



UNCG

*The Financial Report*  
2014-2015

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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, 2015. The report is comprised of four sections: management's discussion and analysis; the financial statements; the related financial statement footnote disclosures; and the required supplementary information. 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 2014-15 fiscal year, the University experienced an \$18 million increase in its net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) due in part to increases in tuition and fees, sales and services, and noncapital grant and gifts revenues. State appropriations were reduced by \$3.1 million (2.1%) during the fiscal year providing 38% of the University's total revenues. 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.

During fiscal year 2015 GASB Standard No. 68, Accounting and Financial Reporting for Pensions, was implemented. This new GASB Standard requires the University to recognize its proportionate share of the State of North Carolina's net pension liability for fiscal year 2015 and also to record its required contribution to the Teachers' and State Employees' Retirement System plan as a Deferred Outflow of Resources rather than pension expense. The impact of these changes has been a reduction to the University's Unrestricted net position and operating expenditures.

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, 2015. This discussion, the preceding transmittal letter, the following financial statements, required supplementary information, and the related notes to the financial statements have been prepared by management and comprise the University's complete financial report. The financial statements, required supplementary information, 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, required supplementary information, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Statement 68 in fiscal year 2015, prior 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

	6/30/15	6/30/14 (As Restated)
<b>Assets</b>		
Current Assets	\$ 145,711,465	\$ 134,056,201
Noncurrent Capital Assets, Net of Accumulated Depreciation	683,773,799	646,858,891
Other Noncurrent Assets	295,057,945	343,806,112
<b>Total Assets</b>	<u>1,124,543,209</u>	<u>1,124,721,204</u>
<b>Deferred Outflows of Resources</b>		
Deferred Loss on Refunding	2,716,687	2,933,692
Deferred Outflows Related to Pensions	6,763,298	6,602,508
<b>Total Deferred Outflows of Resources</b>	<u>9,479,985</u>	<u>9,536,200</u>
<b>Liabilities</b>		
Current Liabilities	31,224,470	33,530,802
Long-Term Liabilities	355,330,541	395,595,447
Other Noncurrent Liabilities	12,800,324	11,983,282
<b>Total Liabilities</b>	<u>399,355,335</u>	<u>441,109,531</u>
<b>Deferred Inflows of Resources</b>		
Deferred Revenue, Split Interest Trust Agreements	158,609	153,875
Deferred Inflows Related to Pensions	23,199,528	
<b>Total Deferred Inflows of Resources</b>	<u>23,358,137</u>	<u>153,875</u>
<b>Net Position</b>		
Net Investment in Capital Assets	379,141,339	377,839,367
Restricted - Nonexpendable	132,548,727	128,185,752
Restricted - Expendable	129,017,041	132,976,324
Unrestricted	70,602,615	53,992,555
<b>Total Net Position</b>	<u>\$ 711,309,722</u>	<u>\$ 692,993,998</u>

The total assets of the University decreased slightly by \$.2 million for the year (\$11.6 million increase for current assets and an \$11.8 million decrease for noncurrent assets). This overall decrease was comprised of an increase of \$36.9 million in capital assets, net of accumulated depreciation, an increase of \$10.5 million in current unrestricted cash and cash equivalents, a decrease of \$4.2 million in endowment investments, a decrease of \$44.1 million in noncurrent restricted cash and cash equivalents, and a \$.7 million increase in all other assets. The increase in capital assets, net of accumulated depreciation, is mainly due to an increase in construction in progress from construction costs incurred for the Student Recreation Center project during the fiscal year. The decrease in noncurrent restricted cash and cash equivalents is from the expenditure of bond proceeds on construction costs for the Student Recreation Center project, while the increase in current unrestricted cash and cash equivalents is from the reimbursement to unrestricted funds from bond proceeds for expenditures made in prior years to purchase land for the Student Recreation Center. The decrease in endowment investments is due to slight decreases in the value of investments of the UNCG Endowment Partners, LP, which holds the endowment pool assets.

The total liabilities of the University decreased by \$41.7 million for the year (\$2.3 million decrease for current liabilities and a \$39.4 million decrease in noncurrent liabilities). This overall decrease in total liabilities consists of a \$27.3 million decrease in the newly recognized pension liability related to GASB Statement No. 68, a \$10.7 million decrease in bonds payable, a \$5.8 million decrease in accounts payable and accrued liabilities, a \$1.9 million increase in unearned revenue, a \$1.2 million increase in interest payable, and a net decrease of \$1.0

million in all other liability categories, both current and noncurrent. The newly recognized pension liability related to GASB Statement No. 68 resulted in a restated long-term pension liability for June 30, 2014 of \$33.5 million compared to the long-term pension liability of \$6.2 million for June 30, 2015. In accordance with the requirements of GASB Statement No. 68, the University has recognized its proportionate share of the State of North Carolina's net pension liability for fiscal year 2015, in addition to restating the prior period balance. Additional information is provided in Note 11 of the notes to the financial statements and in the Required Supplementary Information regarding the implementation of GASB Statement No. 68. The decrease in bonds payable is due to bond principal payments of \$8.9 million and \$1.9 million annual amortization of accumulated bond premiums. The increase in unearned revenue is mainly associated with increases in carryforwards related to advanced student payments for the fall and second summer session terms. The increase in interest payable is due to the 2014 revenue bonds issued in June of 2014 being outstanding for a full fiscal year.

Deferred outflows of resources has a slight decrease due to the restated deferred outflows related to pensions for the June 30, 2014, also resulting from the implementation of GASB Statement No. 68. Deferred inflows of resources increased by \$23.2 million mainly due to the recognition of a deferred inflow related to pensions which represent the University's proportionate share of the accumulated difference between projected and actual earnings on pension plan investments and the accumulated difference between actual and projected demographic factors included in the measurement of the total pension liability. This deferred inflow related to pensions is included in pension expense using a systemic and rational amortization method over a closed five-year period (refer to Note 11 of the notes to the financial statements for details). The calculation and recognition of this deferred inflow is required by the implementation of GASB Statement No. 68.

The combination of the decrease in total assets of \$.2 million, the decrease in total liabilities of \$41.7 million, and the \$23.2 million increase in deferred inflows of resources yields an overall increase in total net position of approximately \$18.3 million after the restatement due to the implementation of GASB Statement No. 68. The implementation of GASB Statement No. 68 required a restatement of unrestricted net position as of June 30, 2014. This restatement resulted in a \$26.9 million reduction of unrestricted net position to a balance of \$54.0 million. The net position category of net investment in capital assets increased by \$1.3 million due to the capitalization of several roof replacement and HVAC projects. An increase of \$4.4 million in the category of nonexpendable net position is directly related to the continued receipt of endowed gifts. A decrease of \$4.0 million in the category of restricted expendable net position is the result of a decline in the value of endowment investments during the fiscal year. The unrestricted net position category increased by \$16.6 million, after restatement, due to the receipt of a \$15.0 million reimbursement from bond proceeds for expenditures made in prior fiscal years to purchase land for the Student Recreation Center. The additional increase of \$1.6 million is from increases in student tuition and fees and increases in auxiliary activities.

### **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.

*Management's  
Discussion and  
Analysis*

**Condensed Statement of  
Revenues, Expenses and Changes in Net Position  
For The Year Ended**

	<b>6/30/15</b>	<b>6/30/14*</b>
Operating Revenues		
Student Tuition and Fees, Net	\$ 91,899,672	\$ 88,900,516
Grants and Contracts	8,492,438	13,783,931
Sales and Services, Net	49,678,881	45,285,688
Interest Earnings on Loans	137,438	119,902
Other Operating Revenues	835,481	717,273
Total Operating Revenues	151,043,910	148,807,310
Operating Expenses		
Salaries and Benefits	220,177,193	230,723,554
Supplies and Materials	20,159,281	28,507,267
Services	53,432,586	50,564,352
Scholarships and Fellowships	30,350,030	30,157,659
Utilities	7,901,206	8,083,979
Depreciation	18,186,798	17,177,106
Total Operating Expenses	350,207,094	365,213,917
Operating Loss	(199,163,184)	(216,406,607)
Nonoperating Revenues (Expenses)		
State Appropriations	144,234,249	147,367,243
Noncapital Grants and Gifts	75,899,848	66,994,400
Investment Income (Net of Investment Expense)	2,117,327	35,343,176
Interest and Fees on Debt	(9,162,852)	(7,199,273)
Other Nonoperating Expenses	(917,120)	(524,582)
Net Nonoperating Revenues	212,171,452	241,980,964
Income Before Other Revenues	13,008,268	25,574,357
Other Revenues		
Capital Appropriations		4,254,199
Capital Grants and Gifts	778,903	3,570,475
Total Other Revenues	778,903	7,824,674
Income Before Additions to Endowments	13,787,171	33,399,031
Additions to Endowments	4,528,553	3,936,493
Increase in Net Position	18,315,724	37,335,524
Net Position - July 1, as Previously Reported	719,946,012	682,610,488
Restatement	(26,952,014)	
Net Position - June 30	\$ 711,309,722	\$ 719,946,012

\*Note: The year ended June 30, 2014 column is not presented "As Restated" above because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts.

The Statement of Revenues, Expenses, and Changes in Net Position reflect an increase in the net position (after restatement) at the end of the year and a decrease of \$31.7 million (7.7%) in total revenues of \$378.6 million. Total expenses were \$360.3 million. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

- Operating revenues increased by \$2.2 million (1.5%), whereas operating expenses decreased by \$15.0 million (4.1%), for a combined net decrease in operating loss of \$17.2 million. The largest increase within operating revenues was in sales and services, net, which increased by \$4.4 million (9.7%). This increase is due to increases in enrollment and increases in rates for auxiliary services. Student tuition and fees, net also increased by \$3.0 million (3.4%) due to enrollment increases and tuition rate increases. The largest decrease within operating revenues was in grants and contracts revenue which decreased by \$5.3 million (38.4%). This decrease was mainly due to the expiration of two significant federal grants at the end of fiscal year 2014.

The decrease in operating expenses is the result of a \$10.6 million (4.6%) decrease in salaries and benefits, an \$8.3 million (29.3%) decrease in supplies and materials, a \$2.9 million (5.7%) increase in services, a \$2 million (.6%) increase in scholarships and fellowships, a \$1.0 million (5.9%) increase in depreciation, and a \$.2 million (2.3%) decrease in utilities. The decrease in salaries and benefits is the direct result of the reclassification of the University's contributions to the State Retirement System for the fiscal year from benefit expense to a deferred outflow of resources as required by GASB Statement No. 68. The decrease in supplies and materials is directly related to an increase in capitalized construction activity and a decrease in repair and replacement type activity that is not capitalized and a shift in spending to service type expenses instead of traditional supply expenses. The increase in depreciation is due to newly capitalized major building additions and renovations, including the Campus Police Building and the Reynolds Residence Hall renovation.

- State appropriations decreased by \$3.1 million (2.1%) due to budget cuts enacted during the fiscal year and an additional allotment holdback of \$1.1 million. Investment income decreased by \$33.2 million (94.0%) because of decreases in the value of investments and the University's external investment pool's total return fell from 15.2% for the prior fiscal year to .3% for the current fiscal year. Noncapital grants increased by \$8.0 million (12.6%) reflecting both an increase in nonexchange type federal grants and increases in federal student financial aid due to increased enrollment. Noncapital gifts increased by \$1.0 million (26.3%) due to an overall increase in giving to the University during the fiscal year. Interest and fees on debt increased by \$2.0 million (27.3%) due to the addition of interest costs associated with the \$125.7 million in 2014 bonds which were issued at the end of the prior fiscal year. The caption other nonoperating expenses consists of surplus property sales (a revenue), bond issue costs, and the loss on the disposal of capitalized assets. The loss on the disposal of capitalized assets was \$.9 million.
- Other revenues for fiscal year 2015 consist of capital grants, capital gifts, and additions to endowments. The University received no capital appropriations from the State during fiscal year 2015. Capital grants decreased by \$2.0 million (74.5%) due to a reduction in construction activity financed by the State's COPS and two-thirds GO bond capital project funding sources. A capital gift of \$.1 million representing the final contribution from the North Carolina Railroad for the construction of the Railroad Pedestrian Underpass was received during the fiscal year. Additions to endowments increased by \$.6 million (15.0%) due to an overall increase in giving to the University during the fiscal year.

## **Capital Assets and Debt Administration**

During fiscal year 2014-15, the Reynolds Residence Hall renovation and the Campus Police building projects were completed in addition to various roof replacement and HVAC projects on multiple buildings.

Major projects included in construction in progress are as follows: \$38.0 million for the Student Recreation Center, \$37.5 million for the Dining Hall Renovation, \$2.5 million for Steam Distribution projects, and \$2.8 million for other various campus projects.



On April 29, 2015, the University issued \$10.1 million in General Revenue Refunding Bonds, Series 2015. The proceeds were used for a current refunding of \$2.6 million of outstanding 2005A Pooled Revenue Bonds and \$7.4 million of outstanding 2012B General Revenue Bonds. This refunding will result in an economic gain of \$.7 million over the next 11 years.

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 continues to operate in an environment of continued reductions in state support. The North Carolina State Legislature reduced funding to the UNC system resulting in additional permanent reductions in state appropriations to the University. Reductions in state support to the UNC system and the University will continue in the next fiscal year. However, these reductions have been offset by strong enrollment growth (5.3% for FY15 and 4% for FY16) and demand for University services.

In an effort to maintain the University's strong financial position in this challenging environment, the University has expanded its geographic footprint along the Gate City Boulevard corridor through the Spartan Village Residence Hall project. This project has been a tremendous success with all four buildings being fully occupied since opening in the fall of 2013. The demand for this apartment style residence hall space will remain strong in this area due to the related projects, the Railroad Pedestrian Underpass and Campus Police Building, that were completed and fully operational for the fall 2014 semester. These projects provide the new apartments with access to security services and an easy connection to campus. The area will be further enhanced by the Student Recreation Center currently under construction and additional apartment style student housing and mixed-use spaces planned for the near future.

The University's unrestricted net position has been negatively impacted by the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. The University has always in the past and will in the future make its full required contribution to the Teachers' and State Employees' Retirement Plan, but the GASB Statement No. 68 standard requires the University to recognize its proportionate share of the State's overall net pension liability. The process of recognizing the deferred outflows of resources and deferred inflows of resources and the net pension liability have led to a \$10.3 million reduction in unrestricted net position when compared to the unrestricted net position figure reported at the end of fiscal year 2014. This decline appears to be a weakening of the overall financial condition of the University when in reality nothing has changed with regards to the University's actual funding and future funding requirements for the Teachers' and State Employees' Retirement Plan.

The University's overall financial condition is strong and strengthening due to strong enrollment growth despite continuing reductions in the state support. The ongoing efforts to contain costs, implement operating efficiencies whenever possible, and diversify revenue sources will continue. 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. Despite the challenging higher education environment of continual reductions in state support, 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, 2015, 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 22.11 percent, 34.95 percent, and 1.93 percent, respectively, of the assets, net position, and revenues of the University; The UNCG Excellence Foundation, Inc., which represent 10.61 percent, 15.68 percent, and 1.06 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 represent .83 percent, 1.31 percent, and .05 percent, respectively, of the assets, net position, and revenues of the University; nor the Capital Facilities Foundation, Inc., which represent 1.01 percent, .23 percent, and .01 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 reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance 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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2015, The University of North Carolina at Greensboro adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. 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 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 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

November 23, 2015

**Statement of  
Net Position**

**June 30, 2015**

<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 98,593,053
Restricted cash and cash equivalents	27,323,195
Short-term investments	949,050
Restricted short-term investments	9,225,851
Receivables, net (Note 4)	7,590,243
Inventories	368,741
Notes receivable, net (Note 4)	<u>1,661,332</u>
Total current assets	<u>145,711,465</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	36,779,894
Receivables	677,347
Endowment investments	250,272,470
Other investments	3,994,759
Notes receivable, net (Note 4)	3,333,475
Capital assets - nondepreciable (Note 5)	153,456,859
Capital assets - depreciable, net (Note 5)	<u>530,316,940</u>
Total noncurrent assets	<u>978,831,744</u>
Total assets	<u>1,124,543,209</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	2,716,687
Deferred outflows related to pensions	<u>6,763,298</u>
Total deferred outflows of resources	<u>9,479,985</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities (Note 6)	10,269,627
Due to primary government	7,235
Deposits payable	765,310
Funds held for others	36,415
Unearned revenue	5,133,171
Interest payable	3,633,212
Long-term liabilities - current portion (Note 7)	<u>11,379,500</u>
Total current liabilities	<u>31,224,470</u>
Noncurrent Liabilities:	
Accounts payable and accrued liabilities (Note 6)	2,494,125
Funds held for others	1,670,015
U. S. government grants refundable	5,084,360
Funds held in trust for pool participants	3,551,824
Long-term liabilities, (Note 7)	<u>355,330,541</u>
Total noncurrent liabilities	<u>368,130,865</u>
Total liabilities	<u>399,355,335</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue, split interest trust agreements	158,609
Deferred inflows related to pensions	<u>23,199,528</u>
Total deferred inflows of resources	<u>23,358,137</u>
<b>NET POSITION</b>	
Net investment in capital assets	379,141,339
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	77,351,076
Endowed professorships	18,352,217
Departmental uses	26,832,383
Loans	874,969
Art	1,521,232
Other	7,616,850
Expendable:	
Scholarships and fellowships	70,353,325
Research	34,734
Endowed professorships	21,457,450
Departmental uses	30,784,986
Loans	1,072,213
Debt service	4,266
Art	991,040
Other	4,319,027
Unrestricted	<u>70,602,615</u>
Total net position	<u>\$ 711,309,722</u>

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

*Statement of  
Revenues, Expenses,  
and Changes in  
Net Position*

*Year Ended  
June 30, 2015*

**REVENUES**

Operating Revenues:	
Student tuition and fees, net (Note 9)	\$ 91,899,672
Federal grants and contracts	5,914,192
State and local grants and contracts	1,622,586
Nongovernmental grants and contracts	955,660
Sales and services, net (Note 9)	49,678,881
Interest earnings on loans	137,438
Other operating revenues	<u>835,481</u>
Total operating revenues	<u>151,043,910</u>

**EXPENSES**

Operating Expenses:	
Salaries and benefits	220,177,193
Supplies and materials	20,159,281
Services	53,432,586
Scholarships and fellowships	30,350,030
Utilities	7,901,206
Depreciation	<u>18,186,798</u>
Total operating expenses	<u>350,207,094</u>
Operating loss	<u>(199,163,184)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	144,234,249
Noncapital grants - student financial aid	48,625,855
Noncapital grants	22,707,701
Noncapital gifts	4,566,292
Investment income (net of investment expense of \$1,244,408)	2,117,327
Interest and fees on debt	(9,162,852)
Other nonoperating expenses	<u>(917,120)</u>
Net nonoperating revenues	<u>212,171,452</u>
Income before other revenues	13,008,268
Capital grants	671,604
Capital gifts	107,299
Additions to endowments	<u>4,528,553</u>
Increase in net position	18,315,724

**NET POSITION**

Net position - July 1, 2014, as restated (Note 17)	<u>692,993,998</u>
Net position - June 30, 2015	<u>\$ 711,309,722</u>

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

*Statement of  
Cash Flows*

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 151,598,414
Payments to employees and fringe benefits	(225,567,218)
Payments to vendors and suppliers	(84,097,975)
Payments for scholarships and fellowships	(30,350,030)
Loans issued	(1,134,510)
Collection of loans	1,355,571
Interest earned on loans	109,617
Other receipts	851,624
	<hr/>
Net cash used by operating activities	(187,234,507)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	144,234,249
Noncapital grants - student financial aid	48,625,855
Noncapital grants	22,478,311
Noncapital gifts	4,130,313
Additions to endowments	4,528,553
William D. Ford direct lending receipts	90,603,250
William D. Ford direct lending disbursements	(90,603,250)
Related activity agency receipts	325,449
	<hr/>
Net cash provided by noncapital financing activities	224,322,730
<b>CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital debt	594,927
Capital grants	671,604
Capital gifts	100,000
Proceeds from sale of capital assets	42,896
Acquisition and construction of capital assets	(58,523,086)
Principal paid on capital debt	(9,399,916)
Interest and fees paid on capital debt	(9,741,270)
	<hr/>
Net cash used by capital financing and related financing activities	(76,254,845)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	75,132,009
Investment income	2,730,053
Purchase of investments and related fees	(72,537,246)
	<hr/>
Net cash provided by investing activities	5,324,816
Net decrease in cash and cash equivalents	(33,841,806)
Cash and cash equivalents - July 1, 2014	196,537,948
	<hr/>
Cash and cash equivalents - June 30, 2015	\$ 162,696,142
	<hr/> <hr/>

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

Operating loss	\$ (199,163,184)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	18,186,798
Allowances and write-offs	72,242
Pension expense	2,464,511
Changes in Assets, Liabilities and Deferred Outflows of Resources:	
Receivables (net)	488,167
Inventories	108,943
Notes receivable (net)	110,061
Accounts payable and accrued liabilities	(2,884,645)
Due to primary government	(2,925)
Unearned revenue	1,061,943
Deferred outflows for contributions subsequent to the measurement date	(6,763,298)
Compensated absences	(935,720)
Deposits payable	22,600
	<u>22,600</u>
Net cash used by operating activities	<u>\$ (187,234,507)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and cash equivalents	\$ 98,593,053
Restricted cash and cash equivalents	27,323,195
Noncurrent Assets:	
Restricted cash and cash equivalents	<u>36,779,894</u>
Total cash and cash equivalents - June 30, 2015	<u>\$ 162,696,142</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets acquired through the assumption of a liability	\$ 602,456
Assets acquired through a gift	7,299
Change in fair value of investments	(9,436,621)
Loss on disposal of capital assets	(880,292)
Bond issuance cost withheld	50,073
Funds escrowed to defease bonds payable	10,058,927
Amortization of bond premiums	(1,940,204)

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





<b>Note</b>	<b>Page</b>	<b>Description</b>
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## 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 20-member board consisting of two ex officio directors and 18 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 27-member board consisting of three ex officio directors and 24 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 39-member board consisting of nine ex officio directors and 30 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 17-member board consisting of three ex officio directors and 14 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 an eight-member board consisting of four ex officio directors and four 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 judgement 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 decrease 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 in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	25-50years
Machinery & Equipment	4-20 years
General Infrastructure	25-50 years

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, net pension liability, 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 straightline method, and are included as Deferred Outflows or Deferred Inflows of Resources on the Statement of Net Position. Issuance costs are expensed.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 for further information regarding the University's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

**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 outflows and inflows 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 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, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$153,780,647 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 or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. 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, 2015 was \$59,171. The carrying amount of the University's deposits not with the State Treasurer was \$8,856,324 and the bank balance was \$8,129,396. 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, 2015, \$7,041,313 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. 14769.2, 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 (four years or more) to provide effective protection in a deflationary environment.

*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 (four years or more) to provide effective protection in a deflationary environment.

*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, Inc., 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 along with Cambridge Associates Resources, LLC, created a limited partnership, UNCG Endowment Partners, LP. As part of the agreement, Cambridge is the General Partner and The University of North Carolina at Greensboro Investment Fund, Inc. is the Limited Partner. The University of North Carolina at Greensboro Investment Fund, Inc. contributed its investment portfolio in exchange for its interest in UNCG Endowment Partners, LP. 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, 2015, for the External Investment Pool.



*External Investment Pool*

Investment Type	Fair Value
Other Securities	
Partnerships:	
UNCG Endowment Partners, LP	\$ <u>248,590,801</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, 2015, for the University's non-pooled investments.

*Non-Pooled Investments*

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Money Market Funds	\$ 53,143	\$ 53,143	\$ 0	\$ 0
Mutual Bond Funds	<u>4,365,376</u>		<u>1,161,342</u>	<u>3,204,034</u>
<b>Total Debt Securities</b>	4,418,519	<u>\$ 53,143</u>	<u>\$ 1,161,342</u>	<u>\$ 3,204,034</u>
Other Securities				
Mutual Funds	9,213,762			
Corporate Securities:				
Common Stocks	1,775,470			
Other: Real Estate	<u>443,578</u>			
<b>Total Non-Pooled Investments</b>	<u>\$ 15,851,329</u>			

At June 30, 2015, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	A	BBB Baa	BB/Ba and below
Money Market Funds	\$ 53,143	\$ 53,143	\$ 0	\$ 0	\$ 0
Mutual Bonds Funds	<u>4,365,376</u>		<u>1,811,966</u>	<u>1,808,796</u>	<u>744,614</u>
Totals	<u>\$ 4,418,519</u>	<u>\$ 53,143</u>	<u>\$ 1,811,966</u>	<u>\$ 1,808,796</u>	<u>\$ 744,614</u>

Rating Agency: Standard & Poor's and Moody's Rating Services

**Total Investments** - The following table presents the fair value of the total investments at June 30, 2015:

<b>Investment Type</b>	<b>Fair Value</b>
Debt Securities	
Money Market Funds	\$ 53,143
Mutual Bond Funds	4,365,376
Other Securities	
Mutual Funds	9,213,762
Corporate Securities:	
Common Stocks	1,775,470
Partnerships:	
UNCG Endowment Partners, LP	248,590,801
Other: Real Estate	443,578
<b>Total Investments</b>	<b>\$ 264,442,130</b>

**C. Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the University as of June 30, 2015, is as follows:

Cash on Hand	\$ 59,171
Amount of Deposits with Private Financial Institutions	8,856,324
Deposits in the Short-Term Investment Fund	153,780,647
External Investment Pool	248,590,801
Non-Pooled Investments	15,851,329
<b>Total Deposits and Investments</b>	<b>\$ 427,138,272</b>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 98,593,053
Restricted Cash and Cash Equivalents	27,323,195
Noncurrent:	
Restricted Cash and Cash Equivalents	36,779,894
<b>Total Deposits</b>	<b>162,696,142</b>
Investments	
Current:	
Short-Term Investments	949,050
Restricted Short-Term Investments	9,225,851
Noncurrent:	
Endowment Investments	250,272,470
Other Investments	3,994,759
<b>Total Investments</b>	<b>264,442,130</b>
<b>Total Deposits and Investments</b>	<b>\$ 427,138,272</b>

### 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 2015 and 2014 are 4.5 percent of the average market value of the Investment Pool at December 31 for the past three years. Under this policy, the prior year spending percentage is increased by the inflation rate to determine the current year spending percentage. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2015, net appreciation of \$40,715,794 was available to be spent, of which \$37,845,123 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, 2015 the amount of investment losses reported against the nonexpendable endowment balances was \$4,467.

### Note 4 - Receivables

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 2,139,019	\$ 749,243	\$ 1,389,776
Student Sponsors	993,093		993,093
Intergovernmental	3,551,478		3,551,478
Pledges	586,749	4,532	582,217
Investment Earnings	70,055		70,055
Interest on Loans	252,441		252,441
Other	751,183		751,183
<b>Total Current Receivables</b>	<b>\$ 8,344,018</b>	<b>\$ 753,775</b>	<b>\$ 7,590,243</b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Federal Loan Programs	\$ 1,643,304	\$ 160,388	\$ 1,482,916
Institutional Student Loan Programs	317,173	138,757	178,416
<b>Total Notes Receivable - Current</b>	<b>\$ 1,960,477</b>	<b>\$ 299,145</b>	<b>\$ 1,661,332</b>
<b>Notes Receivable - Noncurrent:</b>			
Federal Loan Programs	\$ 3,916,166	\$ 582,691	\$ 3,333,475

## Note 5 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 48,958,541	\$ 384,854	\$ 145,639	\$ 49,197,756
Art, Literature, and Artifacts	22,654,697	387,638	10,000	23,032,335
Construction in Progress	51,849,688	45,110,850	15,733,770	81,226,768
<b>Total Capital Assets, Nondepreciable</b>	<b>123,462,926</b>	<b>45,883,342</b>	<b>15,889,409</b>	<b>153,456,859</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	578,415,483	19,420,980	103,500	597,732,963
Machinery and Equipment	56,361,006	5,492,940	2,827,182	59,026,764
General Infrastructure	77,968,579	1,117,041		79,085,620
<b>Total Capital Assets, Depreciable</b>	<b>712,745,068</b>	<b>26,030,961</b>	<b>2,930,682</b>	<b>735,845,347</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	125,698,668	12,227,405	48,646	137,877,427
Machinery and Equipment	30,597,594	3,095,577	1,958,848	31,734,323
General Infrastructure	33,052,841	2,863,816		35,916,657
<b>Total Accumulated Depreciation</b>	<b>189,349,103</b>	<b>18,186,798</b>	<b>2,007,494</b>	<b>205,528,407</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>523,395,965</b>	<b>7,844,163</b>	<b>923,188</b>	<b>530,316,940</b>
<b>Capital Assets, Net</b>	<b>\$ 646,858,891</b>	<b>\$ 53,727,505</b>	<b>\$ 16,812,597</b>	<b>\$ 683,773,799</b>

During the year ended June 30, 2015, the University incurred \$12,698,129 in interest costs related to the acquisition and construction of capital assets. Of this total, \$9,319,605 was charged in interest expense, and \$3,648,524 was capitalized.

## Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2015, were as follows:

	Amount
<b>Current Accounts Payable and Accrued Liabilities</b>	
Accounts Payable	\$ 3,732,301
Accrued Payroll	6,039,765
Other	497,561
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b>\$ 10,269,627</b>
<b>Noncurrent Accounts Payable and Accrued Liabilities</b>	
Contract Retainage	\$ 2,494,125

## 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, 2015, is presented as follows:

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Revenue Bonds Payable	\$ 314,465,000	\$ 10,109,000	\$ 18,910,000	\$ 305,664,000	\$ 9,938,000
Plus: Unamortized Premium	25,031,477		1,940,204	23,091,273	
<b>Total Revenue Bonds Payable, Net</b>	<b>339,496,477</b>	<b>10,109,000</b>	<b>20,850,204</b>	<b>328,755,273</b>	<b>9,938,000</b>
Net Pension Liability	33,554,522		27,337,525	6,216,997	
Notes Payable	11,743,418	520,927	524,916	11,739,429	560,952
Compensated Absences	13,507,406	9,635,878	10,571,599	12,571,685	880,548
Annuity and Life Income Payable	7,696,960		270,303	7,426,657	
<b>Total Long-Term Liabilities</b>	<b>\$ 405,998,783</b>	<b>\$ 20,265,805</b>	<b>\$ 59,554,547</b>	<b>\$ 366,710,041</b>	<b>\$ 11,379,500</b>

Additional information regarding the net pension liability is included in Note 11.

**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, 2015	Principal Outstanding June 30, 2015
<b>Revenue Bonds Payable</b>						
<b>General Revenue Bonds</b>						
General Revenue Bonds (2009)	A	3.50%-5.00%	04/01/2034	\$ 29,525,000	\$ 4,350,000	\$ 25,175,000
General Revenue Bonds (2009)	B	3.00%-4.00%	04/01/2016	4,120,000	3,460,000	660,000
General Revenue Bonds (2011)		3.00%-5.00%	04/01/2036	77,505,000	750,000	76,755,000
General Revenue Bonds (2012)	A	2.00%-5.00%	04/01/2037	52,360,000	4,525,000	47,835,000
General Revenue Bonds (2012)	B	1.31%-2.98%	04/01/2023	7,830,000	7,830,000	
General Revenue Bonds (2014)		2.00%-5.00%	04/01/2039	125,685,000	2,275,000	123,410,000
General Revenue Bonds (2015)		1.75%	04/01/2026	10,109,000		10,109,000
<b>Total General Revenue Bonds</b>				<b>307,134,000</b>	<b>23,190,000</b>	<b>283,944,000</b>
<b>The University of North Carolina System Pool Revenue Bonds</b>						
General Revenue Bonds (2005A)	(A)	4.00%-5.25%	04/01/2026	22,235,000	17,700,000	4,535,000
General Revenue Bonds (2010B-2)	(B)	3.25%-5.25%	04/01/2026	23,780,000	6,595,000	17,185,000
<b>Total The University of North Carolina System Pool Revenue Bonds</b>				<b>46,015,000</b>	<b>24,295,000</b>	<b>21,720,000</b>
<b>Total Revenue Bonds Payable (principal only)</b>				<b>\$ 353,149,000</b>	<b>\$ 47,485,000</b>	<b>305,664,000</b>
Plus: Unamortized Premium						23,091,273
<b>Total Revenue Bonds Payable, Net</b>						<b>\$ 328,755,273</b>

(A) The University of North Carolina System Pool Revenue Bonds, Series 2005A  
(B) 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, 2015, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 9,938,000	\$ 14,050,236	\$ 560,952	\$ 291,670
2017	11,895,000	13,701,468	598,749	271,432
2018	11,520,000	13,242,380	9,899,792	148,697
2019	11,691,000	12,789,005	679,936	24,531
2020	12,206,000	12,277,087		
2021-2025	66,891,000	52,282,113		
2026-2030	66,768,000	36,752,365		
2031-2035	73,285,000	20,283,437		
2036-2039	41,470,000	4,258,100		
<b>Total Requirements</b>	<b>\$ 305,664,000</b>	<b>\$ 179,636,191</b>	<b>\$ 11,739,429</b>	<b>\$ 736,330</b>

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

On April 29, 2015, The University issued \$10,109,000 in General Revenue Refunding Bonds, Series 2015 with an average interest rate of 1.84%. The bonds were issued for a current refunding of \$2,590,000 of outstanding 2005A Pooled Revenue Bonds and \$7,445,000 of outstanding 2012B General Revenue Bonds with an average interest rate of 3.19%. The refunding was undertaken to reduce total debt service payments by \$779,068 over the next 11 years and resulted in an economic gain of \$717,614.

**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, 2015	Principal Outstanding June 30, 2015
Energy Savings Performance Contract	Sun Trust Equipment Finance Corp.	3.61%	03/01/2019	\$ 5,808,994	\$ 3,330,973	\$ 2,478,021
Property Acquisition	PNC	2.18% *	01/08/2018	9,261,408		9,261,408
<b>Total Notes Payable</b>				<u>\$ 15,070,402</u>	<u>\$ 3,330,973</u>	<u>\$ 11,739,429</u>

\* For variable rate debt, the interest rate in effect at June 30, 2015 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.

**F. Annuities Payable** - The Annuity and Life Income Payable balance consists of 160 Charitable Annuity agreements and 16 Charitable Remainder Unitrusts with a market value of \$13.6 million. The \$7.427 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 - Operating 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, 2015:

Fiscal Year	Amount
2016	\$ 178,692
2017	89,961
2018	26,045
2019	18,922
2020	6,120
<b>Total Minimum Lease Payments</b>	<u><u>\$ 319,740</u></u>

Rental expense for all operating leases during the year was \$224,598.

## 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
<b>Operating Revenues:</b>					
Student Tuition and Fees, Net	\$ 128,340,054	\$ 0	\$ 35,938,188	\$ 502,194	\$ 91,899,672
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 29,153,018	\$ 365,156	\$ 7,583,104	\$ 112,404	\$ 21,092,354
Dining	17,400,904	9,450	4,141,156	61,356	13,188,942
Student Union Services	154,715				154,715
Health, Physical Education, and Recreation Services	1,425,878	33,092			1,392,786
Parking	3,740,249	159,231		22,179	3,558,839
Athletic	793,476	2,810			790,666
Other	5,798,824	3,509,858		3,241	2,285,725
Sales and Services of Education and Related Activities	7,406,323	191,469			7,214,854
<b>Total Sales and Services, Net</b>	<b>\$ 65,873,387</b>	<b>\$ 4,271,066</b>	<b>\$ 11,724,260</b>	<b>\$ 199,180</b>	<b>\$ 49,678,881</b>

## Note 10 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 115,691,824	\$ 3,320,489	\$ 5,686,933	\$ 2,490	\$ 1,740	\$ 0	\$ 124,703,476
Research	9,445,780	839,066	4,982,682	665,533			15,933,061
Public Service	6,102,803	135,455	1,999,420	15,811			8,253,489
Academic Support	26,023,781	7,421,147	7,730,748	1,355,554	2,272		42,533,502
Student Services	13,749,734	1,221,132	3,853,787	6,100			18,830,753
Institutional Support	14,598,781	864,305	4,776,761	1,000	899		20,241,746
Operations and Maintenance of Plant	17,218,178	2,970,424	4,108,894		5,308,169		29,605,665
Student Financial Aid				28,278,542			28,278,542
Auxiliary Enterprises	17,346,312	3,387,263	20,293,361	25,000	2,588,126		43,640,062
Depreciation						18,186,798	18,186,798
<b>Total Operating Expenses</b>	<b>\$ 220,177,193</b>	<b>\$ 20,159,281</b>	<b>\$ 53,432,586</b>	<b>\$ 30,350,030</b>	<b>\$ 7,901,206</b>	<b>\$ 18,186,798</b>	<b>\$ 350,207,094</b>

## Note 11 - Pension Plans

### A. Defined Benefit Plan

*Plan Administration:* The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

*Benefits Provided:* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of

service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The University's contributions to the pension plan were \$6,763,298, and employee contributions were \$4,434,949 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *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.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

*Methods Used to Value TSERS Investment:* Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2014 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2015, the University reported a liability of \$6,216,997 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the University's proportion was .53027%, which was a decrease of .02243% from its proportion measured as of June 30, 2013.

*Actuarial Assumptions:* The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/13
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

\* Salary increases include 3.5% inflation and productivity factor.

\*\* Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.



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The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.5%
Global Equity	6.1%
Real Estate	5.7%
Alternatives	10.5%
Credit	6.8%
Inflation Protection	3.7%

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

<u>Net Pension Liability (Asset)</u>		
<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
44,629,915	6,216,997	(26,217,116)

*Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions:* For the year ended June 30, 2015, the University recognized pension expense of \$2,464,511. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:**

	Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between actual and expected experience	\$ 0		\$ 1,449,148
Changes of assumptions			
Net difference between projected and actual earnings on pension plan investments			21,004,960
Change in proportion and differences between agency's contributions and proportionate share of contributions			745,420
Contributions subsequent to the measurement date	6,763,298		
Total	\$ 6,763,298		\$ 23,199,528

The amount of \$6,763,298 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:**

Year ended June 30:	Amount
2016	\$ (5,830,286)
2017	(5,830,286)
2018	(5,830,286)
2019	(5,708,670)
Total	\$ (23,199,528)

**B. Defined Contribution Plan** - The Optional Retirement Program (Program) is a defined contribution pension 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, 2015, 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 \$178,627,584, of which \$79,489,037 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$5,437,051 and \$4,769,342, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of \$349,706 recognized during the reporting period.

## 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 (TSERS) or the Optional Retirement Program (ORP). 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 TSERS 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 5.49% of the covered payroll under TSERS and ORP to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.40% and 5.30%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$8,421,927, \$8,473,310, and \$8,396,759, 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 TSERS and ORP. 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, 2015, the University made a statutory contribution of .41% of covered payroll under TSERS and ORP to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, was .44% in both years. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$628,960, \$690,418, and \$697,089, respectively. The University assumes no liability for longterm 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.

### **A. Employee Benefit Plans**

#### **1. State Health Plan**

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.

#### **2. Death Benefit Plan of North Carolina**

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.

### **B. Other Risk Management and Insurance Activities**

#### **1. Automobile, Fire, and Other Property Losses**

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 (VMM) has been purchased for the Elliott University Center. The University must fund the additional cost of the above state insurance. Both the Extended coverage and VMM 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.

#### **2. Public Officers' and Employees' Liability Insurance**

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.

### 3. Employee Dishonesty and Computer Fraud

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.

### 4. Statewide Workers' Compensation Program

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.

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.

### 5. Other Insurance Held by the University

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 (\$50.0 million 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 (\$1.0 million per occurrence, \$3.0 million aggregate) – Genetic Counseling (\$2.0 million per occurrence, \$4.0 million 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).

## 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 \$45,800,480 at June 30, 2015.

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

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

Purpose	Amount
Pledges to The UNCG Excellence Foundation Endowment Fund	\$ 444,558
Pledges to the Human Environmental Sciences Foundation Endowment Fund	400
Pledges to the UNCG Endowment Fund	253,446

**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 \$2,665,184 to Gateway University Research Park, Inc. These payments consisted of: \$1,028,521 for the construction, maintenance, acquisition, movement, installation, and upgrades of offices, classrooms, and laboratories for the Joint School of Nanoscience and Nanoengineering; \$1,000,750 for the development of the Union Square Project; \$474,163 for the operation and maintenance of University facilities at the Gateway University Research Park; \$150,000 for the annual management fee for the Gateway University Research Park; and \$11,750 for other facility use fees and maintenance expenses.

Notes to the  
Financial  
Statements

**Note 16 - Blended Component Units**

Condensed combining information for the University's blended component units for the year ended June 30, 2015, is presented as follows:

**Condensed Statement of Net Position  
June 30, 2015**

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	Total
<b>ASSETS</b>						
Current Assets	\$ 136,082,048	\$ 6,458,799	\$ 462,140	\$ 0	\$ 2,708,478	\$ 145,711,465
Capital Assets	652,155,797	24,912		22,996,835	8,596,255	683,773,799
Other Noncurrent Assets	173,317,415	112,862,039	8,878,491			295,057,945
Total Assets	961,555,260	119,345,750	9,340,631	22,996,835	11,304,733	1,124,543,209
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	9,479,985					9,479,985
<b>LIABILITIES</b>						
Current Liabilities	30,608,321	228,703			387,446	31,224,470
Long-Term Liabilities	346,069,133				9,261,408	355,330,541
Other Noncurrent Liabilities	5,373,667	7,426,657				12,800,324
Total Liabilities	382,051,121	7,655,360			9,648,854	399,355,335
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	23,198,061	158,609			1,467	23,358,137
<b>NET POSITION</b>						
Net Investment in Capital Assets	356,119,592	24,912		22,996,835		379,141,339
Restricted - Nonexpendable	63,768,249	64,332,863	4,447,615			132,548,727
Restricted - Expendable	86,100,152	39,649,131	3,267,758			129,017,041
Unrestricted	59,798,070	7,524,875	1,625,258		1,654,412	70,602,615
Total Net Position	\$ 565,786,063	\$ 111,531,781	\$ 9,340,631	\$ 22,996,835	\$ 1,654,412	\$ 711,309,722

**Condensed Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Fiscal Year Ended June 30, 2015**

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Weatherspoon Arts Foundation	Capital Facilities Foundation	Eliminations	Total
<b>OPERATING REVENUES</b>							
Rental Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,533	\$ 0	\$ 13,533
Operating Revenues	151,030,377						151,030,377
Total Operating Revenues	151,030,377				13,533		151,043,910
<b>OPERATING EXPENSES</b>							
Operating Expenses	331,881,067	61,036	1,711		85,772	(9,290)	332,020,296
Depreciation	18,154,430	7,118			25,250		18,186,798
Total Operating Expenses	350,035,497	68,154	1,711		111,022	(9,290)	350,207,094
Operating Loss	(199,005,120)	(68,154)	(1,711)		(97,489)	9,290	(199,163,184)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Investment Income	1,284,682	769,491	63,154				2,117,327
Noncapital Gifts	3,769,191	587,072		210,029			4,566,292
Interest and Fees on Debt	(8,968,367)				(194,485)		(9,162,852)
Other Nonoperating Revenues	215,557,292				10,513		215,567,805
Other Nonoperating Expenses	(1,057,490)			167,609	(27,239)		(917,120)
Net Nonoperating Revenues (Expenses)	210,585,308	1,356,563	63,154	377,638	(211,211)		212,171,452
Transfers		(3,956,031)	(341,077)			4,297,108	
Capital Contributions	778,903						778,903
Additions to Endowments	1,723,204	2,672,173	133,176				4,528,553
Increase (Decrease) in Net Position	14,082,295	4,551	(146,458)	377,638	(308,700)	4,306,398	18,315,724
<b>NET POSITION</b>							
Net Position, July 1, 2014 (As Restated)	547,397,370	111,527,230	9,487,089	22,619,197	1,963,112		692,993,998
Net Position, June 30, 2015	\$ 561,479,665	\$ 111,531,781	\$ 9,340,631	\$ 22,996,835	\$ 1,654,412	\$ 4,306,398	\$ 711,309,722

**Condensed Statement of Cash Flows  
June 30, 2015**

	UNCG	UNCG Excellence Foundation	Human Environmental Sciences Foundation	Capital Facilities Foundation	Eliminations	Total
Net Cash Used by Operating Activities	\$ (184,049,414)	\$ (61,036)	\$ (1,711)	\$ (3,122,346)	\$ 0	\$ (187,234,507)
Net Cash Provided (Used) by Noncapital Financing Activities	222,003,052	(1,684,730)	(208,401)		4,212,809	224,322,730
Net Cash Used by Capital and Related Financing Activities	(76,179,677)			(75,168)		(76,254,845)
Net Cash Provided by Investing Activities	3,005,385	2,096,031	212,887	10,513		5,324,816
Net Increase (Decrease) in Cash and Cash Equivalents	(35,220,654)	350,265	2,775	(3,187,001)	4,212,809	(33,841,806)
Cash and Cash Equivalents, July 1, 2014	189,096,938	1,491,322	54,802	5,894,866		196,537,948
Cash and Cash Equivalents, June 30, 2015	\$ 153,876,284	\$ 1,841,587	\$ 57,577	\$ 2,707,865	\$ 4,212,809	\$ 162,696,142

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 is not shown.

**Note 17 - Net Position Restatement**

As of July 1, 2014, net position as previously reported was restated as follows:

	Amount
July 1, 2014 Net Position as Previously Reported	\$ 719,946,012
Restatement:	
Record the University's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68 requirements.	(26,952,014)
	\$ 692,993,998
<b>July 1, 2014 Net Position as Restated</b>	



*Schedule of the Proportionate Net Pension Liability  
Teachers' and State Employees' Retirement System*

*Last Two  
Fiscal Years*

	<u>2014</u>		<u>2013</u>
Proportionate share percentage of collective net pension liability	0.53027%		0.55270%
Proportionate share of TSERS collective net pension liability	\$ 6,216,997	\$	33,554,522
Covered-employee payroll	\$ 75,983,103	\$	78,802,024
Net pension liability as a percentage of covered-employee payroll	8.18%		42.58%
Plan fiduciary net position as a percentage of the total pension liability	98.24%		90.60%

*Last Ten  
Fiscal Years*

*Schedule of University Contributions  
Teachers' and State Employees' Retirement System*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 6,763,298	\$ 6,602,932	\$ 6,564,209	\$ 5,823,207	\$ 3,997,274
Contributions in relation to the contractually determined contribution	<u>6,763,298</u>	<u>6,602,932</u>	<u>6,564,209</u>	<u>5,823,207</u>	<u>3,997,274</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 73,915,822	\$ 75,983,103	\$ 78,802,024	\$ 78,268,906	\$ 81,080,607
Contributions as a percentage of covered-employee payroll	9.15%	8.69%	8.33%	7.44%	4.93%

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	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 2,840,309	\$ 2,730,725	\$ 2,304,401	\$ 1,794,990	\$ 1,434,699
Contributions in relation to the contractually determined contribution	<u>2,840,309</u>	<u>2,730,725</u>	<u>2,304,401</u>	<u>1,794,990</u>	<u>1,434,699</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 79,560,471	\$ 81,271,581	\$ 75,554,145	\$ 67,480,821	\$ 61,311,915
Contributions as a percentage of covered-employee payroll	3.57%	3.36%	3.05%	2.66%	2.34%

*Notes to Required Supplemental Information*  
*Schedule of University Contributions*  
*Teachers' and State Employees' Retirement System*

*Year Ended*  
*June 30, 2015*

*Changes of Benefit Terms:*

<b>Cost of Living Increase</b>								
<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

*Changes of assumptions.* In 2008, and again in 2012, the rates of withdrawal, mortality, service retirement and salary increase for active members and the rates of mortality for beneficiaries were adjusted to more closely reflect actual experience. Assumptions for leave conversions and loads were also revised in 2012.

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