



UNCG

The Financial Report
2013-2014

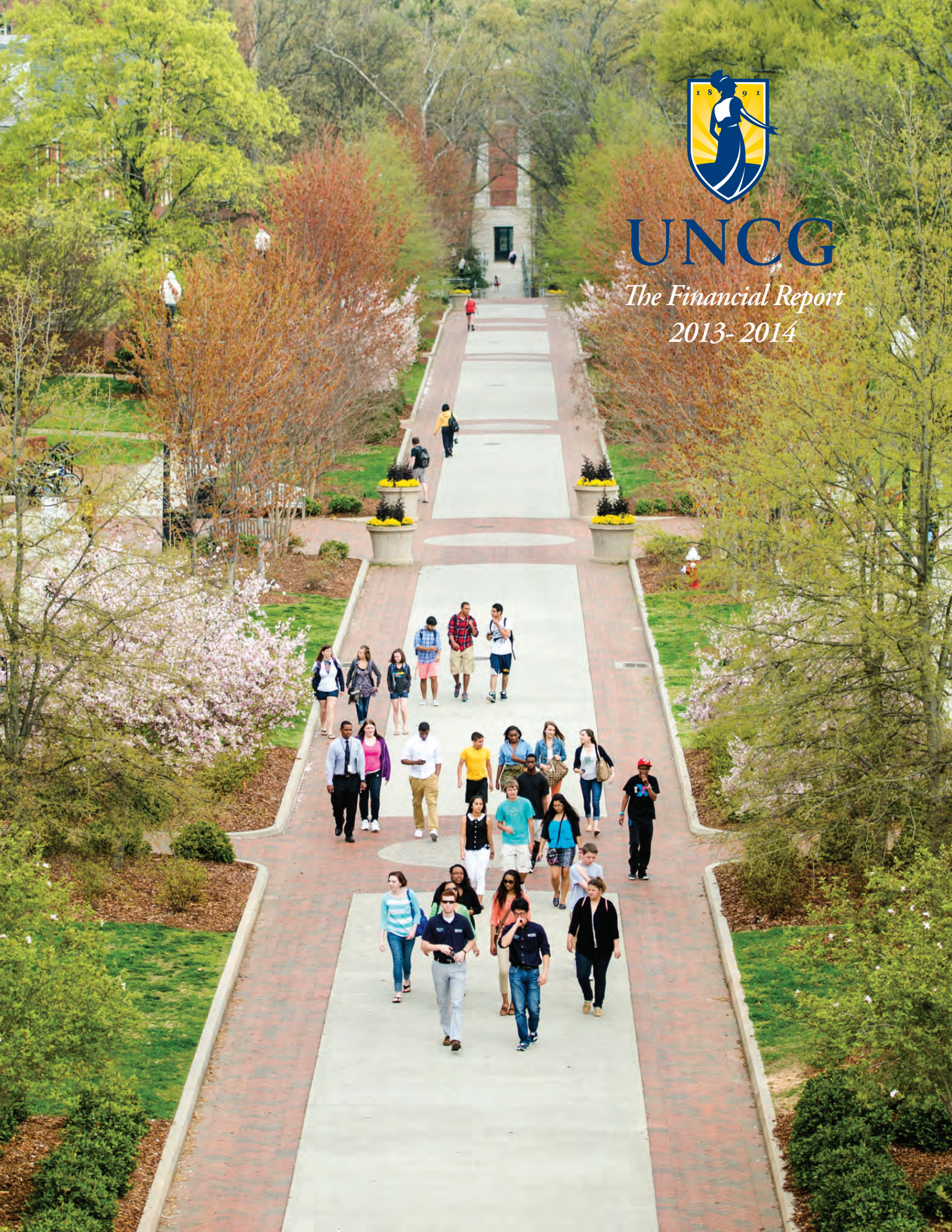


Table of Contents

Cover photo of College Avenue

- 2 Letter From the Vice Chancellor for Business Affairs

- 3 Management's Discussion and Analysis

- 9 Financial Statements
 - 9 Report of the Independent Auditor
 - 12 Statement of Net Position
 - 13 Statement of Revenues, Expenses, and Changes in Net Position
 - 14 Statement of Cash Flows
 - 17 Index to the Notes to the Financial Statements
 - 18 Notes to the Financial Statements

- 38 The Board of Trustees and University Officers



THE UNIVERSITY of NORTH CAROLINA
GREENSBORO

Business Affairs

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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, 2014. The report is comprised of three sections: management's discussion and analysis; the financial statements; and the related financial statement footnote disclosures. The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) pronouncements, which establish standards for external financial reporting for public colleges and universities.

For the 2013-14 fiscal year, the University experienced a \$37 million increase in its net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) due in part to continued positive investment returns. State appropriations were reduced by \$6.7 million (4.4%) during the fiscal year and provide only 36% of the University's total revenues. In order to offset this reduction, operating expenses have been reduced below FY2011 levels. Tuition and fee rates were increased to provide financial aid for our neediest students and to enable the University to continue to offer support, curriculum, and instruction necessary to prepare our students for the dynamic demands of the workplace.

UNCG is blessed in many ways by dedicated faculty and staff who do whatever is necessary to get the job done. I would especially like to recognize the employees working within the Office of Accounting Services who prepared this financial report. A tremendous amount of time and effort was required of them in order to make this report possible.

Sincerely,

Charles A. Maimone
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, 2014. 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) pronouncements, which establish standards for external financial reporting for public colleges and universities. GASB standards 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 as well as deferred outflows and deferred inflows. The differences between current and noncurrent assets and liabilities are discussed further in the notes to the financial statements. As part of the implementation of GASB 65 in fiscal year 2014, prior year amounts in the condensed Statement of Net Position have been restated. Refer to Note 17 of the Notes to the Financial Statements for details.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. They are 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 and deferred outflows minus liabilities and deferred inflows) 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

	6/30/14	6/30/13 As Restated
Assets:		
Current Assets	\$ 134,056,201	\$ 135,328,652
Noncurrent Capital Assets, Net of Accumulated Depreciation	646,858,891	620,321,811
Other Noncurrent Assets	343,806,112	257,735,619
Total Assets	1,124,721,204	1,013,386,082
Deferred Outflows Of Resources		
Deferred Loss on Refunding	2,933,692	3,179,576
Liabilities:		
Current Liabilities	33,530,802	29,374,729
Long-Term Liabilities, Net	362,040,925	291,604,669
Other Noncurrent Liabilities	11,983,282	12,825,394
Total Liabilities	407,555,009	333,804,792
Deferred Inflows Of Resources		
Deferred Revenue, Split Interest Trust Agreements	153,875	150,378
Net Position:		
Net Investment in Capital Assets	377,839,367	363,312,541
Restricted - Nonexpendable	128,185,752	123,082,199
Restricted - Expendable	132,976,324	111,022,683
Unrestricted	80,944,569	85,193,065
Total Net Position	\$ 719,946,012	\$ 682,610,488

The total assets of the University increased by \$111.3 million for the year (\$112.6 million increase for non-current assets and a \$1.3 million decrease for current assets). This overall increase was attributable to an increase of \$26.5 million in capital assets, net of accumulated depreciation, an increase of \$29.9 million in endowment investments, an increase of \$56.5 million in noncurrent restricted cash and cash equivalents, and a \$1.6 million decrease 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 Spartan Village Residence Hall project, the Railroad Pedestrian Underpass project, and the West Lee Street Parking Lot. The continuation of the comprehensive Dining Hall renovation project and the construction of a new Police Building also contributed to the increase in capital assets, net of depreciation. The increase in endowment investments is due to increases in the value of investments and the investment of the entire endowment pool assets with the UNCG Endowment Partners, LP. The increase in noncurrent restricted cash and cash equivalents is from the receipt of the net bond proceeds from the sale of the 2014 revenue bonds on June 19, 2014. These proceeds will be used to construct a new student recreation center in the next fiscal year.

The total liabilities of the University increased by \$73.8 million for the year (\$4.2 million increase for current liabilities and a \$70.4 million increase in noncurrent long-term liabilities, and a \$.8 million decrease in other noncurrent liabilities). This overall increase in total liabilities consists of a \$128.4 million increase in noncurrent bonds payable, \$3.1 million increase in the current portion of long-term liabilities, a \$.8 million increase in current accounts payable and accrued liabilities, a \$57.2 million decrease in notes payable, and a decrease of \$1.1 million in all other liability categories, both current and noncurrent. The increase in bonds payable is due to the issuance of \$125.7 million in 2014 revenue bonds on June 19, 2014. The proceeds from this bond sale were used to retire a \$67 million note associated with the construction of the 800 bed Spartan Village Residence Halls. The corresponding change in notes payable is due primarily to the retirement of the aforementioned \$67 million note. The increase in accounts payable is due to an

increase in construction activity at the end of the fiscal year. The increase in the current portion of long-term liabilities is attributable to the new bonds issued in the current and past fiscal years.

Deferred outflows of resources decreased by \$.2 million due to the annual amortization of the loss on refunding of bonds, while deferred inflows of resources had a slight change.

The combination of the increase in total assets of \$111.3 million, the increase in total liabilities of \$73.8 million, and the \$.2 million decrease in deferred outflows of resources yields an overall increase in total net position of \$37.3 million. This change consists of an increase in the category of net investment in capital assets of \$14.5 million, an increase in the category of restricted nonexpendable net position of \$5.1 million, an increase in the category of restricted expendable net position of \$21.9 million, and a decrease of \$4.2 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 Railroad Pedestrian Underpass and the West Lee Street Parking Lot. 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 decrease in unrestricted net position is due to continuing state fund budget cuts that have resulted in the use of additional unrestricted resources to maintain the mission critical operations of the University.

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**

	<u>6/30/14</u>	<u>6/30/13 As Restated</u>
Operating Revenues		
Student Tuition and Fees, Net	\$ 88,900,516	\$ 90,250,294
Grants and Contracts	13,783,931	15,104,751
Sales and Services, Net	45,285,688	44,703,777
Interest Earnings on Loans	119,902	73,073
Other Operating Revenues	717,273	863,721
Total Operating Revenues	<u>148,807,310</u>	<u>150,995,616</u>
Operating Expenses		
Salaries and Benefits	230,723,554	233,428,363
Supplies and Materials	28,507,267	20,847,405
Services	50,564,352	56,144,959
Scholarships and Fellowships	30,157,659	32,314,297
Utilities	8,083,979	7,794,061
Depreciation	17,177,106	15,561,374
Total Operating Expenses	<u>365,213,917</u>	<u>366,090,459</u>
Operating Loss	<u>(216,406,607)</u>	<u>(215,094,843)</u>
Nonoperating Revenues (Expenses)		
State Appropriations	147,367,243	154,110,667
Noncapital Grants and Gifts	66,994,400	71,669,295
Investment Income (Net of Investment Expense)	35,343,176	22,615,080
Interest and Fees on Debt	(7,199,273)	(6,772,794)
Federal Subsidy on Debt	0	3,301
Other Nonoperating Expenses	(524,582)	(1,690,085)
Net Nonoperating Revenues	<u>241,980,964</u>	<u>239,935,464</u>
Income Before Other Revenues	<u>25,574,357</u>	<u>24,840,621</u>
Other Revenues		
Capital Appropriations	4,254,199	714,900
Capital Grants and Gifts	3,570,475	7,734,170
Total Other Revenues	<u>7,824,674</u>	<u>8,449,070</u>
Income Before Additions to Endowments	33,399,031	33,289,691
Additions to Endowments	<u>3,936,493</u>	<u>7,355,757</u>
Increase in Net Position	37,335,524	40,645,448
Net Position - July 1	<u>682,610,488</u>	<u>641,965,040</u>
Net Position - June 30	<u>\$ 719,946,012</u>	<u>\$ 682,610,488</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in the net position at the end of the year and a decrease of \$4.9 million (1.2%) in total revenues of \$410.3 million. Total expenses were \$373.0 million. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- Operating revenues decreased by \$2.2 million (1.4%), whereas operating expenses decreased by \$.9 million (.2%), for a combined net increase in operating loss of \$1.3 million. The largest increase within operating revenues was in sales and services, net, which increased by \$.6 million (1.3%). This increase was due to the addition of the Spartan Village at the start of the fiscal year, which allowed for an increase in the number of students living on campus. The largest decreases within operating revenues were in student tuition and fees, net, which decreased by \$1.3 million (1.5%) and federal grants and contracts, which decreased by \$1.0 million (9.0%). The decrease in student tuition and fees is due to an enrollment decline when compared with the prior year. 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 decrease in operating expenses is the result of a \$2.7 million (1.2%) decrease in salaries and benefits, a \$5.6 million (9.9%) decrease in services, a \$2.2 million (6.7%) decrease in scholarships and fellowships, a \$7.7 million increase (36.7%) in supplies and materials, a \$1.6 million (10.4%) increase in depreciation, and a \$.3 million (3.7%) increase in utilities. The decreases in salaries and benefits and services are related to a reduction in state appropriations and the resulting elimination of positions. The decrease in scholarships and fellowships is the result of a decline in enrollment and an increase in the tuition discount amount. The increase in supplies and materials is directly related to a decrease in capitalized construction activity and an increase in repair and replacement type activity that is not capitalized. The increase in depreciation is due to newly capitalized major building additions and renovations. The slight increase in utilities is due to the Spartan Village Residence Halls acquisition by the University at the start of the fiscal year.

- State appropriations decreased by \$6.7 million (4.4%) due to budget cuts enacted during the fiscal year and an additional allotment holdback of \$1.8 million. Investment income increased by \$12.7 million because of increases in the value of investments and the strategic decision to invest all of the UNCG Investment Fund's assets in a newly created limited partnership with Cambridge Associates Resources, LLC acting as the General Partner and Chief Investment Officer. The total return on the University's external investment pool was 15.2% for the current fiscal year compared to 11.2% for the prior fiscal year. Noncapital grants decreased by \$2.7 million (4.1%) as a decrease in student enrollment resulted in reductions of federal financial aid. Noncapital gifts decreased by \$2.0 million (35.2%) due to an overall decline in giving to the University during the fiscal year. Interest and fees on debt increased by \$.4 million (6.3%). The caption other nonoperating expenses consists of surplus property sales (a revenue), bond issue costs, and the loss on the disposal of capitalized assets. Bond issuance costs of \$.3 million were incurred this fiscal year in relation to the bonds sold on June 19, 2014. The loss on the disposal of capitalized assets was \$.3 million.
- Other revenues consist of capital appropriations, capital grants, capital gifts, and additions to endowments. Capital appropriations increased by \$3.5 million through additional Repair and Replacement funding received from the State. Capital grants decreased by \$5.1 million, due to a reduction in construction activity financed by the State's COPS and two-thirds GO bond capital project funding sources. The increase of \$.9 million in capital gifts is the direct result of the receipt of a \$900,000 contribution from the North Carolina Railroad for the construction of the Railroad Pedestrian Underpass underneath the existing railroad tracks. Additions to endowments decreased by \$3.4 million due to an overall decline in giving to the University during the fiscal year.

Capital Assets and Debt Administration

During fiscal year 2013-14, the Pedestrian Underpass and West Lee Street Parking Lot improvement projects were completed.

Major projects included in construction in progress are as follows: \$33.3 million for the Dining Hall Renovation, \$6.9 million for the Campus Police Building, \$2.3 million for the Student Recreation Center, \$7.9 million for the Reynolds & Grogan Dorm Renovations, and \$1.4 million for other various campus projects.

On June 19, 2014, the University issued \$125.7 million in general obligation revenue bonds. The proceeds were used to retire a \$67 million note payable to SunTrust Bank and to acquire the Spartan Village Residence Halls from the Capital Facilities Foundation, Inc. The remainder of the bond proceeds will be used to finance the construction costs of a new Student Recreation Center.

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 reductions in state support and declining enrollments. The North Carolina State Legislature reduced funding to the UNC system, resulting in additional permanent reductions in state appropriations to the University. These reductions to state appropriations combined with lower enrollment have led to the loss of positions throughout all University divisions affecting both academic and administrative personnel. These reductions have a real impact on operations and have resulted in a reduction in unrestricted resources as they are used to offset the state funding reductions referred to previously.

In an effort to maintain the University's strong financial position in this challenging environment, the University has expanded 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 Residence Halls which provide 800 beds of apartment style housing for students. All four buildings were completed and fully occupied for the fall 2014 semester. A related project in this area, the Railroad Pedestrian Underpass was completed in April of 2014 and the new Campus Police Building is expected to be completed in the fall of 2014. These projects provide the new apartments with access to security services and an easy connection to campus. A Student Recreation Center is currently under construction in this area, and additional student housing, and mixed-use spaces are planned for the future in this area.

The University's overall financial condition is strong enough to position it to grow and strengthen in this challenging environment. Management will continue the University's ongoing plan toward revenue diversification, cost containment, and implementation of operating efficiencies wherever possible, in addition to implementing 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, to insulate the University from investment market volatility. The ability to achieve these investment goals was enhanced by the formation of a limited partnership, UNCG Endowment Partners, LP, between The University of North Carolina at Greensboro Investment Fund, Inc. and Cambridge Associates Resources, LLC. Despite the current challenging higher education environment discussed above, management strongly believes the University has sufficient resources to grow and provide excellent service to students, the surrounding Piedmont Triad community, and the State of North Carolina.



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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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, 2014, 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 an opinion 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, Inc., which represent 22.38 percent, 34.97 percent, and 9.69 percent, respectively, of the assets, net position, and revenues of the University; The UNCG Excellence Foundation, Inc., which represent 10.63 percent, 15.49 percent, and 4.05 percent, respectively, of the assets, net position, and revenues of the University; The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, which represents .84 percent, 1.32 percent, and .37 percent, respectively, of the assets, net position, and revenues of the University; nor the Capital Facilities Foundation, Inc., which represent 1.22 percent, .27 percent, and .003 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., The UNCG Excellence Foundation, Inc., The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, 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, 2014, 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.

Emphasis of Matter

During the year ended June 30, 2014, The University of North Carolina at Greensboro adopted Governmental Accounting Standards Board (GASB) Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. See Note 17 in the accompanying financial statements for an explanation of the standard and the impact of the University's implementation. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

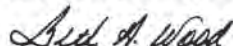
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 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 on internal control and compliance has been issued under separate cover in the Financial Statement Audit Report of The University of North Carolina at Greensboro by this office.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

December 9, 2014

**Statement of
Net Position**

June 30, 2014

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 88,130,160
Restricted cash and cash equivalents	27,542,545
Short-term investments	878,308
Restricted short-term investments	8,615,615
Receivables, net (Note 4)	6,934,574
Inventories	477,684
Notes receivable, net (Note 4)	1,477,315
Total current assets	<u>134,056,201</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	80,865,243
Receivables	463,262
Endowment investments	254,505,326
Other investments	4,234,768
Notes receivable, net (Note 4)	3,737,513
Capital assets - nondepreciable (Note 5)	123,462,926
Capital assets - depreciable, net (Note 5)	523,395,965
Total noncurrent assets	<u>990,665,003</u>
Total assets	<u>1,124,721,204</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>2,933,692</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities (Note 6)	16,664,694
Due to primary government	10,015
Deposits payable	742,710
Funds held for others	22,948
Unearned revenue	3,225,496
Interest payable	2,461,603
Long-term liabilities - current portion (Note 7)	10,403,336
Total current liabilities	<u>33,530,802</u>
Noncurrent Liabilities:	
Accounts payable and accrued liabilities (Note 6)	1,891,669
Funds held for others	1,344,165
U. S. government grants refundable	5,084,360
Funds held in trust for pool participants	3,663,088
Long-term liabilities (Note 7)	362,040,925
Total noncurrent liabilities	<u>374,024,207</u>
Total liabilities	<u>407,555,009</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue, split interest trust agreements	<u>153,875</u>
NET POSITION	
Net investment in capital assets	377,839,367
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	73,925,050
Endowed professorships	18,195,776
Departmental uses	26,063,714
Loans	874,969
Art	1,519,709
Other	7,606,534
Expendable:	
Scholarships and fellowships	73,763,724
Research	34,306
Endowed professorships	22,275,194
Departmental uses	30,264,018
Loans	1,087,790
Debt service	63
Art	1,054,205
Other	4,497,024
Unrestricted	<u>80,944,569</u>
Total net position	<u>\$ 719,946,012</u>

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

Year Ended
June 30, 2014

Statement of
Revenues, Expenses,
and Changes in
Net Position

REVENUES

Operating Revenues:	
Student tuition and fees, net (Note 9)	\$ 88,900,516
Federal grants and contracts	10,404,426
State and local grants and contracts	2,351,087
Nongovernmental grants and contracts	1,028,418
Sales and services, net (Note 9)	45,285,688
Interest earnings on loans	119,902
Other operating revenues	717,273
Total operating revenues	<u>148,807,310</u>

EXPENSES

Operating Expenses:	
Salaries and benefits	230,723,554
Supplies and materials	28,507,267
Services	50,564,352
Scholarships and fellowships	30,157,659
Utilities	8,083,979
Depreciation	17,177,106
Total operating expenses	<u>365,213,917</u>
Operating loss	<u>(216,406,607)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	147,367,243
Noncapital grants - student financial aid	46,371,798
Noncapital grants	17,008,234
Noncapital gifts	3,614,368
Investment income (net of investment expense of \$1,178,158)	35,343,176
Interest and fees on debt	(7,199,273)
Other nonoperating expenses	(524,582)
Net nonoperating revenues	<u>241,980,964</u>
Income before other revenues	25,574,357
Capital appropriations	4,254,199
Capital grants	2,629,481
Capital gifts	940,994
Additions to endowments	3,936,493
Increase in net position	<u>37,335,524</u>

NET POSITION

Net position - July 1, 2013	<u>682,610,488</u>
Net position - June 30, 2014	<u>\$ 719,946,012</u>

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

*Statement of
Cash Flows*

CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$ 148,366,645
Payments to employees and fringe benefits	(230,637,632)
Payments to vendors and suppliers	(85,491,557)
Payments for scholarships and fellowships	(30,157,659)
Loans issued	(1,313,205)
Collection of loans	1,309,459
Interest earned on loans	96,306
Other receipts	622,945
	<hr/>
Net cash used by operating activities	(197,204,698)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	147,367,243
Noncapital grants - student financial aid	46,371,798
Noncapital grants	16,466,925
Noncapital gifts	4,164,258
Additions to endowments	3,936,493
William D. Ford direct lending receipts	86,216,602
William D. Ford direct lending disbursements	(86,216,602)
Related activity agency receipts	171,531
	<hr/>
Net cash provided by noncapital financing activities	218,478,248

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED
FINANCING ACTIVITIES**

Proceeds from capital debt	81,726,204
State capital appropriations	4,254,199
Capital grants	2,629,481
Capital gifts	940,994
Proceeds from sale of capital assets	53,070
Acquisition and construction of capital assets	(45,152,580)
Principal paid on capital debt	(6,795,568)
Interest and fees paid on capital debt	(8,397,392)
	<hr/>
Net cash provided by capital financing and related financing activities	29,258,408

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	317,226,637
Investment income	2,185,508
Purchase of investments and related fees	(314,773,655)
	<hr/>
Net cash provided by investing activities	4,638,490
Net increase in cash and cash equivalents	55,170,448
Cash and cash equivalents - July 1, 2013	141,367,500
	<hr/>
Cash and cash equivalents - June 30, 2014	<u>\$ 196,537,948</u>

**RECONCILIATION OF NET OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$ (216,406,607)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	17,177,106
Allowances and write-offs	61,799
Changes in Assets and Liabilities:	
Receivables (net)	1,283,751
Inventories	19,793
Notes receivable (net)	(164,595)
Accounts payable and accrued liabilities	515,452
Due to primary government	(339)
Unearned revenue	261,872
Compensated absences	(15,230)
Deposits payable	62,300
	<hr/>
Net cash used by operating activities	<u>\$ (197,204,698)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and cash equivalents	\$ 88,130,160
Restricted cash and cash equivalents	27,542,545
Noncurrent Assets:	
Restricted cash and cash equivalents	80,865,243
	<hr/>
Total cash and cash equivalents - June 30, 2014	<u>\$ 196,537,948</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in fair value of investments	\$ 21,331,483
Loss on disposal of capital assets	(226,969)
Bond issuance cost withheld	372,684
Amortization of bond premiums	(1,175,566)
Funds escrowed to refund bank loan	67,000,000

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



Note	Page	Description
Note 1	18	Significant Accounting Policies A. Financial Reporting Entity B. Basis of Presentation C. Basis of Accounting D. Cash and Cash Equivalents E. Investments F. Receivables G. Inventories H. Capital Assets I. Restricted Assets J. Funds Held in Trust for Pool Participants K. Noncurrent Long-Term Liabilities L. Compensated Absences M. Net Position N. Scholarship Discounts O. Revenue and Expense Recognition P. Internal Sales Activities
Note 2	21	Deposits and Investments A. Deposits B. Investments C. Reconciliation of Deposits and Investments
Note 3	26	Endowment Investments
Note 4	26	Receivables
Note 5	27	Capital Assets
Note 6	27	Accounts Payable and Accrued Liabilities
Note 7	28	Long-Term Liabilities A. Changes in Long-Term Liabilities B. Revenue Bonds Payable C. Annual Requirements D. Bond Defeasance E. Notes Payable F. Annuities Payable
Note 8	29	Lease Obligations
Note 9	30	Revenues
Note 10	30	Operating Expenses by Function
Note 11	30	Pension Plans
Note 12	31	Other Postemployment Benefits A. Health Benefits B. Disability Income
Note 13	32	Risk Management
Note 14	33	Commitments and Contingencies A. Commitments B. Pending Litigation and Claims C. Other Contingent Receivables
Note 15	34	Related Parties
Note 16	34	Blended Component Units
Note 17	35	Changes in Financial Accounting and Reporting

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 University of North Carolina at Greensboro Weatherspoon Arts Foundation; The UNCG Excellence Foundation, Inc; The University of North Carolina at Greensboro Investment Fund, Inc.; and the Capital Facilities Foundation, Inc.

The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated is governed by a 21 member board consisting of four ex officio directors and 17 appointed directors. The Foundation is organized exclusively for the benefit of the departments and center formerly housed within the 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 University of North Carolina at Greensboro Weatherspoon Arts Foundation is governed by a 29 member board consisting of four 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 38 member board consisting of two ex officio directors, four emeritus and 32 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, Inc. is governed by a 13 member board consisting of seven ex officio directors and six 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 10 member board consisting of five 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 undeposited receipts, petty cash, cash on deposit with private bank 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 are stated at fair value. Equity securities and mutual funds are stated at quoted value. Investments in partnerships are stated at net unit value based on the fair value of the partnership's assets. Fair value of the partnership investments is based upon the General Partner's best judgment in estimating the fair value of these investments. 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, 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. The University amortizes bond premiums over the life of the bonds using the proportionate-to-stated interest method. Deferred charges on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are included as Deferred Outflows of Resources on the Statement of Net Position. 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. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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. Both restricted and unrestricted net position include consideration of deferred inflows and outflows of resources.

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, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$185,455,927 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 1.3 years as of June 30, 2014. 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, 2014 was \$45,965. The carrying amount of the University's deposits not with the State Treasurer was \$11,036,056 and the bank balance was \$10,322,633. 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, 2014, \$9,189,186 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

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.

Additionally, the University has also been delegated authority by the President of The University of North Carolina pursuant to G.S. 116-36.1 and Section 600.2.4.1 of the Policy Manual of the University of North Carolina to invest its trust funds 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; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; 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, Inc. 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 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.

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.

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. As of September 1, 2013, the Board chose to outsource the investment responsibilities to Cambridge Associates Resources, LLC out of Boston. The Board’s primary role is to adopt investment objectives and policies and monitor the policy implementation and investment performance.

Cambridge Associates Resources, LLC serves as the outsourced chief investment officer 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, 2014, for the External Investment Pool.

External Investment Pool

Investment Type	<u>Fair Value</u>
Other Securities Partnerships: UNCG Endowment Partners, LP	<u>\$ 251,751,978</u>

Non-Pooled Investments - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2014, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Debt Securities				
Money Market Funds	\$ 187,515	\$ 187,515	\$ 0	\$ 0
Mutual Bond Funds	<u>4,229,465</u>	<u>225,463</u>	<u>1,273,656</u>	<u>2,730,346</u>
Total Debt Securities	4,416,980	<u>\$ 412,978</u>	<u>\$ 1,273,656</u>	<u>\$ 2,730,346</u>
Other Securities				
Mutual Funds	9,811,216			
Corporate Securities:				
Common Stocks	1,677,597			
Other: Real Estate	<u>576,246</u>			
Total Non-Pooled Investments	<u>\$ 16,482,039</u>			

At June 30, 2014, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	<u>Fair Value</u>	<u>AAA Aaa</u>	<u>A</u>	<u>BBB Baa</u>	<u>BB/Ba and below</u>
Money Market Funds	\$ 187,515	\$ 187,515	\$ 0	\$ 0	0
Mutual Bond Funds	<u>4,229,465</u>	<u>327,223</u>	<u>2,610,516</u>	<u>615,295</u>	<u>676,431</u>
Totals	<u>\$ 4,416,980</u>	<u>\$ 514,738</u>	<u>\$ 2,610,516</u>	<u>\$ 615,295</u>	<u>676,431</u>

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, 2014:

	Fair Value
Investment Type	
Debt Securities	
Money Market Funds	\$ 187,515
Mutual Bond Funds	4,229,465
Other Securities	
Mutual Funds	9,811,216
Corporate Securities:	
Common Stocks	1,677,597
Partnerships:	
UNCG Endowment Partners, LP	251,751,978
Other: Real Estate	576,246
Total Investments	\$ 268,234,017

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the University as of June 30, 2014, is as follows:

Cash on Hand	\$ 45,965
Amount of Deposits with Private Financial Institutions	11,036,056
Deposits in the Short-Term Investment Fund	185,455,927
External Investment Pool	251,751,978
Non-Pooled Investments	16,482,039
Total Deposits and Investments	\$ 464,771,965
Deposits	
Current:	
Cash and Cash Equivalents	\$ 88,130,160
Restricted Cash and Cash Equivalents	27,542,545
Noncurrent:	
Restricted Cash and Cash Equivalents	80,865,243
Total Deposits	196,537,948
Investments	
Current:	
Short-Term Investments	878,308
Restricted Short-Term Investments	8,615,615
Noncurrent:	
Endowment Investments	254,505,326
Other Investments	4,234,768
Total Investments	268,234,017
Total Deposits and Investments	\$ 464,771,965

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 for 2014 and 2013 are equal to 4.5 percent and 4.25 percent of the average market value of the Investment Pool at December 31 for the past three years, respectively. 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 position endowment balances to make up the difference. At June 30, 2014, net appreciation of \$39,409,421 was available to be spent, of which \$36,582,823 was classified in net position as restricted expendable for scholarships and fellowships, endowed professorships, departmental uses, loans, art, and 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, 2014 the amount of investment losses reported against the nonexpendable endowment balances was \$2,745.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,994,194	\$ 536,330	\$ 1,457,864
Student Sponsors	851,812		851,812
Intergovernmental	3,206,782		3,206,782
Pledges	303,068	4,693	298,375
Investment Earnings	20,272		20,272
Interest on Loans	224,620		224,620
Other	874,849		874,849
Total Current Receivables	<u>\$ 7,475,597</u>	<u>\$ 541,023</u>	<u>\$ 6,934,574</u>
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 1,432,026	\$ 121,410	\$ 1,310,616
Institutional Student Loan Programs	285,095	118,396	166,699
Total Notes Receivable - Current	<u>\$ 1,717,121</u>	<u>\$ 239,806</u>	<u>\$ 1,477,315</u>
Notes Receivable - Noncurrent:			
Federal Loan Programs	<u>\$ 4,341,823</u>	<u>\$ 604,310</u>	<u>\$ 3,737,513</u>

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land	\$ 47,046,559	\$ 11,519,814	\$ 9,607,832	\$ 48,958,541
Art, Literature, and Artifacts	22,311,204	363,088	19,595	22,654,697
Construction in Progress	82,394,395	30,478,818	61,023,525	51,849,688
Total Capital Assets, Nondepreciable	<u>151,752,158</u>	<u>42,361,720</u>	<u>70,650,952</u>	<u>123,462,926</u>
Capital Assets, Depreciable:				
Buildings	521,619,333	57,162,560	366,410	578,415,483
Machinery and Equipment	54,377,434	4,564,834	2,581,262	56,361,006
General Infrastructure	67,412,516	10,556,063		77,968,579
Total Capital Assets, Depreciable	<u>643,409,283</u>	<u>72,283,457</u>	<u>2,947,672</u>	<u>712,745,068</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	114,669,268	11,395,810	366,410	125,698,668
Machinery and Equipment	29,864,527	3,034,290	2,301,223	30,597,594
General Infrastructure	30,305,835	2,747,006		33,052,841
Total Accumulated Depreciation/Amortization	<u>174,839,630</u>	<u>17,177,106</u>	<u>2,667,633</u>	<u>189,349,103</u>
Total Capital Assets, Depreciable, Net	<u>468,569,653</u>	<u>55,106,351</u>	<u>280,039</u>	<u>523,395,965</u>
Capital Assets, Net	<u>\$ 620,321,811</u>	<u>\$ 97,468,071</u>	<u>\$ 70,930,991</u>	<u>\$ 646,858,891</u>

During the year ended June 30, 2014, the University incurred \$8,690,683 in interest costs related to the acquisition and construction of capital assets. Of this total, \$7,153,343 was charged in interest expense, and \$1,537,340 was capitalized.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 8,989,831
Accrued Payroll	6,195,283
Other	1,479,580
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 16,664,694</u>
Noncurrent Accounts Payable and Accrued Liabilities	
Contract Retainage	<u>\$ 1,891,669</u>

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, 2014, is presented as follows:

	Balance July 1, 2013 (As Restated)	Additions	Reductions	Balance June 30, 2014	Current Portion
Revenue Bonds Payable	\$ 195,085,000	\$ 125,685,000	\$ 6,305,000	\$ 314,465,000	\$ 8,875,000
Plus: Unamortized Premium	13,479,260	12,727,783	1,175,566	25,031,477	
Total Revenue Bonds Payable, Net	208,564,260	138,412,783	7,480,566	339,496,477	8,875,000
Notes Payable	68,920,567	10,313,420	67,490,569	11,743,418	524,916
Compensated Absences	13,522,637	11,240,579	11,255,810	13,507,406	1,003,420
Annuity and Life Income Payable	7,875,589		178,629	7,696,960	
Total Long-Term Liabilities	\$ 298,883,053	\$ 159,966,782	\$ 86,405,574	\$ 372,444,261	\$ 10,403,336

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, 2014	Principal Outstanding June 30, 2014
Revenue Bonds Payable						
General Revenue Bonds						
General Revenue Bonds (2009)	A	3.50%-5.00%	04/01/2034	\$ 29,525,000	\$ 3,530,000	\$ 25,995,000
General Revenue Bonds (2009)	B	3.00%-4.00%	04/01/2016	4,120,000	2,825,000	1,295,000
General Revenue Bonds (2011)		3.00%-5.00%	04/01/2036	77,505,000	535,000	76,970,000
General Revenue Bonds (2012)	A	2.00%-5.00%	04/01/2037	52,360,000	2,750,000	49,610,000
General Revenue Bonds (2012)	B	1.31%-2.98%	04/01/2023	7,830,000	275,000	7,555,000
General Revenue Bonds (2014)		2.00%-5.00%	04/01/2039	125,685,000		125,685,000
Total General Revenue Bonds				297,025,000	9,915,000	287,110,000
The University of North Carolina System Pool Revenue Bonds						
General Revenue Bonds (2004C)	(A)		04/01/2014	18,350,000	18,350,000	
General Revenue Bonds (2005A)	(B)	4.00%-5.25%	04/01/2026	22,235,000	13,840,000	8,395,000
General Revenue Bonds (2010B-2)	(C)	3.25%-5.25%	04/01/2026	23,780,000	4,820,000	18,960,000
Total The University of North Carolina System Pool Revenue Bonds				64,365,000	37,010,000	27,355,000
Total Revenue Bonds Payable (principal only)				\$ 361,390,000	\$ 46,925,000	314,465,000
Plus: Unamortized Premium						25,031,477
Total Revenue Bonds Payable, Net						\$ 339,496,477

(A) The University of North Carolina System Pool Revenue Bonds, Series 2004C
(B) The University of North Carolina System Pool Revenue Bonds, Series 2005A
(C) 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, 2014, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 8,875,000	\$ 13,294,966	\$ 524,916	\$ 296,347
2016	9,875,000	14,194,726	560,952	277,409
2017	11,880,000	13,803,528	598,749	257,172
2018	11,505,000	13,344,425	9,378,864	141,566
2019	11,680,000	12,887,525	679,937	24,531
2020-2024	65,350,000	55,967,705		
2025-2029	67,485,000	39,989,075		
2030-2034	71,895,000	23,722,375		
2035-2039	55,920,000	6,879,900		
Total Requirements	\$ 314,465,000	\$ 194,084,225	\$ 11,743,418	\$ 997,025

D. Prior Year Defeasances - During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2014, the outstanding balance of prior year defeased bonds was \$6,820,000.

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2014	Principal Outstanding June 30, 2014
Energy Savings Performance Contract	SunTrust Equipment Finance Corp.	3.61%	03/01/2019	\$ 5,808,994	\$ 2,806,057	\$ 3,002,937
Property acquisition	PNC	2.15% *	01/08/2018	8,740,481		8,740,481
Total Notes Payable				<u>\$ 14,549,475</u>	<u>\$ 2,806,057</u>	<u>\$ 11,743,418</u>

* For variable rate debt, the interest rate in effect at June 30, 2014 is reflected in the table above.

The interest rate on the PNC line of credit (LOC) is set on the first day of the month and can be reset on the first day of the following month. The interest rate is calculated as the sum of (1) monthly LIBOR Rate and (2) 200 basis points [2%], calculated on the basis of a 365 day year for the actual number of days elapsed.

The University plans to refinance the notes maturing on January 8, 2018 with other long-term financing.

On June 19, 2014, the University issued \$125.7 million in General Revenue Bonds, Series 2014, for which a portion of the proceeds were used to retire a \$67 million note payable to SunTrust Bank in order to acquire the Spartan Village Residence Halls from the Capital Facilities Foundation, Inc., a blended component unit of the University. The remaining portion of the proceeds will be used to finance the construction of a new Student Recreation Center.

F. Annuities Payable – The Annuity and Life Income Payable balance consists of 164 Charitable Annuity agreements and 16 Charitable Remainder Unitrusts with a market value of \$13.7 million. The \$7.697 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, 2014:

Fiscal Year	Amount
2015	\$ 166,570
2016	142,748
2017	71,601
2018	7,685
2019	562
Total Minimum Lease Payments	<u><u>\$ 389,166</u></u>

Rental expense for all operating leases during the year was \$349,275.

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	\$ 123,838,190	\$ 0	\$ 34,631,790	\$ 305,884	\$ 88,900,516
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 26,685,349	\$ 443,352	\$ 6,857,734	\$ 66,310	\$ 19,317,953
Dining	16,030,951	6,900	3,762,512	35,205	12,226,334
Student Union Services	144,336				144,336
Health, Physical Education, and Recreation Services	1,505,756	33,926			1,471,830
Parking	3,934,821	158,533		10,858	3,765,430
Athletic	820,207	1,930			818,277
Other	4,537,727	2,854,667		1,922	1,681,138
Sales and Services of Education and Related Activities	6,113,467	253,077			5,860,390
Total Sales and Services	\$ 59,772,614	\$ 3,752,385	\$ 10,620,246	\$ 114,295	\$ 45,285,688

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/Amortization	Total
Instruction	\$ 117,973,238	\$ 2,912,854	\$ 6,656,722	\$ 2,335	\$ 1,725	\$ 0	\$ 127,546,874
Research	7,401,957	602,733	4,423,687	310,013	760		12,739,150
Public Service	6,851,047	239,681	2,542,299	44,712	18		9,677,757
Academic Support	28,550,858	6,677,645	7,254,336	1,824,678	5,224		44,312,741
Student Services	12,959,026	1,111,217	3,345,690	14,824			17,430,757
Institutional Support	21,775,687	1,965,250	4,839,297	3,500	1,053		28,584,787
Operations and Maintenance of Plant	18,405,473	12,452,399	3,038,321		5,603,757		39,499,950
Student Financial Aid				27,915,597			27,915,597
Auxiliary Enterprises	16,806,268	2,545,488	18,464,000	42,000	2,471,442		40,329,198
Depreciation						17,177,106	17,177,106
Total Operating Expenses	\$ 230,723,554	\$ 28,507,267	\$ 50,564,352	\$ 30,157,659	\$ 8,083,979	\$ 17,177,106	\$ 365,213,917

NOTE 11 - PENSION PLANS

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 (TSE RS) 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, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the University had a total payroll of \$182,144,015, of which \$75,983,103 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$6,602,932 and \$4,558,986 respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The University made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were \$6,602,932, \$6,564,209, and \$5,823,207, 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, 2014, 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 \$182,144,015, of which \$80,930,039 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$5,535,615 and \$4,855,802, respectively.

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 5.40% 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,

2013, and 2012, were 5.30% and 5.0%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$8,473,310, \$8,396,759, and \$7,891,367, 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, 2014, 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, 2013, and 2012, were .44% and .52%, respectively. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$690,418, \$697,089, and \$820,702, 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 operations 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 above stated 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 and \$10,000,000 per occurrence. 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. Universities are 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 computers and miscellaneous 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); robbery and safe burglary (\$1,000,000 per event, \$25,000 deductible); 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, 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; 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 \$10,000 deductible for medical equipment and \$500 deductible for all other); athletic accident (maximum medical coverage limit \$75,000, with \$0 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 (individual policies) (\$1.0 million per person, \$3.0 million total); medical professional liability professional - Kinesiology (\$1,000,000 per occurrence, \$3,000,000 aggregate) - Genetic Counseling (\$2,000,000 per occurrence, \$4,000,000 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 \$84,566,381 at June 30, 2014.

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

**Notes to the
Financial
Statements**

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	\$ 369,405
Pledges to the Human Environmental Sciences Foundation Endowment Fund	1,100
Pledges to the UNCG Endowment Fund	463,876

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 \$1,935,883 to Gateway University Research Park, Inc. These payments consisted of: \$1,060,000 for the construction, maintenance, acquisition, movement, installation, upgrades of offices, classrooms, and laboratories for the Joint School of Nanoscience and Nanoengineering; \$499,927 for the operation and maintenance of University facilities at the Gateway University Research Park; \$187,500 for the annual management fee for the Gateway University Research Park; \$175,181 for MRI usage fees; \$8,537 for a space assessment survey; \$1,268 for a remote storage study; \$1,500 for a conference registration fee; and \$1,970 for other facility use fees and maintenance expenses.

NOTE 16 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2014, is presented as follows:

**Condensed Statement of Net Position
June 30, 2014**

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	Total
ASSETS						
Current Assets	\$ 121,688,724	\$ 5,916,006	\$ 427,049	\$ 0	\$ 6,024,422	\$ 134,056,201
Capital Assets	616,540,015	32,030		22,619,197	7,667,649	646,858,891
Other Noncurrent Assets	221,099,166	113,646,906	9,060,040			343,806,112
Total Assets	<u>959,327,905</u>	<u>119,594,942</u>	<u>9,487,089</u>	<u>22,619,197</u>	<u>13,692,071</u>	<u>1,124,721,204</u>
Deferred Outflows of Resources	2,933,692					2,933,692
LIABILITIES						
Current Liabilities	30,325,448	216,876			2,988,478	33,530,802
Long-Term Liabilities, Net	353,300,444				8,740,481	362,040,925
Noncurrent Liabilities	4,286,321	7,696,961				11,983,282
Total Liabilities	<u>387,912,213</u>	<u>7,913,837</u>			<u>11,728,959</u>	<u>407,555,009</u>
Deferred Inflows of Resources	0	153,875				153,875
NET POSITION						
Net Investment in Capital Assets	355,188,140	32,030		22,619,197		377,839,367
Restricted - Nonexpendable	62,376,923	61,494,889	4,313,940			128,185,752
Restricted - Expendable	87,221,561	42,279,068	3,475,695			132,976,324
Unrestricted	69,562,760	7,721,243	1,697,454		1,963,112	80,944,569
Total Net Position	<u>\$ 574,349,384</u>	<u>\$ 111,527,230</u>	<u>9,487,089</u>	<u>\$ 22,619,197</u>	<u>\$ 1,963,112</u>	<u>\$ 719,946,012</u>

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	Eliminations	Total
OPERATING REVENUES							
Rental Income	\$ 800	\$ 0	\$ 0	\$ 0	\$ 1,550,412	\$ (1,541,218)	\$ 9,994
Operating Revenues	148,797,316						148,797,316
Total Operating Revenues	148,798,116				1,550,412	# (1,541,218)	148,807,310
OPERATING EXPENSES							
Operating Expenses	346,179,394	73,935	4,249		1,793,104	(13,871)	348,036,811
Depreciation	17,095,553	6,947			74,606		17,177,106
Total Operating Expenses	363,274,947	80,882	4,249		1,867,710	(13,871)	365,213,917
Operating (Loss)	(214,476,831)	(80,882)	(4,249)		(317,298)	(1,527,347)	(216,406,607)
NONOPERATING REVENUES (EXPENSES)							
Investment Income	18,959,168	15,107,319	1,276,689				35,343,176
Noncapital Gifts	2,819,098	429,032	3,150	363,088			3,614,368
Interest and Fees on Debt	(6,663,703)				(535,570)		(7,199,273)
Other Nonoperating Revenues	210,772,068	26,009			1,546,920	(1,544,652)	210,800,345
Other Nonoperating Expenses	(558,057)			(19,595)			(577,652)
Net Nonoperating Revenues (Expenses)	225,328,574	15,562,360	1,279,839	343,493	1,011,350	(1,544,652)	241,980,964
Transfers		(3,586,149)	(302,905)			3,889,054	
Capital Contributions	7,824,674						7,824,674
Additions to Endowments	2,661,472	1,050,001	225,020				3,936,493
Increase in Net Position	21,337,889	12,945,330	1,197,705	343,493	694,052	817,055	37,335,524
NET POSITION							
Net Position, July 1, 2013	552,194,440	98,581,900	8,289,384	22,275,704	1,269,060		682,610,488
Net Position, June 30, 2014	\$ 573,532,329	\$ 111,527,230	\$ 9,487,089	\$ 22,619,197	\$ 1,963,112	\$ 817,055	\$ 719,946,012

**Condensed Statement of Cash Flows
June 30, 2014**

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Capital Facilities Foundation	Eliminations	Total
Net Cash Provided (Used) by Operating Activities	\$ (197,205,606)	\$ (71,467)	\$ (4,249)	\$ 76,624	\$	\$ (197,204,698)
Net Cash Provided (Used) by Noncapital Financing Activities	217,964,301	(3,207,827)	(74,735)		3,796,509	218,478,248
Net Cash Provided (Used) by Capital and Related Financing Activities	27,704,455	(3,212)		1,557,165		29,258,408
Net Cash Provided by Investing Activities	1,420,707	3,134,250	81,265	2,268		4,638,490
Net Increase (Decrease) in Cash and Cash Equivalents	49,883,857	(148,256)	2,281	1,636,057	3,796,509	55,170,448
Cash and Cash Equivalents, July 1, 2013	135,416,572	1,639,578	52,521	4,258,829		141,367,500
Cash and Cash Equivalents, June 30, 2014	\$ 185,300,429	\$ 1,491,322	\$ 54,802	\$ 5,894,886	\$ 3,796,509	\$ 196,537,948

The University of North Carolina at Greensboro Investment Fund, Inc. (the Fund) was formed to consolidate the endowment pool investments of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, 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, Incorporated., 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 and are included in the condensed combining information shown in the above tables, the entire activity for The University of North Carolina at Greensboro Investment Fund, Inc. is not shown.

NOTE 17 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2014, the University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued by the Governmental Accounting Standards Board (GASB). This standard requires reclassification of certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. Additional changes included in this standard had no effect on the University.

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