

THE UNIVERSITY OF NORTH CAROLINA

GREENSBORO



The Financial Report
2000-2001

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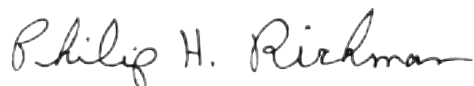
The Chancellor and The Board of Trustees of The University of North Carolina at Greensboro

I am pleased to present the University's Financial Report for the year ended June 30, 2001. The report includes the financial statements, accompanying notes, and the audit opinion letter of the North Carolina Office of State Auditor, which states the financial statements are fairly stated in accordance with generally, accepted accounting principles.

Annual current fund revenues, excluding affiliated foundations, have grown by 43% over the past 5 years, from \$149 million in 1996-97 to \$213 million in 2000-2001. Assets, excluding affiliated organizations, have grown by 28% over the past five years, from \$380 million in 1996-97 to \$488 million in 2000-2001. Total assets, including affiliated organizations, have grown to \$565 million.

The 2000-2001 Financial Report also includes a summary of the year's financial, grant and contract, endowment, and construction activity as well as a demographic summary of the student population.

Sincerely,



*Philip H. Richman
Vice Chancellor for Business Affairs*

The University

More than a century after its founding as a school dedicated to the education of women, The University of North Carolina at Greensboro has evolved into a multi-disciplined resource that provides an exceptional education for male and female students and an invaluable service for the community.

With a student body of 12,731 - 79 percent undergraduate and 21 percent graduate students - The University offers more than 150 programs with master's degrees in sixty-two fields and doctorates in fifteen areas. Those programs are staffed by 762 full-time faculty members, 90 percent of whom hold the highest attainable degrees in their field.

Students frequently apply classroom learning to real life situations through internships and clinical practice. Greensboro benefits from the work of students in UNCG's College of Arts and Sciences and six professional schools. Education students hone their craft in area classrooms; nursing students provide wellness clinics to serve the elderly; music and theatre students offer performances; science students conduct research; and business students offer global expertise to area industries.

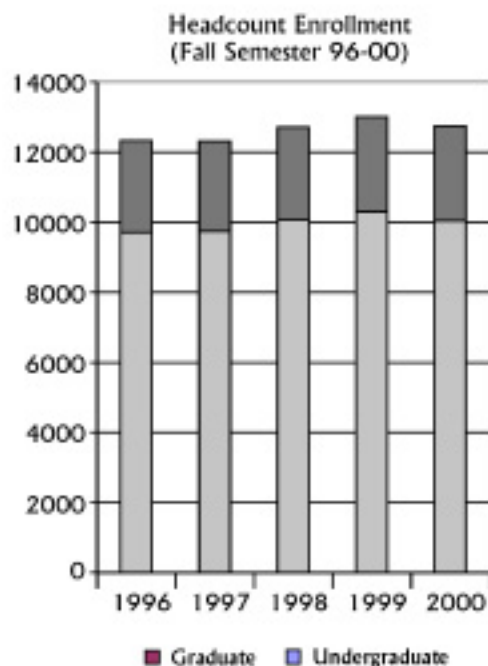
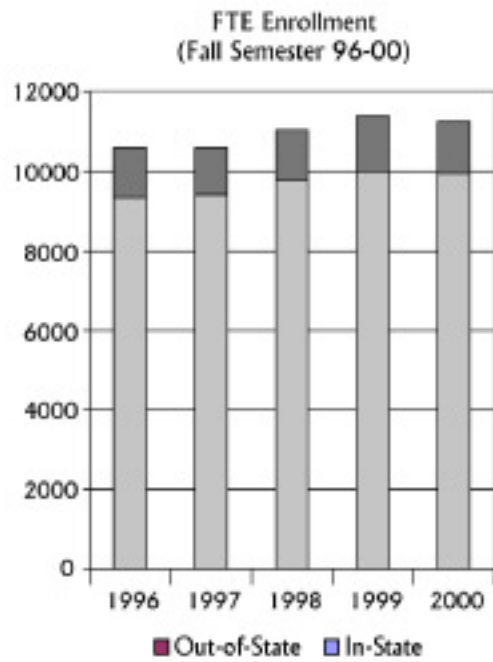
Outside the classroom, UNCG takes seriously its motto of "service." The Center for the Study of Social Issues is helping revive the West Macedonia neighborhood of High Point by guiding residents to resources. Faculty and students from the School of Nursing coordinate an award-winning teen pregnancy prevention program. Also, The University created the Center for New North Carolinians, designed to offer support to the state's newest residents and provide research in immigrant and refugee issues for the state.

The University also conducts numerous groundbreaking research projects. Many of UNCG's faculty members are nationally known scholars, whose work is well respected by their peers. Current faculty projects include an at-home cancer test; guidelines for teaching hearing-impaired infants; an invitational school model that teaches trust and respect, and optimism in schools; genetically engineered alfalfa to inoculate cattle against E. coli bacteria; and "sentinel" plants that may guard against bio-terrorism attacks.

As Greensboro has evolved, so has UNCG. As The University looks toward the future, it will continue to strengthen its academic excellence while working to be a leader in economic, cultural, and social development in the Piedmont Triad.

Student Data

These charts and graphs depict the evolving growth and diversity at The University of North Carolina at Greensboro. The University responds to these changes with new programming, services, and facilities to carry out its mission.



Headcount Breakdown

Undergraduate	10,021	78.7%
Graduate	2,710	21.3%



Graduate & Others	2,918	22.9%
Seniors	2,517	19.8%
Juniors	2,106	16.5%
Sophomores	2,266	17.8%
Freshmen	2,924	23.0%



In-State	11,338	89.1%
Out-of-State	1,393	10.9%



Full-Time	9,409	73.9%
Part-Time	3,322	26.1%



Female	8,642	67.9%
Male	4,089	32.1%



White	9,624	75.6%
African American	2,184	17.2%
Other	923	7.2%



Off-Campus	9,194	72.2%
On-Campus	3,537	27.8%



Five Year Comparison (in thousands) Years Ended June 30

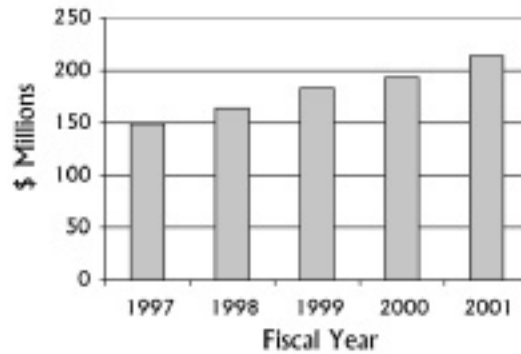
	2001		2000		1999		1998		1997	
Revenues										
Educational & General										
Tuition and Fees	34,053	15.9%	33,361	17.3%	31,681	17.3%	29,155	17.8%	28,696	19.3%
State Appropriations	94,454	44.2%	84,598	43.8%	82,285	45.1%	74,726	45.4%	66,066	44.2%
Grants and Contracts	32,899	15.4%	27,002	14.0%	23,166	12.7%	18,172	11.1%	16,376	11.0%
Private Gifts	8,871	4.2%	5,825	3.0%	4,753	2.6%	4,384	2.7%	3,534	2.4%
Endowment Income	1,461	0.7%	2,056	1.1%	1,712	0.9%	1,369	0.8%	1,162	0.8%
Sales and Services	5,894	2.8%	5,617	2.9%	5,135	2.8%	5,104	3.1%	4,462	3.0%
Investment Income	1,753	0.8%	1,578	0.8%	1,426	0.8%	1,697	1.0%	1,641	1.1%
Other Sources	98	0.0%	73	0.0%	58	0.0%	68	0.0%	57	0.0%
Auxiliary Enterprises										
Sales and Services	26,771	12.5%	25,715	13.3%	25,491	13.9%	22,776	13.9%	20,711	13.9%
Student Fees	6,536	3.1%	6,330	3.3%	6,204	3.4%	6,116	3.7%	6,042	4.1%
Investment Income	951	0.4%	898	0.5%	912	0.5%	780	0.5%	266	0.2%
Total	213,741	100.0%	193,053	100.0%	182,823	100.0%	164,347	100.0%	149,013	100.0%
Expenditures and Mandatory Transfers										
Educational and General										
Instruction	69,106	34.2%	63,040	33.4%	58,885	33.5%	55,895	35.1%	52,917	36.5%
Research and Public Service	23,980	11.9%	22,277	11.8%	19,096	10.9%	14,468	9.1%	13,029	9.0%
Libraries	6,890	3.4%	6,667	3.5%	7,133	4.1%	6,621	4.2%	5,520	3.8%
Other Academic Support	17,887	8.8%	15,646	8.3%	13,481	7.7%	11,853	7.4%	10,527	7.2%
Subtotal	117,863	58.3%	107,630	57.0%	98,595	56.2%	88,837	55.8%	81,993	56.5%
Student Services	10,250	5.1%	10,062	5.3%	8,755	5.0%	8,883	5.6%	7,281	5.0%
Student Financial Aid	13,713	6.8%	12,056	6.4%	10,651	6.1%	9,120	5.7%	8,499	5.9%
Institutional Support	16,351	8.1%	16,119	8.5%	19,093	10.9%	17,081	10.7%	14,354	9.9%
Physical Plant Operations	13,120	6.4%	11,913	6.3%	9,276	5.3%	8,852	5.6%	8,399	5.8%
Mandatory Transfers	1,411	0.7%	1,304	0.7%	1,234	0.6%	1,341	0.8%	1,083	0.7%
Auxiliary Enterprises										
Expenditures	25,624	12.7%	25,326	13.4%	24,244	13.8%	21,714	13.6%	21,068	14.5%
Mandatory Transfers	3,823	1.9%	4,262	2.4%	3,682	2.1%	3,507	2.2%	2,489	1.7%
Total	202,155	100.0%	188,672	100.0%	175,530	100.0%	159,335	100.0%	145,166	100.0%

Current Funds Revenues

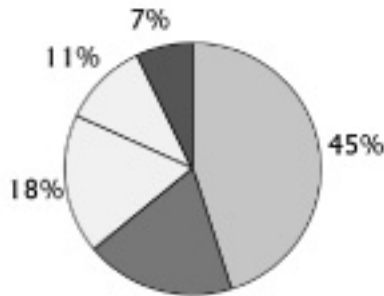
Current funds revenues excluding affiliated foundations were in excess of \$213 million for the year ended June 30, 2001, a 10.7% increase from the previous year. This change is attributed to increases of 11.7% in state appropriations, 21.8% in grants and contracts, 52.3% in private gifts, and 4.1% in auxiliary sales and services. The \$3 million increase in private gifts is due to applying GASB Statement No. 33, which was effective for fiscal year ending June 2001. The standard states that recipient institutions should recognize a receivable and revenue, net of estimated uncollectible amounts, for pledges from nongovernmental entities that are expected to be collected and available for expenditure and that are both verifiable and measurable.

Grants and contracts and private gifts' percentage of current funds revenues increased 4.4% and 1.8%, respectively, as compared with 1997. Tuition and fees decreased from 19.3% of current funds revenues in 1997 to 15.9% in 2001. Also experiencing declines were auxiliary sales and services and student fees of 1.4% and 1.0%, respectively.

Five-Year Revenue Summary
(Excluding Foundations)

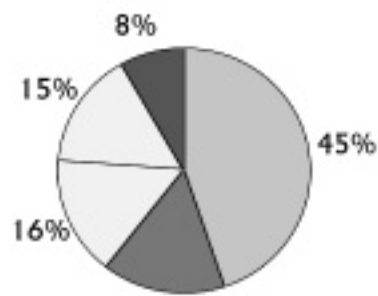


1997 Revenues
(Excluding Foundations)



State Appropriations	\$66,066,000
Tuition & Fees	\$28,696,000
Auxiliary Enterprises	\$27,019,000
Grants & Contracts	\$16,376,000
Other	\$10,856,000
Total	\$149,013,000

2001 Revenues
(Excluding Foundations)



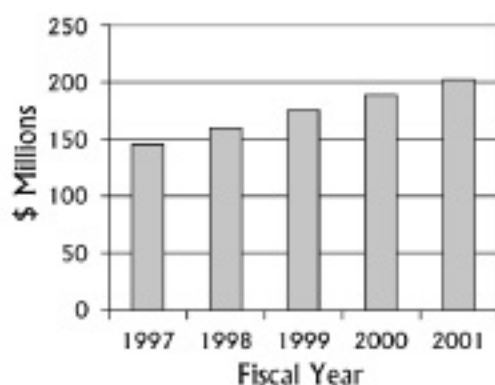
State Appropriations	\$94,454,000
Tuition & Fees	\$34,053,000
Auxiliary Enterprises	\$34,258,000
Grants & Contracts	\$32,899,000
Other	\$18,077,000
Total	\$213,741,000

Current Funds Expenditures

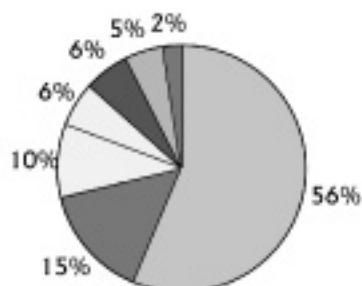
Excluding affiliated foundations, current funds expenditures and mandatory transfers increased 7.1% over the previous year to exceed \$202 million. When compared to the prior year, instruction expenditures increased by 9.6%, research and public service by 7.6%, other academic support by 14.3%, student financial aid by 13.7%, and physical plant operations by 10.1%.

Since fiscal year 1997, as a percentage of total current funds expenditures, research and public service (2.9%) and other academic support (1.6%) exhibited the largest increases. Instruction, institutional support, and auxiliary expenditures experienced declines of 2.3%, 1.8%, and 1.8%, respectively.

Five-Year Expenditures Summary
(Excluding Foundations)

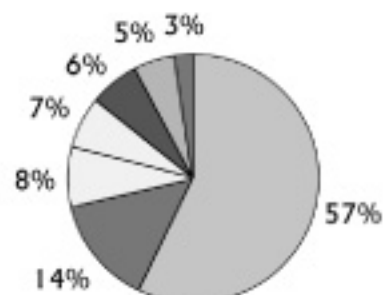


1997 Expenditures
(Excluding Foundations)



Instruction, Research, Public Service Libraries & Academic Support	\$81,993,000
Auxiliary Enterprises	\$21,068,000
Institutional Support	\$14,354,000
Financial Aid	\$8,499,000
Physical Plant Operations	\$8,399,000
Student Services	\$7,281,000
Mandatory Transfers	\$3,572,000
Total	\$145,166,000

2001 Expenditures
(Excluding Foundations)



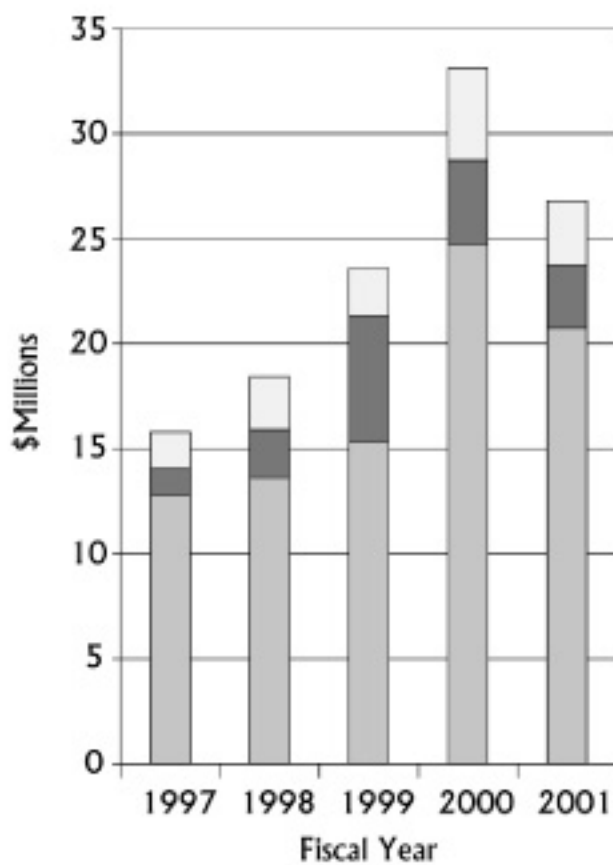
Instruction, Research, Public Service Libraries & Academic Support	\$117,863,000
Auxiliary Enterprises	\$25,624,000
Institutional Support	\$16,351,000
Financial Aid	\$13,713,000
Physical Plant Operations	\$13,120,000
Student Services	\$10,250,000
Mandatory Transfers	\$5,234,000
Total	\$202,155,000

Grants and Contracts

Grants and Contracts continue to provide a major source of University funding with \$26.8 million awarded and \$32.9 received in 2000-2001. The continuing successful funding reflects the emphasis on research excellence by the University.



Research and Sponsored Program Awards



Endowment Funds

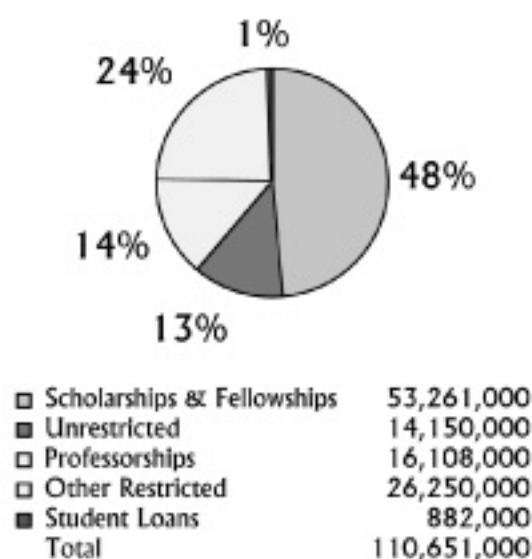
The endowment of the University and its affiliated foundations provide scholarship, loan, and salary funding to attract and retain high achieving students and distinguished professors.

The management of the endowment requires that its gifts retain their purchasing power as well as generate a relatively stable stream of funds for spending in the current year. This is achieved through investment diversification, selection of investment managers for different investment types, and a distribution of income for spending which allows the reinvestment of some of the current year's income for growth.

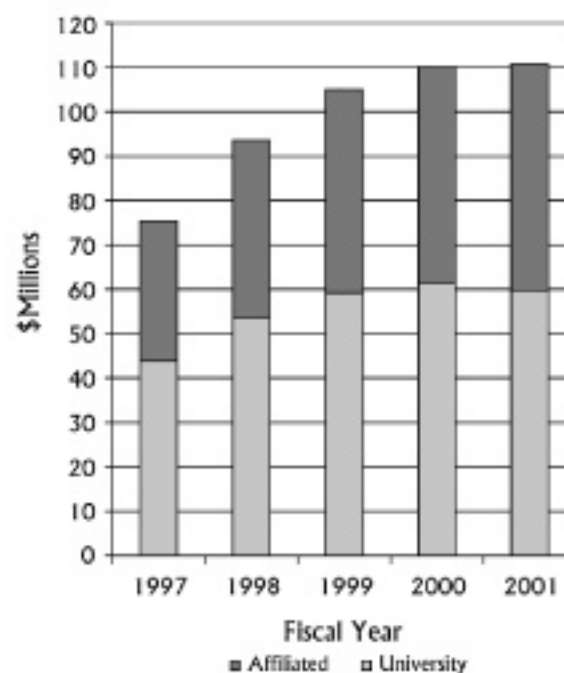
The University invests most of its endowment assets in the University of North Carolina at Greensboro Investment Fund. This fund is a diversified investment pool organized and operated by The University of North Carolina at Greensboro Investment Fund, Incorporated (UNCGIF). The UNCGIF is owned in its entirety by the endowment of the University and its affiliated foundations. Assets and ownership interests of the UNCGIF are determined on a market unit valuation basis. The Fund operates like an open-end mutual fund in that participants may purchase units on a monthly basis at the market value on that date. The UNCGIF exists solely for the purpose of managing the investments of the Fund.

More than \$4.7 million was available for spending from the Fund. The total rate of return for the Fund was -0.4%, reflecting market changes from the previous year's return of 4.5%.

University and Affiliated Foundations
Endowment by Purpose
(Market Value)



Endowment Fund
(Market Value)



Construction Highlights

Projects Completed

The **\$7.9 million Phase I** of the **Elliott University Center** was an addition on the west side of the existing EUC, which opened Fall 2001. This addition houses a new two-story bookstore and a two-story food court on the opposite side of an atrium living room for the students.

The **\$1.8 million Residence Hall Data Renovation Phase III and V** completes the data/telephone wiring in the balance of the residence halls that had not been wired and brings all up to the campus standard. Every double room in the residence halls now has the capability for one telephone and one data port for each pillow and one cable TV port per room.

The **\$1.4 million Tennis Court Renovation** consisted of replacing ten existing tennis courts between the soccer stadium and West Drive. The courts have been widened, two additional courts added, some minor concrete seating has been provided, drainage below the courts has been addressed, and new lighting and controls installed. The courts are used for athletics, teaching and recreation.

Projects Currently Under Construction

The new **\$39.2 million Science Building** houses both Chemistry and Biology. The 171,000 square foot building is located on the east side of McIver Street adjacent and connected by a bridge to the Eberhart Building. McIver Street will be turned into a pedestrian mall for students.

The **\$12.9 million** renovation of the existing **Elliott University Center** is **Phase II** of this two-phase project. It adds a new 500-seat auditorium and a new meditation center as well as conference rooms, student lounge, coffee shop, convenience store, offices for student organizations and staff, and renovates Cone Ballroom.

The **\$5.1 million Campus Telecommunication Network project** is a large infrastructure project that will install a fiber optic backbone throughout the entire campus in a concrete encased duct bank. Seven large academic buildings on campus will get rewired to a new data/telephone-wiring standard.

The **\$4.5 million Campus Telecommunications Network Phase IV project** wires the balance of the academic and administrative buildings for data and telephone.

Projects in Design

The **\$16.6 million Studio Arts Center project** will be a new building to house the Art Department and Department of Interior Design. This building will contain classrooms, studios, shops and faculty offices. It will be located on Highland Avenue between Spring Garden Street and Oakland Avenue.

The **\$15.8 million Humanities Hall project** will house the Humanities Department and Office Research Facility. The building's location will be at the corner of Spring Garden Street and Forest Street, on the site currently occupied by Park Gymnasium.

Design is finishing up on the **\$13 million Oakland Avenue Parking Deck**, which will be a five-story 1,000 space parking deck with expansion capability for an additional 500 spaces and located between Spring Garden Street and Oakland Avenue. Access to the deck will be via Forest Street and Kenilworth Street with Stirling Street being closed for vehicular traffic allowing for pedestrian flow into the campus.



RALPH CAMPBELL, JR.
STATE AUDITOR

STATE OF NORTH CAROLINA
Office of the State Auditor

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RALEIGH, N. C. 27603-9903
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FAX: (919) 733-8443

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS


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

We have audited the accompanying Balance Sheet of The University of North Carolina at Greensboro, a component unit of the State of North Carolina, as of June 30, 2001, and the related Statement of Changes in Fund Equity and Statement of Current Funds Revenues, Expenditures, and Other Changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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, 2001, and the changes in fund equity and the current funds revenues, expenditures, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14A to the financial statements, the University changed its accounting for securities lending transactions allocated from the State Treasurer's Cash and Investment Pool during the year ended June 30, 2001. As discussed in Note 14B to the financial statements, the University implemented Governmental Accounting Standard Board, Statement #33 "Accounting and Reporting of Non-Exchange Transactions" during the year ended June 30, 2001.


Ralph Campbell, Jr.
State Auditor

October 19, 2001



Balance Sheet

	Current Funds		
	Unrestricted		
	General	Proprietary	Restricted
ASSETS			
Cash and Cash Equivalents	\$ 24,736,530	\$ 17,841,518	\$ 3,209,107
Investments	742,939		3,530,274
Receivables:			
Accounts Receivable (Net)	1,173,650	671,567	3,842,093
Interest Receivable	90,997	69,853	114,600
Intergovernmental Receivables			4,274,687
Due from Other Funds	386,872	62,345	2,243,924
Due from Primary Government			898,028
Notes Receivable (Net)			
Inventories	131,336	345,312	
Fixed Assets (Note 4)			
Other Assets			2,064
Total Assets	\$ 27,262,324	\$ 18,990,595	\$ 18,114,777
LIABILITIES			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	\$ 608,413	\$ 197,191	\$ 1,069,431
Accrued Payroll	3,212,047	30,056	122,574
Intergovernmental Payables			369,688
Due to Other Funds	1,409,225	894,522	267,759
Due to Primary Government		106,530	
Bonds Payable (Note 5B)			
Interest Payable			
Deposits Payable	299,410	100	
Accrued Vacation Leave	3,017,266	502,572	457,538
Deferred Revenue	2,478,340	299,502	647,429
Funds Held in Trust for Pool Participants			
Funds Held for Others	546,264		
Total Liabilities	11,570,965	2,030,473	2,934,419
FUND EQUITY			
Net Investment in Plant			
Fund Balances:			
Restricted:			
U. S. Government Grants Refundable			
Endowment			
Term Endowment			
Quasi-Endowment			
Annuity and Life Income Funds			
Restricted for Debt Retirement			
Restricted for Repair and Replacement			
Other Restricted Funds			15,180,358
Unrestricted:			
Quasi-Endowment			
Other Unrestricted Funds	15,691,359	16,960,122	
Total Fund Equity	15,691,359	16,960,122	15,180,358
Total Liabilities and Fund Equity	\$ 27,262,324	\$ 18,990,595	\$ 18,114,777

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

Fiduciary Funds			Plant Funds		
Loan	Endowment	Agency	Unexpended	Debt Service	Investment in Plant
\$ 445,794	\$ 857,465 111,568,730	\$ 374,694 1,548,457	\$ 25,317,449 2,501,408	\$ 125,233 5,203,656	\$
6,663					
161,252	10,593	247	39,779		
423					
40,622	65,474		380,350	684,420	
			6,224,723		
5,470,240	20,639				
					339,454,017
\$ 6,124,994	\$ 112,522,901	\$ 1,923,398	\$ 34,463,709	\$ 6,013,309	\$ 339,454,017
\$	\$ 1,844,020	\$ 47,036	\$ 3,635,256	\$	\$
104,967	1,187,534				
			15,445,181	1,416,154 684,421	53,579,865
		1,548,457 327,905			
104,967	3,031,554	1,923,398	19,080,437	2,100,575	53,579,865
					285,874,152
4,694,630	92,633,276 536,472 10,387,562 2,666,359			630,631 3,282,103	
1,325,397			15,383,272		
	3,267,678				
6,020,027	109,491,347		15,383,272	3,912,734	285,874,152
\$ 6,124,994	\$ 112,522,901	\$ 1,923,398	\$ 34,463,709	\$ 6,013,309	\$ 339,454,017

Statement of
Changes in
Fund Equity

	Current Funds		
	Unrestricted		
	General	Proprietary	Restricted
REVENUES AND OTHER ADDITIONS			
Tuition and Fees	\$ 34,053,047	\$	\$
State Appropriations	94,453,989		
Federal Contracts and Grants	2,901,355		26,793,461
State Contracts and Grants	160,354		3,054,816
Local Contracts and Grants			166,106
Nongovernmental Contracts and Grants			2,738,734
Gifts	977,948	65,000	6,734,698
Investment Income	1,810,063	950,862	28,551
Endowment Income	418,210		2,173,775
Sales and Services	5,959,084	33,242,257	
Expended for Plant Facilities			
Retirement of Indebtedness			
Other Revenues and Additions	69,920		124,053
Total Revenues and Other Additions	140,803,970	34,258,119	41,814,194
EXPENDITURES AND OTHER DEDUCTIONS			
Educational and General	136,480,673		35,791,695
Auxiliary Enterprises		24,407,790	
Internal Service Funds		1,216,745	
Indirect Costs Recovered			2,915,689
Refunded to Grantors			4,052
Expended for Plant Facilities			
Retirement of Indebtedness			
Interest on Indebtedness			
Disposal of Plant Facilities			
Other Expenditures and Deductions			
Total Expenditures and Other Deductions	136,480,673	25,624,535	38,711,436
TRANSFERS			
Mandatory Transfers	(2,302,277)	(3,822,899)	141,376
Non-Mandatory Transfers	1,331,788	(4,036,253)	2,063,203
Net Transfers In (Out)	(970,489)	(7,859,152)	2,204,579
Net Increase (Decrease) for the Year	3,352,808	774,432	5,307,337
Fund Equity – July 1, 2000	12,338,551	16,185,690	9,873,021
Fund Equity – June 30, 2001	\$ 15,691,359	\$ 16,960,122	\$ 15,180,358

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

Fiduciary Funds		Plant Funds		
Loan	Endowment	Unexpended	Debt Service	Investment in Plant
\$	\$	\$	\$	\$
		3,672,100		
48,565		9,368,595		
12,645	6,449,002			1,030,654
133,511	(3,079,356)	(75,934)	285,148	
				14,340,582
				2,739,289
49,790				
244,511	3,369,646	12,964,761	285,148	18,110,525
		18,161,377		
			2,739,289	
			3,069,853	
				2,688,260
27,331			28,025	
27,331		18,161,377	5,837,167	2,688,260
21,584			5,962,216	
17,780	(3,385,523)	4,009,005		
39,364	(3,385,523)	4,009,005	5,962,216	
256,544	(15,877)	(1,187,611)	410,197	15,422,265
5,763,483	109,507,224	16,570,883	3,502,537	270,451,887
\$ 6,020,027	\$ 109,491,347	\$ 15,383,272	\$ 3,912,734	\$ 285,874,152

Statement of
Current Funds
Revenues,
Expenditures, and
Other Changes

Year Ended June 30, 2001 (With Comparative Totals for 2000)

	Unrestricted			Restricted	Year Ended June 30	
	General	Proprietary	Total		2001	2000
REVENUES						
Tuition and Fees	\$ 34,053,047	\$	\$ 34,053,047	\$	\$ 34,053,047	\$ 33,360,954
State Appropriations	94,453,989		94,453,989		94,453,989	84,598,460
Federal Contracts and Grants	2,901,355		2,901,355	24,398,765	27,300,120	23,635,858
State Contracts and Grants	160,354		160,354	2,800,168	2,960,522	2,915,328
Local Contracts and Grants				159,466	159,466	183,231
Nongovernmental Contracts and Grants				2,479,029	2,479,029	2,483,031
Gifts	977,948	65,000	1,042,948	6,734,698	7,777,646	1,413,240
Investment Income	1,810,063	950,862	2,760,925	28,551	2,789,476	2,524,599
Endowment Income	418,210		418,210	2,173,775	2,591,985	4,028,071
Sales and Services	5,959,084	33,242,257	39,201,341		39,201,341	37,622,110
Other Sources	69,920		69,920	124,053	193,973	74,483
Total Revenues	140,803,970	34,258,119	175,062,089	38,898,505	213,960,594	192,839,365
EXPENDITURES						
Educational and General						
Instruction	68,411,901		68,411,901	694,441	69,106,342	63,040,499
Organized Research	201,757		201,757	13,013,298	13,215,055	11,914,107
Public Service	2,267,477		2,267,477	8,497,753	10,765,230	10,362,793
Academic Support	21,670,221		21,670,221	3,140,310	24,810,531	22,336,185
Student Services	10,004,900		10,004,900	244,705	10,249,605	10,061,771
Institutional Support	17,009,411		17,009,411	283,410	17,292,821	16,160,820
Plant Maintenance and Operations	13,116,601		13,116,601	3,662	13,120,263	11,913,457
Student Financial Aid	3,798,405		3,798,405	9,914,116	13,712,521	12,055,838
Auxiliary Enterprises		24,407,790	24,407,790		24,407,790	23,878,559
Internal Service Funds		1,216,745	1,216,745		1,216,745	1,447,551
Total Expenditures	136,480,673	25,624,535	162,105,208	35,791,695	197,896,903	183,171,580
TRANSFERS AND ADDITIONS/(DEDUCTIONS)						
Refunded to Grantors				(4,052)	(4,052)	(18,841)
Mandatory Transfers	(2,302,277)	(3,822,899)	(6,125,176)	141,376	(5,983,800)	(5,691,259)
Non-Mandatory Transfers	1,331,788	(4,036,253)	(2,704,465)	2,063,203	(641,262)	(3,101,253)
Net Increase in Fund Equity	\$ 3,352,808	\$ 774,432	\$ 4,127,240	\$ 5,307,337	\$ 9,434,577	\$ 856,432

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

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by generally accepted accounting principles, 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 sixteen 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. Although legally separate, The Human Environmental Sciences Foundation, Inc., The Weatherspoon Arts Foundation, The UNCG Excellence Foundation, and The University of North Carolina at Greensboro Investment Fund, Inc., component units of the University, are reported as if they were part of the University.

The Human Environmental Sciences Foundation, Inc. is governed by twenty-seven member board consisting of twenty-seven elected directors. The Foundation's purpose is to aid and promote excellence in higher education, service and research, and the endowment of the School of Human Environmental Sciences at The University of North Carolina at Greensboro. Because the elected directors of the Foundation are appointed by the members of the The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

The Weatherspoon Arts Foundation Foundation is governed by a twenty-eight member board consisting of one ex officio director and twenty-seven elected 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 of teaching, research, and public services purposes exclusively for the use and benefit of The University of North Carolina at Greensboro. Because the elected directors of the Foundation are appointed by the members of the 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 is governed by a thirty-one member board consisting of three ex officio directors and twenty-eight elected 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 elected directors of the Foundation are appointed by the members of the 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 State 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 board consisting of eight ex officio directors and six elected 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 an external governmental investment pool. Because the elected 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 primary purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

Separate financial statements for the Foundations and the Investment Fund may be obtained from the Business Affairs Office, 254 Mossman Building, Greensboro, NC 27402, or by calling 336-334-5200. Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with generally accepted accounting principles applicable to governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement #15 Governmental College and University Accounting and Financial Reporting Models, the University has elected to follow the fund accounting and reporting guidelines set forth by the American Institute of Certified Public Accountants in its Industry Audit Guide, Audits of Colleges and Universities.

C. Fund Structure - The accompanying financial statements are structured into three categories of funds: Current, Fiduciary, and Plant Funds.

The **Current Funds** are used to account for the revenues and expenditures resulting from operations, with the Unrestricted Funds and Restricted Fund shown separately. The Restricted Fund represents resources that are restricted to use by either an outside donor or grantor. Current funds that are internally designated for specific purposes by the governing board or management having delegated authority are reported as Unrestricted Funds. The Unrestricted Proprietary Fund reflecting the operations of the student supply store, dormitories, other auxiliary enterprises, internal service funds, student activity funds and intercollegiate athletics is shown separately from the Unrestricted General Fund.

The **Fiduciary Funds** are used to account for additions to and deductions from fund equity of the Loan Fund and Endowment Fund. The Annuity and Life Income Fund is immaterial to the operations of the University and, as a result, is reported as part of the Endowment Fund. In addition, the Fiduciary Funds are used to account for funds of students and organizations held by the University as custodian in the Agency Fund. The transactions of the Agency Fund increase and decrease assets and liabilities but do not effect fund equity. As a result, the Agency Fund is not reflected in the Statement of Changes in Fund Equity.

The **Plant Funds** are used to account for additions to and deductions from fund equity of the Unexpended Plant Fund, Debt Service Fund, and the Investment in Plant Fund. The Debt Service Fund includes the Repair and Replacement reserves as well as the reserves for Retirement of Indebtedness.

D. Basis of Accounting - The financial statements of the University have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by public educational institutions, no provision is made for depreciation of fixed assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the University receives value without directly giving equal value in exchange, include grants, state appropriations, and private donations. On an accrual basis, revenues from these transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

E. Cash and Cash Equivalents - In addition to cash on deposit with private bank accounts, petty cash, and undeposited receipts, this classification includes cash on deposit with fiscal agents, and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). All other short-term investments are reported as investments.

F. Investments - This classification includes long-term fixed income investments, equity investments, mutual funds, money market funds, limited partnerships, real estate investment trusts, real estate, and other asset holdings by the University. Except for money market funds, real estate not held by a governmental external investment pool and other asset holdings, these investments are reported at fair value for year-end financial reporting purposes. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income.

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

G. Receivables and Allowance for Doubtful Accounts – Accounts receivable in the Unrestricted General Fund and the Unrestricted Proprietary Fund are shown in the accompanying financial statements net of allowances for doubtful accounts of \$237,529 and \$173,632, respectively. In addition, notes receivable in the Loan Fund is shown net of the allowance for doubtful accounts of \$608,801. The accounts and notes receivable for other funds are shown at book value with no provision for doubtful accounts considered necessary.

H. Inventories - Inventories held by the University are priced at cost using the last invoice cost. The inventories for the Unrestricted General Fund consist of expendable supplies, merchandise for resale, and fuel oil held for consumption. Inventories for the Unrestricted Proprietary Fund consist of expendable supplies, postage, and merchandise for resale.

I. Fixed Assets and Depreciation – Fixed Assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The University capitalizes fixed assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Depreciation is not recorded.

To the extent that current funds are used to finance plant assets, the amounts provided are accounted for as: (1) expenditures, in the case of normal replacement of furniture and movable equipment; (2) mandatory transfers, in the case of required provisions for debt retirement and renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fixed assets financed with debt proceeds are reported in the Investment in Plant fund subgroup when expenditures are incurred.

Fixed assets, such as roads, parking lots, decks, sidewalks, and other non-building structures and improvements are capitalized as infrastructure.

J. Vacation and Sick Leave - 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 1st or for which an employee can be paid upon termination of employment. 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 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

The University has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

K. Revenue Recognition – Current Funds revenues, as reflected on Exhibit C, include all exchange and non-exchange transactions earned and in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

Certain Unrestricted Proprietary Fund auxiliary operations provide goods and services to activities reported in the Unrestricted General Fund (as well as external customers). These auxiliary operations include activities such as central stores, the print shop, and other auxiliaries with interdepartmental activities. Because the University reports its Unrestricted General and Proprietary Fund activities separately on the financial statements, interdepartmental charges between the Unrestricted General and Proprietary Funds have not been eliminated. The total internal (and external) transactions related to these operations totaled approximately \$1,120,081 for the fiscal year ended June 30, 2001. These internal (and external) charges have been reported as a part of sales and service revenue and the related costs as auxiliary enterprise expenses.

Tuition remission and waivers are recorded as "Tuition and Fees" revenue and as "Student Financial Aid" expenditures on the accompanying financial statements.

Student fees pledged under bond indentures are reported as unrestricted revenues when received unless such fees are not legally available for other purposes, in which case they are reported as an addition to Debt Service Fund equity.

L. Endowment Investment Return – Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's pooled endowment funds are equal to 4.5 percent of the average market value of the Investment Pool at December 31 for the past three years. To the extent that the current year earnings do not meet the payout requirements, the University uses accumulated realized appreciation to make up the difference.

Endowments are classified as either "true" or "quasi". True endowments are funds that the donor has specified, as a condition of the gift, that the principal be maintained indefinitely. Quasi-endowments are funds on which there is no such restriction placed by the donor. For classification purposes, the income and appreciation added to principal is classified as quasi-endowment, unless the donor has stipulated otherwise.

M. Funds Held in Trust by Others - Funds held in trust by others are resources neither in the possession nor the control of the University, but held and administered by an outside organization, with the University deriving income from such funds. Such funds established under irrevocable trusts where the University has legally enforceable rights or claims in the future have not been recorded on the accompanying financial statements. These amounts are recorded as an asset and revenue when received by the University. At year end the amount held in irrevocable trusts by others for the University was \$4,510,371. Funds established under revocable trusts or where the trustees have discretionary power over distributions are recorded as revenue when distributions are received and resource provider conditions are satisfied.

Note 2 - Deposits and Investments

A. Deposits - The University is required by General Statute 147-77 to deposit its budget code cash and by the University of North Carolina Board of Governors pursuant to General Statute 116-36.1 to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, in the State Treasurer's Cash and Investment Pool. In addition, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer's Cash and Investment Pool. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

Deposits include cash and cash equivalents, and certificates of deposit totaling \$72,830,277. At year-end, cash on hand was \$77,513. The University's portion of the State Treasurer's Cash and Investment Pool was \$70,139,037. It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for his investments to be held by the State's agent in the State's name. The carrying amount of the University's deposits not with the State Treasurer was \$2,691,240 and the bank balance was \$2,686,613. Of the bank balance, \$429,037 was covered by federal depository insurance and \$2,257,576 was uninsured and uncollateralized.

North Carolina General Statutes 147-69.1(c) and 147-69.2 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 of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities, corporate bonds and notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

The financial statements and disclosures for the State Treasurer's Cash and Investment Pool 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.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. Investments - The University is authorized by The University of North Carolina Board of Governors pursuant to General Statute 116-36.2 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 previously discussed.

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

General Statute 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 Human Environmental Sciences Foundation, Inc., The Weatherspoon Arts Foundation, The UNCG Excellence Foundation, and the University of North Carolina at Greensboro Investment Fund, Inc. are restricted only by the requirements placed on them by the donor or pool participant agreement.

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. The University utilizes the following investment pool:

External Investment Pool - This is an external investment pool sponsored by the University. The pool 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 Human Environmental Sciences Foundation, Inc. and the UNCG Excellence Foundation, which are component units included in the University's reporting entity, 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 unit 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" in the University's Agency Funds.

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

Wachovia Bank, N.A. is the custodian for the pool and provides the University with monthly statements defining income and market 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 University.

Credit Risk Categories - The University's investments (pooled and non-pooled) are categorized below to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a counterparty's trust department or agent but not in the University's name.

A summary of the University's investments at June 30, 2001 is presented below.

	<i>External Investment Pool</i>			
	Fair Value			
	Risk Category			Total
1	2	3		
Categorized Investments:				
Corporate Stocks	\$	\$ 39,931,903	\$	\$ 39,931,903
International Stocks		1,205,859		1,205,859
Total Categorized Investments	\$	\$ 41,137,762	\$	41,137,762
Investments Not Categorized:				
Money Market Funds				6,586,430
Mutual Funds				50,871,807
Limited Partnerships				12,764,828
Real Estate Investment Trusts				237,225
Total Investments Not Categorized				70,460,290
Total External Pool Investments	\$			\$ 111,598,052

	<i>Non Pooled Investments</i>			
	Fair Value			
	Risk Category			Total
1	2	3		
Categorized Investments:				
U. S. Government Securities	\$	\$ 2,001,427	\$	\$ 2,001,427
Corporate Bonds		741,137		741,137
Corporate Stocks		2,393,159		2,393,159
International Stocks		97,696		97,696
Total Categorized Investments	\$	\$ 5,233,419	\$	5,233,419
Investments Not Categorized:				
Money Market Funds				5,612,004
Mutual Funds				2,420,411
Real Estate				231,578
Total Investments Not Categorized				8,263,993
Total Non Pooled Investments	\$			\$ 13,497,412

	<i>Total Investments</i>			
	Fair Value			
	Risk Category			Total
1	2	3		
Total Categorized Investments	\$	\$ 46,371,181	\$	\$ 46,371,181
Total Investments Not Categorized				78,724,283
Total Investments	\$			\$ 125,095,464

C. **Non-Current Funds Gains and Losses on Investments** – The net change in fair value of investments is recorded as part of “Investment Income” on the accompanying financial statements. The additions and deductions to the noncurrent fund’s fund equity resulting from the net change in fair value of investments follow:

	Net Unrealized Dividend Gains / (Losses)	Realized Gains	Realized Losses	Net Change in Fair Value
Endowment Fund	(6,011,400)	3,520,879	(613,207)	(3,103,728)
Unexpended Plant Fund	(394,863)			(394,863)

D. **Endowment Fund Investments** - The Board of Trustees of the Endowment Fund of The University of North Carolina at Greensboro and the Boards of Directors of the Foundations included in the University’s reporting entity have established a policy, for Endowment Fund Investments, that seeks to preserve and enhance the real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings in line with spending needs. The fair value of the Endowment Fund Investments as of June 30, 2001 as compared to the prior year was as follows:

	Balance June 30, 2001	Balance June 30, 2000
Investments by Fund:		
Endowment	\$ 100,075,635	\$ 101,454,442
Term Endowment	483,228	161,567
Quasi-Endowment Unrestricted	1,526,233	1,443,591
Quasi-Endowment Restricted	4,973,263	4,877,746
Annuity and Life Income Funds	4,510,371	4,041,518
Total	\$ 111,568,730	\$ 111,978,864
Investment by Type:		
Debt Securities	\$ 1,873,119	\$ 1,835,957
Equity Securities	40,076,116	41,757,771
Money Market Funds	6,558,272	4,426,984
Mutual Funds	50,697,408	52,801,141
Real Estate	10,928	10,928
Limited Partnerships	12,127,506	10,977,852
Real Estate Investment Trusts	225,381	168,231
Total	\$ 111,568,730	\$ 111,978,864

Note 3 - Inter-fund Receivables and Payables

Due From/To Other Funds as of June 30, 2001 are summarized below:

Due From	Due To						Total Due To	
	Unrestricted General	Unrestricted Proprietary	Restricted	Loan	Endowment	Unexpended		Debt Service
Unrestricted General	\$	\$ 33,534	\$ 1,204,992	\$	\$	\$	\$ 170,699	\$ 1,409,22
Unrestricted Proprietary	451					380,350	513,721	894,52
Restricted	151,629	28,811		21,845	65,474			267,73
Loan	104,967							104,96
Endowment	129,823		1,038,932	18,777				1,187,53
Total Due From	\$ 386,872	\$ 62,345	\$ 2,243,924	\$ 40,622	\$ 65,474	\$ 380,350	\$ 684,420	\$ 3,864,00

These inter-fund receivables and payables are expected to be paid back during the next fiscal year at no interest.

In addition, other inter-fund borrowings of a temporary nature have occurred where one bank account is maintained for more than one fund. Because the fund making the temporary loan has not been determined by the University, these inter-fund borrowings are not reported as an asset of the fund making the advance or as a liability of the fund receiving the advance.

Note 4 - Changes in Fixed Assets

A summary of changes in the fixed assets is presented as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
	Land	\$ 17,199,867	\$ 284,289	\$
Buildings	173,827,268	2,244,450	373,772	175,697,946
Infrastructure	3,346,547	16,800		3,363,347
Other Structures and Improvements	20,561,540	46,985		20,608,525
Furniture, Machinery and Equipment	22,261,542	2,725,224	2,298,378	22,688,388
Artwork, Artifacts and Literature	75,964,896	3,594,273	16,110	79,543,059
Construction In Progress	7,115,455	12,953,141		20,068,596
Total Fixed Assets	\$ 320,277,115	\$ 21,492,630	\$ 2,315,728	\$ 339,454,017

Note 5 - Long-Term Obligations

A. Changes in Long-Term Obligations - A summary of changes in the long-term obligations is presented as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Notes Payable	\$ 4,055,289	\$	\$ 4,055,289	\$ 0
Bonds Payable (principal only)	53,094,000	19,870,000	1,996,000	70,968,000
Total Long-Term Obligations	\$ 57,149,289	\$ 19,870,000	\$ 6,051,289	\$ 70,968,000

B. Bonds Payable - The University was indebted for bonds payable (net of discount and premium) in the amount of \$70,441,200 at June 30, 2001 for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/01	Principal Outstanding 6/30/01
Housing and Dining System						
Dormitory System Bonds of 1962	B	3.50%	7/1/02	\$ 1,800,000	\$ 1,643,000	\$ 157,000
Dormitory Systems Bonds of 1966	C	4.75%	7/1/05	2,550,000	1,964,000	586,000
Housing and Dining System Revenue Bonds (1993)	C	5.60%	4/1/18	4,265,000	740,000	3,525,000
Housing and Dining System Revenue Bonds (1997)	D	5.10%	4/1/23	6,000,000	390,000	5,610,000
Housing and Dining System Revenue Bonds (1997)	E	4.60%	4/1/07	7,290,000	3,225,000	4,065,000
Housing and Dining System Revenue Bonds (1997)	F	5.10%	4/1/16	8,750,000	1,290,000	7,460,000
Housing and Dining System Revenue Bonds (2000)	G	6.00%	4/1/26	6,425,000		6,425,000
				<u>37,080,000</u>	<u>9,252,000</u>	<u>27,828,000</u>
Student Facilities System						
Student Facilities Revenue Bonds (1992)	A	5.70%	4/1/17	10,425,000	2,035,000	8,390,000
Student Facilities Revenue Bonds (1997)	B	5.10%	4/1/23	3,755,000	245,000	3,510,000
Student Facilities Revenue Bonds (1997)	C	5.30%	4/1/23	12,200,000	830,000	11,370,000
				<u>26,380,000</u>	<u>3,110,000</u>	<u>23,270,000</u>
General Revenue Bonds (2001)	A	4.70%	4/1/26	19,870,000		19,870,000
Total Bonds Payable (principal only)				<u>\$ 83,330,000</u>	<u>\$ 12,362,000</u>	<u>70,968,000</u>
Less: Unamortized Discount						<u>526,800</u>
Total Bonds Payable						<u>\$ 70,441,200</u>

Designated student fees and revenue streams related to the systems financed have been pledged for the payment of these bonds. In addition, fund reservations required by the Bond Indentures have been established and recorded in the Debt Service Fund.

C. **Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2001 are presented as follows:

Fiscal Year	Annual Requirements (Principal and Interest)		
	Bonds Payable	Notes Payable	Capital Leases
2002	\$ 6,049,481	\$	\$
2003	6,293,066		
2004	6,210,143		
2005	6,229,194		
2006	6,219,443		
2007-2011	27,449,409		
2012-2016	26,890,917		
2017-2021	18,939,301		
2022-2026	12,599,635		
Total Requirements	\$ 116,880,589	\$ 0	\$ 0

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

Housing and Dining System: In 1997, the University defeased \$8,045,000 of outstanding Dining System Revenue Bonds, Series B (1991). An irrevocable trust was established with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's balance sheet. At June 30, 2001, the outstanding balance of the defeased Housing and Dining System Revenue Bonds was \$7,070,000.

Note 6 - Operating Leases

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2001:

Fiscal Year	Amount
2002	\$ 201,980
2003	206,284
2004	149,315
2005	149,503
2006	75,857
Total Minimum Lease Payments	\$ 782,939

Rental expense for all operating leases during the year was \$425,380.

Note 7 - 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 \$34,358,389.

B. Pending Litigation and Claims – The University is a party to other 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. University Improvement General Obligation Bonds – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$2.5 billion of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the University of North Carolina. The funds authorized are to be used solely for capital facilities cost on the University of North Carolina campuses as specified in the legislation. The bond legislation specifies the amount of bond funding for each University campus and the level of bond funding intended for each project. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The University of North Carolina – General Administration (UNC-GA), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, UNC-GA notifies the Office of State Budget, Planning, and Management (OSBPM) of the amounts not to exceed for each approved project. Within these amounts, based on an official request of cash needs from the University, OSBPM authorizes allotments. The University records the allotments as revenue on the accompanying financial statements. In addition, amounts not allotted but accrued as expended at year-end are recorded as revenue. The University's remaining authorization of \$156,639,660 is contingent on future bond sales and OSBPM allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

Note 8 - Budgeting and Budgetary Control

The State of North Carolina operates on a biennial budget cycle with separate annual departmental and institutional certified budgets adopted by the General Assembly.

Chapter 116, Article 1, Part 2A of the North Carolina General Statutes authorizes the universities within the sixteen campus University of North Carolina System to apply for special responsibility status, which sets the legal level of budgetary control at the institution's budget code level. A budget code is a convention used in the State's accounting system to distinguish the type of fund and the responsible department or institution. Budget Codes are also used to segregate certain purposes within departments or institutions. Institutions with special responsibility status must still have certain budget revisions, primarily those associated with unanticipated revenues, approved by the Office of State Budget and Management. Additionally, universities must maintain programs and services in accordance with the guidelines established by the Board of Governors of the consolidated University of North Carolina System. The University of North Carolina at Greensboro has applied for and received special responsibility status.

After the budget is approved by the General Assembly and adopted by the Board of Governors, the University follows an established system of budgetary controls. Periodic interim budget statements to department heads guide them in managing budget allocations. Monthly financial reports, which include budget and actual data, are provided for each fund to individual managers responsible for the fund. When actual conditions require changes to the budget, revisions are prepared and communicated to those affected. Changes to the budget are reviewed and approved at the University or State level as required. The University maintains an encumbrance accounting system as another method to ensure that imposed expenditure constraints are observed. The state budgetary control is maintained on a cash basis of accounting.

Note 9 - Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and the 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.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess liability coverage up to \$11,000,000 for public officers and employees via contract with a private insurance company. The premium, based on a composite rate, is paid by the University to the State's Agent of Record.

The State Property Fire Insurance Fund (Fund), an internal service fund of the State, insures all State owned buildings and contents for fire and various other property losses up to \$2,500,000 per occurrence. The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. Coverage for fire losses for operations supported by the State's General Fund is provided at no cost to the University. Other operations not supported by the State's General Fund are charged for fire coverage. The University also purchased through the Fund extended coverage for losses due to wind and hail damage, explosion, and smoke, among the optional coverage.

A number of University departments have also elected to purchase "all-risk" insurance through the Fund. The principal cause of loss addressed by this coverage is theft. Losses covered by the Fund are subject to a \$500 per occurrence deductible except theft losses which carry a \$1,000 per occurrence deductible. 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.

All State-owned vehicles are covered by liability insurance handled by the North Carolina Department of Insurance. The State is self-insured for the first \$500,000 of any loss through a retrospective rating plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than \$500,000. The liability limits for losses occurring in state are \$500,000 per claimant and \$5,000,000 per occurrence. The University is charged premiums to cover the cost of excess insurance and to pay for those losses falling under the self-insured retention.

The University is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible.

Other coverage not handled by the North Carolina Department of Insurance is purchased through the State's Agent of Record.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through a contractual agreement with a single HMO plan.

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 is self-insured for workers' compensation.

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer's Office and funded via employer contributions.

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

Note 10 - Pension Plans

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. The Teachers' and State Employees' Retirement System (System) is a multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, employees qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

The funding policy for the Teachers' and State Employees' Retirement System provides for periodic employer and member contributions at actuarially determined rates that expressed as percentages of annual covered payroll are sufficient to accumulate assets needed to pay benefits when due. The system is funded by member contributions of 6% of compensation and by employer contributions of 5.33% of covered payroll for the year ended June 30, 2001. Benefit and contribution provisions are established by North Carolina General Statute 135-5 and 135-8 and may be amended only by the North Carolina General Assembly.

For the year ended June 30, 2001, the University had a total payroll of \$102,245,993 of which \$50,634,476 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$3,038,069 and \$2,698,818, respectively. The University made one hundred percent of its annual required contributions to the retirement plans for the years ended June 30, 2001, 2000, and 1999, which were \$2,698,818, \$3,687,247, and \$3,124,655, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina *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.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan, which 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 Teachers' and State Employees' Retirement System. The Program offers plans administered by the Teachers' Insurance Annuity Association and College Retirement Equities Fund (TIAA-CREF), as well as Lincoln National Life Insurance Company, the Variable Annuity Life Insurance Company (VALIC) and Fidelity Investments. Participant eligibility and contributory requirements are established by General Statute 135-5.1. Participants contribute 6% of their salary and the University matches with a 6.84% contribution for pension benefits. The University assumes no liability other than its contribution.

Participants in the Program are vested after five years of service but plan administrators must return the value of the participant's and University's contribution to both the participant and the University if termination occurs prior to five years of service. Participants may direct their contributions to TIAA-CREF, Lincoln National, VALIC, Fidelity Investment or combinations of the aforementioned. Participants in all three plans may choose to invest among several alternatives, including fixed and variable accounts. Employees may elect to have their contributions deposited by one provider and the matching benefit deposited by another, or they may elect to have both deposited by the same provider.

For the year ended June 30, 2001, the University had a total payroll of \$102,245,993 of which \$34,391,910 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$2,063,515 and \$2,352,407, respectively.

B. Deferred Compensation and Supplemental Retirement Income Plans

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee

Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, the North Carolina Public Employee Deferred Compensation Trust Fund. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$67,497 for the year ended June 30, 2001.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-163.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2001 were \$61,312. The voluntary contributions by employees amounted to \$636,719 for the year ended June 30, 2001.

IRC Section 403(b) and 403(b)(7) Plans - All University employees who work can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other non-profit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$2,305,937 for the year ended June 30, 2001.

Note 11 - Other Postemployment Benefits

A. Health Care for Long-Term Disability Beneficiaries and Retirees - The University participates in state administered programs which provide 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 Employee's Retirement System or the Optional Retirement Program. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The University contributed 1.28% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program for these health care benefits. For the fiscal year ended June 30, 2001, the University's total contribution to the Plan was \$1,088,338. 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*.

B. Long-Term Disability - The University participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. The Plan provides disability income to eligible participants. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The University contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the fiscal year ended June 30, 2001, the University's total contribution to the DIPNC was \$442,137. The University assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

Note 12 - Construction Costs Paid From Debt Proceeds

Construction costs paid from University issued debt proceeds are not reflected as additions to fund equity of the Investment in Plant Fund but rather as an increase to the Investment in Plant Fund's assets and liabilities. During the year, \$6,493,925 was added to the Investment in Plant Fund's assets and liabilities for assets purchased from debt proceeds.

Note 13 - Pledges Receivable

The University has outstanding total pledges in the amount of \$7,162,664 and pledges receivable in the amount of \$3,530,935. Pledges that are expected to be collected and available for expenditure, that are both verifiable and measurable, are reported on the accompanying financial statements as part of accounts receivable. The pledges are receivable annually over varying time periods ranging from one to five years. In accordance with generally accepted accounting principles, the original amount pledged has been discounted based on a projected interest rate for the outstanding periods. Due to the nature of the donor organizations, the University considers these pledges to be collectible. Scheduled receipts and the discounted amount under these pledge commitments are as follows:

Fiscal Year	Amount
2002	\$ 912,203
2003	831,721
2004	425,335
2005	531,970
2006	<u>829,706</u>
Total Pledge Receipts Expected	\$ 3,530,935
Discount Amount Representing Interest (4.50% Rate of Interest)	<u>271,257</u>
Present Value of Pledge Receipts Expected	<u>\$ 3,259,678</u>

Pledges not available for expenditure, such as additions to permanent endowments, are not recorded until received because the donor condition not to expend cannot start to be satisfied until received.

Note 14 - Accounting Changes

A. Securities Lending Transactions - The University deposits certain funds with the State Treasurer's Cash and Investment Pool, which participates in securities lending activities. In prior years it was the State's policy to allocate the risk associated with these transactions to each component unit. For the year ending June 30, 2001, the State changed its policy, as a result of discussion with the GASB technical staff, to report the associated risk as part of the State of North Carolina's fiduciary funds rather than to allocate the risk to component units. The effect of this change removes from the University issued financial statements the assets and liabilities associated with the State Treasurer's security lending program. This change does not affect the University's beginning fund equities.

B. Governmental Accounting Standard Board, Statement #33 - Accounting and Reporting of Non-Exchange Transactions - Effective July 1, 2000, the University implemented the new accounting and reporting standards required in GASB #33. This standard provides accounting rules over non-exchange transactions and changes the University's standards for the recognition of revenues and the reporting of funds received but not earned in the University's restricted fund. In prior years, the University reported funds received but not expended in its restricted fund as an addition to fund equity. Based on this new standard, revenues are recognized when earned and when the resource provider's conditions have been satisfied. Amounts received not meeting the recognition requirements are now reported as deferred revenue. In addition, the new standard requires promises to give (pledges) that are expected to be collected and available for expenditure, and that are verifiable and measurable, be recorded as a receivable and revenue, upon satisfying the resource provider's conditions. Prior to this year, pledges were not recorded as a receivable unless there was a legally enforceable right.

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