is set on the first day of the month and can be reset on the frist day of the following month. The rate is calculated at 75% of the sum (1) the one month LIBOR Base Rate and (2) 124 basis points [1.24%], calculated on the basis of a 365 day year for the actual number of days elapsed. There is no minimum or maximum interest rate. The maximum amount approved for this LOC is $67 million.

The University plans to refinance the notes maturing on January 1, 2015 and November 1, 2016 with other long-term financing.

On July 12, 2012, the University issued $28,370,000 in General Revenue and Refunding Revenue Bonds, Series 2012A, for the purpose of retiring a $31,000,000 Note Payable to Bank of America, which was used to finance the construction of the Jefferson Suites Residence Hall. The total proceeds of the bond issue $31,216,418 (par amount plus bond premium) were used to retire the $31,000,000 Note Payable and to pay bond issuance costs.

F. Annuities Payable – The Annuity and Life Income Payable balance consists of 162 Charitable Annuity agreements and 16 Charitable Remainder Unitrusts with a market value of $13.1 million. The $7.876 million Annuity and Life Income Payable liability is the expected present value payable to donors based upon their age, the agreed on payment rate, and the applicable federal rate.

Note 8 - Lease Obligations

The University entered into operating leases for real property and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2013:

Fiscal Year	Amount
2014	$ 379,139
2015	142,282
2016	100,033
2017	60,600
2018	1,925
Total Minimum Lease Payments	$ 683,979

Rental expense for all operating leases during the year was $440,630.

NOTE 9 - REVENUES

A summary of eliminations and allowances by revenue classification is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles*	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 125,051,533	$	$ 34,503,621	$ 297,618	$ 90,250,294
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	$ 22,636,014	$ 544,075	$ 5,878,456	$ 54,442	$ 16,159,041
Dining	15,917,939	2,250	3,670,537	33,619	12,211,533
Student Union Services	128,460				128,460
Health, Physical Education, and Recreation Services	1,540,908	24,707			1,516,201
Parking	4,019,624	129,473		69,960	3,820,191
Athletic	820,501	700			819,801
Other	5,023,953	1,586,845		1,809	3,435,299
Sales and Services of Education and Related Activities	6,929,655	316,404			6,613,251
Total Sales and Services	$ 57,017,054	$ 2,604,454	$ 9,548,993	$ 159,830	$ 44,703,777
Nonoperating - Noncapital Gifts	$ 5,577,836	$	$	$ 1,179	$ 5,576,657

*Note: The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.

NOTE 10 - OPERATING EXPENSES BY FUNCTION

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 118,978,067	$ 4,361,323	$ 8,128,023	$ 1,350	$ 2,207	$	$ 131,470,970
Research	8,568,270	810,389	6,001,649	227,137			15,607,445
Public Service	6,801,312	150,909	2,154,480	39,823	2,333		9,148,857
Academic Support	28,612,081	6,062,551	8,286,657	1,942,748	5,925		44,909,962
Student Services	12,627,390	970,319	3,558,034	18,700			17,174,443
Institutional Support	24,037,712	2,191,897	7,463,499	2,000	1,091		33,696,199
Operations and Maintenance of Plant	17,062,506	2,468,754	1,890,655		5,475,792		26,897,707
Student Financial Aid				30,054,304			30,054,304
Auxiliary Enterprises	16,741,025	3,831,263	17,375,184	28,235	3,593,491		41,569,198
Depreciation						15,561,374	15,561,374
Total Operating Expenses	$ 233,428,363	$ 20,847,405	$ 54,858,181	$ 32,314,297	$ 9,080,839	$ 15,561,374	$ 366,090,459

NOTE 11 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Eligible employees can elect to participate in the Optional Retirement Program at the time of employment; otherwise they are automatically enrolled in the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System (TSERS) is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. TSERS is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the University had a total payroll of $184,709,953, of which $78,802,024 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were $6,564,209 and $4,728,121, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The University made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were $6,564,209, $5,823,207, and $3,997,274, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the TSERS. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under the Program and approves the form and contents of the contracts and trust agreements.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2013, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of $184,709,953, of which $79,627,383 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were $5,446,513 and $4,777,643, respectively.

B. Deferred Compensation and Supplemental Retirement Income Plans - Internal Revenue Code Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to $549,177 for the year ended June 30, 2013.

Internal Revenue Code Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2013, were $101,985. The voluntary contributions by employees amounted to $1,259,466 for the year ended June 30, 2013.

Internal Revenue Code Section 403(b) and 403(b)(7) Plans - Eligible University employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. The plan administrator is The University of North Carolina. No costs are incurred by the University. The voluntary contributions by employees amounted to $2,842,396 for the year ended June 30, 2013.

Note 12 - Other Postemployment Benefits

A. Health Benefits - The University participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the University contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were $8,396,759, $7,891,367, and $7,866,532, respectively. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

B. Disability Income - The University participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2013, the University made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were .52% for both years. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were $697,089, $820,702, and $834,816, respectively. The University assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report.*

Note 13 - Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

The University is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other buildings not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium. The General Property Coverage Policy is the Fund's basic policy and is used to provide insurance against losses caused by Fire and Lightning, Extended Coverage, Broad Form Coverage and Special Form Coverage. However, the University is covered only for those named perils for which the University has paid a premium and for which the named peril is indicated in the Declarations. Extended coverage for buildings and contents has been purchased for the following buildings: Chemical Storage Facility, the Baseball Complex, the Sullivan Science Building, the Graphics and Printing Services Building and the Elliott University Center. Vandalism and Malicious Mischief insurance (VMN) has been purchased for the Elliott University Center. The University must fund the additional cost of the insurance. Both the Extended coverage and VMN are subject to a $5,000 deductible per event and the cost is based on the declared value of each structure.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim with an excess liability insurance policy purchased with limits of $10,000,000 per person/per occurrence and $25,000,000 annual aggregate. The University pays premiums to the North Carolina Department of Insurance for the coverage.

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The University is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible.

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. These purchased coverages are: "all-risk" for equipment covering all perils including fire (replacement cost on listed computers and miscellaneous equipment, $5,000 deductible per event); study abroad accident and health ($250,000 per injury or sickness medical expenses, $10,000 accidental death and dismemberment, $50,000 repatriation of remains, $200,000 evacuation benefit limit, $1,500 bedside visit); international students accident and sickness ($150,000 maximum limit for medical expenses, $10,000 accidental death and dismemberment, $15,000 for repatriation of remains and $50,000 lifetime benefit for medical evacuation); commercial crime and employee dishonesty ($5.0 million – computer fraud, $5.0 million – public employee dishonesty with a $7,500 deductible); robbery and safe burglary ($500,000 per event, $1,000 deductible, $100,000 per event, $2,500 for forgery & alterations); musical instruments (stated value cash replacement value with $500 deductible); fine art (property coverage – museum collection and temporary loan, Limits of Liability: $250.0 million limit at insured premises, $25.0 million at any other location, $25.0 million limit in transit on any one conveyance, $25.0 million limit for international transportation, exhibition, and location, $70.0 million for TRIA (Terrorism Risk Insurance Act), and $250.0 million aggregate limit in any one loss or disaster; Deductibles: $2,500 for loan items, $2,500 for owned items); University intern liability ($1.0 million per incident / $3.0 million per year, professional liability included for HOSA interns only); business travel ($100,000 maximum medical expense, $10,000 maximum accidental death and dismemberment maximum benefit, $100,000 medical evacuation maximum benefit); boiler and machinery ($50,000,000 equipment breakdown limit, $5,000 deductible); leased computer equipment (stated value with $500 deductible); athletic accident (maximum medical coverage limit $75,000, with $3,000 deductible, maximum death specific loss $50,000); physicians professional medical liability ($1.0 million per person, $3.0 million total); postal bond (coverage limit $30,000); non-physicians professional medical liability ($1.0 million per person, $3.0 million total); medical professional liability professional (Kinesiology) ($1,000,000 per occurrence, $3,000,000 aggregate); student health; camp accident ($250,000 accidental death and dismemberment maximum annual limit); club sports travel ($10,000 accidental death and dismemberment); volunteer liability ($1.0 million per incident / $3.0 million per year).

University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan has contracted with third parties to process claims.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

Note 14 - Commitments and Contingencies

A. Commitments - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $39,406,847 at June 30, 2013.

B. Pending Litigation and Claims - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

C. Other Contingent Receivables - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Pledges to The UNCG Excellence Foundation Endowment Fund	$ 502,093
Pledges to the Human Environmental Sciences Foundation Endowment Fund	4,800
Pledges to the UNCG Endowment Fund	894,481

Note 15 - Related Parties

The University and North Carolina Agricultural and Technical State University have formed a jointly governed nonprofit organization, Gateway University Research Park, Inc., which is also a component unit of the State of North Carolina. The purpose of this organization is to provide a collaborative research environment that fosters academic enrichment, research growth, technology transfer, commercialization, and discovery while encouraging and promoting regional economic development.

During the fiscal year the University made payments totaling $1,735,398 to Gateway University Research Park, Inc. These payments consisted of: $996,890 for the construction, maintenance, acquisition, movement, installation, upgrades of offices, classrooms, and laboratories for the Joint School of Nanoscience and Nanoengineering; $550,133 for the operation and maintenance of University facilities at the Gateway University Research Park; $187,500 (third year of a three year commitment) for operating funding for the Gateway University Research Park; and $875 for other facility use fees and maintenance expenses.

NOTE 16 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component unit(s) for the year ended June 30, 2013, is presented as follows:

Condensed Statement of Net Position
June 30, 2013

	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Weatherspoon Art Foundation	Capital Facilities Foundation	UNCG Investment Fund	Eliminations	Total
ASSETS							
Current Assets	$ 5,495,449	$ 388,231	$	$ 4,969,728	$ 2,493,737	$ (2,493,737)	$ 10,853,408
Capital Assets	9,755		22,275,704	66,803,339			89,088,798
Other Noncurrent Assets	101,383,009	7,901,153			220,829,611	(220,829,611)	109,284,162
Total Assets	106,888,213	8,289,384	22,275,704	71,773,067	223,323,348	(223,323,348)	209,226,368
LIABILITIES							
Current Liabilities	280,345			5,357,104	2,128,116	(2,128,116)	5,637,449
Noncurrent Liabilities	7,875,590			65,427,060			73,302,650
Total Liabilities	8,155,935			70,784,164	2,128,116	(2,128,116)	78,940,099
Deferred Inflows of Resources	150,378						150,378
NET POSITION							
Net Investment in Capital Assets	9,755		22,275,704	278,004			22,563,463
Restricted - Nonexpendable	59,294,439	4,087,342			3,280,005	(3,280,005)	63,381,781
Restricted - Expendable	32,342,886	2,725,386			217,915,189	(217,915,189)	35,068,272
Unrestricted	6,934,820	1,476,656		710,899			9,122,375
Total Net Position	$ 98,581,900	$ 8,289,384	22,275,704	$ 988,903	$ 221,195,194	(221,195,194)	$ 130,135,891

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Weatherspoon Art Foundation	Capital Facilites Foundation	UNCG Investment Fund	Eliminations	Total
OPERATING REVENUES							
Rental Income	$	$	$	$ 333,343	$	$ (306,264)	$ 27,079
Investment Income					22,281,078	(22,281,078)	0
Total Operating Revenues				333,343	22,281,078	# (22,587,342)	27,079
OPERATING EXPENSES							
Operating Expenses	37,771	2,478		197,143	708,221	(856,661)	88,952
Depreciation	10,853			128,212			139,065
Total Operating Expenses	48,624	2,478		325,355	708,221	(856,661)	228,017
Operating (Loss)	(48,624)	(2,478)		7,988	21,572,857	(21,730,681)	(200,938)
NONOPERATING REVENUES (EXPENSES)							
Investment Income	10,391,889	812,729		117,633			11,322,251
Noncapital Gifts	802,124	250	317,150				1,119,524
Interest and Fees on Debt				(318,048)			(318,048)
Other Nonoperating Revenue	7,190			2,240	8,555,894	(8,555,894)	9,430
Other Nonoperating Expenses			(32,560)	(88,216)	(6,981,189)	7,069,405	(32,560)
Net Nonoperating Revenues (Expenses)	11,201,203	812,979	284,590	(286,391)	1,574,705	(1,486,489)	12,100,597
Transfers	(3,171,889)	(263,913)		(454,679)		3,890,481	0
Additions to Endowments	2,971,775	182,141					3,153,916
Increase in Net Position	10,952,465	728,729	284,590	(733,082)	23,147,562	(19,326,689)	15,053,575
NET POSITION							
Net Position, July 1, 2012	87,629,435	7,560,655	21,991,114	1,721,985	198,047,632	(201,868,505)	115,082,316
Net Position, June 30, 2013	$ 98,581,900	$ 8,289,384	$ 22,275,704	$ 988,903	$ 221,195,194	$ (221,195,194)	$ 130,135,891

Condensed Statement of Cash Flows
June 30, 2013

	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Capital Facilities Foundation	Total
Net Cash Used by Operating Activities	$ (38,194)	$ (2,478)	$ (197,662)	$ (238,334)
Net Cash (Used) by Noncapital Financing Activities	(1,082,182)	(81,522)		(1,163,704)
Net Cash Provided by Capital and Related Financing Activities	23,500		886,533	910,033
Net Cash Provided by Investing Activities	1,345,905	88,766	147,708	1,582,379
Net Increase (Decrease) in Cash and Cash Equivalents	249,029	4,766	836,579	1,090,374
Cash and Cash Equivalents, July 1, 2012	1,390,549	47,755	3,422,250	4,860,554
Cash and Cash Equivalents, June 30, 2013	$ 1,639,578	$ 52,521	$ 4,258,829	$ 5,950,928

The University of North Carolina at Greensboro Investment Fund, Incorporated (the Fund) was formed to consolidate the endowment pool investments of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc., The UNCG Excellence Foundation, Inc., and The Endowment Fund of The University of North Carolina at Greensboro. Subsequently The Alumni Association of The University of North Carolina at Greensboro and The Associated Campus Ministries of The University of North Carolina at Greensboro joined the Fund as external participants. The Fund is the fiscal agent for the pool, and all units of the pool are owned by The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc., The UNCG Excellence Foundation, Inc., The Endowment Fund of The University of North Carolina at Greensboro, The Alumni Association of The University of North Carolina at Greensboro, and The Associated Campus Ministries of The University of North Carolina at Greensboro (the Participants). Since the balances of the Participants are blended with the University for financial reporting, the entire activity for The University of North Carolina Investment Fund has been eliminated

Note 17 - Subsequent Events

Subsequent to year-end, the UNCG Investment Fund, Inc (a blended component unit) and Cambridge Associates Resources, LLC (Cambridge) created a limited partnership, UNCG Endowment Partners, LP, for the purpose of allowing Cambridge to act as the Fund's Chief Investment Officer. As part of the agreement, Cambridge is the General Partner and the UNCG Investment Fund, Inc is the Limited Partner. The UNCG Investment Fund, Inc. contributed its investment portfolio in exchange for its interest in UNCG Endowment Partners, LP.

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