THE UNIVERSITY *of* NORTH CAROLINA
GREENSBORO

The Financial Report
2005-2006

Table of Contents

Cover photo: Spring Garden Apartments

THE UNIVERSITY *of* NORTH CAROLINA
GREENSBORO

Business Affairs

254 Mossman Building
PO Box 26170, Greensboro, NC 27402-6170
336.334.5822 *Phone* 336.334.3071 *Fax*

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, 2006. The report is comprised of three sections: the management's discussion and analysis of the three required financial statements; the financial statements; and the related footnote disclosures. The accompanying financial statements are presented in accordance with accounting principles generally prescribed by the Governmental Accounting Standards Board.

I would 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,

Reade Taylor
Vice Chancellor for Business Affairs

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, 2006. This discussion, the preceding transmittal letter, the following financial statements, and the related notes to the financial statements have been prepared by management and comprise the University's complete financial report. The financial statements, notes to the financial statements, and this discussion are the responsibility of management.

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

Using the Financial Report

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

Statement of Net Assets

The Statement of Net Assets is a "point of time" financial statement that presents the assets, liabilities, and net assets 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 Assets presents both the current and noncurrent portions of assets and liabilities. The differences between current and noncurrent assets and liabilities are discussed further in the notes to the financial statements.

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

A condensed statement of net assets is reflected on the following page.

Condensed Statement of Net Assets

	6/30/06	6/30/05
Assets:		
Current assets	$ 97,332,173	$ 90,890,197
Noncurrent Capital assets, net of accumulated depreciation	345,638,089	303,127,462
Other noncurrent assets	179,569,632	204,444,426
Total Assets	622,539,894	598,462,085
Liabilities:		
Current Liabilities	22,988,853	24,027,585
Noncurrent Liabilities	136,119,988	137,931,594
Total Liabilities	159,108,841	161,959,179
Net Assets:		
Invested in capital assets, net of related debt	238,199,580	236,995,085
Restricted - nonexpendable	78,747,416	69,452,286
Restricted - expendable	84,499,115	71,136,290
Unrestricted	61,984,942	58,919,245
Total Net Assets	$ 463,431,053	$ 436,502,906

The total assets of the University increased by $24.1 million for the year ($6.5 million increase for current assets and a $17.6 million increase for non current assets). This overall increase was attributable to increases of $42.5 million in Capital assets, net of accumulated depreciation, and $17.2 million in Endowment investments, and decreases of $28.8 million in Cash and cash equivalents and $9.6 million in Restricted due from primary government. The increase in Capital assets, net of accumulated depreciation, is the direct result of the completion and capitalization of numerous capital projects during the fiscal year. These completed capital projects include the Beverly Cooper Moore and Irene Mitchell Moore Humanities and Research Administration Building, the Maud F. Gatewood Studio Arts Building, the new wing of the Gove Health Center, the Softball Stadium, and the Electric Power Distribution Capacity Expansion and Upgrade. The increase in Endowment investments is the result of increases in investment performance and endowment giving. The decrease in Cash and cash equivalents is from the expenditure of the majority of a $29.5 million in borrowing by the Capital Facilities Foundation for the construction of a new dormitory and the expenditure of the majority of $18.9 million in general obligation bonds for various capital projects. All other asset categories, both current and non current, increased by $2.8 million.

The total liabilities of the University decreased by $2.8 million for the year ($1.0 million decrease for current liabilities and a $1.8 million decrease in non current liabilities). This overall decrease in total liabilities consists of a $3.6 million decrease in Bonds Payable, a $1.0 million decrease in Accounts payable and accrued liabilities, a $.7 million decrease in US government grants refundable, a $.7 million decrease in Funds held for others, a $1.5 million increase in Compensated absences, a $.9 million increase in the Annuity and life income payable liability, and a $.8 million increase in the Funds held in trust for pool participants liability. The University did not issue any new debt in Fiscal Year 2006, thus the decrease in Bonds payable is attributable to payments of principal on and amortizations related to outstanding University debt. The decrease in Accounts payable and accrued liabilities is due to less construction activity at June 30, 2006 and an emphasis on completing all invoices ready for payment from all fund sources by June 30, 2006, in anticipation of converting to a new accounting system on July 1, 2006. The decrease in US government grants receivable is the result of current Federal government policy of not providing new funding for the Perkins loan program. The increase in Compensated absences is due to the granting of up to 40 additional hours of bonus leave to all permanent full and part-time employees as of July 1, 2005.

The combination of the increase in total assets of $24.1 million and the decrease in total liabilities of $2.8 million yields an overall increase in total net assets of $26.9 million. This change consists of an increase in the category of invested in capital assets, net of related debt of $1.2 million, an increase in the category of nonexpendable net assets of $9.3 million, an increase in the category of Restricted expendable net assets of $13.3 million, and an increase in the category of unrestricted net assets of $3.1 million. The increase in the nonexpendable net asset category is due to increases in the market value of endowment investments and from Endowment gifts. The increase in Restricted expendable net assets is due to increases in Investment income and Noncaptial gifts, and the reclassification of outstanding debt associated with major renovations from Restricted expendable to Invested in capital assets, net of related debt. The increase in the unrestricted net asset category is due to increases in tuition and fee revenue and sales and services resulting from an increase in the number students enrolled at the University.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. 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, expenses, gains and losses earned or incurred 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 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 Assets. Other revenues, expenses, gains, or losses include capital contributions and additions to the principal of permanent and term endowments.

A condensed statement of revenues, expenses, and changes in net assets is reflected below.

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

	6/30/06	6/30/05
Operating revenues	$ 124,680,458	119,045,525
Operating expenses	267,223,715	243,459,901
Operating loss	(142,543,257)	(124,414,376)
Net nonoperating revenues	142,650,192	130,076,002
Income before other revenues	106,935	5,661,626
Other revenues, expenses, gains, or losses	26,821,212	42,637,890
Total increase in net assets	26,928,147	48,299,516
Net assets - July 1, 2005	436,502,906	388,203,390
Net assets - June 30, 2006	$ 463,431,053	$ 436,502,906

The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in the net assets at the end of the year and an increase of $18.4 million (7.2%) in total revenues. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Operating revenues increased by $5.6 million (4.7%), whereas operating expenses increased by $23.8 million (9.8%), for a combined net increase in operating loss of $18.2 million. The largest increases within operating revenues were in net student tuition and fees and sales and services, which increased by $4.8 million and $1.2 million, respectively. The increase in net student tuition and fees was due to increases in student enrollment and in student fee rates, but these increases were reduced by higher financial aid awards recorded as tuition discounts, which offsets student tuition and fees revenue. The increase in sales and services was due to increases in the rates charged to students and staff by the University's Auxiliary Services operations. Other sources of operating revenues declined by $.4 million (1.2%). The increase in operating expenses is the result of an $11.9 million (7.9%) increase in salaries and benefits, an $8.1 million (35.3%) increase in supplies and materials, a $1.7 million (21.9%) increase in utilities, a $1.1 million (12.6%) increase in depreciation, a $.6 million (1.5%) increase in services, and a $.4 million (3.4%) increase in scholarships and fellowships. The increase in salaries and benefits is related to new positions and salary increases funded by increased enrollment and legislative salary increases and the additional 40 hours of bonus leave granted to eligible employees as of July 1, 2005, which was discussed in a previous section. The increases in supplies and materials and services is related to increased costs funded by increases in state appropriations, discussed later, and increases in repair and renovation projects which are not capitalized. The increase in utilities is due to sharply higher energy costs experienced throughout the fiscal year. The increase in depreciation is due to a half year of depreciation being recorded newly capitalized buildings, which include the Beverly Cooper Moore and Irene Mitchell Moore Humanities and Research Administration Building, the Maud F. Gatewood Studio Arts Building, the new wing of the Gove Health Center, and the Softball Stadium. The increase in scholarships and fellowships is due to higher financial awards necessitated by increases in student tuition and fees.

- State appropriations increased by $8.9 million (8.3%) which was primarily attributable to enrollment change increases. Investment income increased by $3.5 million (21.7%) due to performance in the overall broader markets being stronger than the prior year. The total return on investment improved to 12.3% for the current fiscal year compared to 10.7% for the prior fiscal year. Noncapital grants and noncapital gifts increased slightly by $.1 million (1.8%) and .2 million (5.5%), respectively, due to increases in grant activity and increased giving. Interest and fees on debt increased by $.7 million (13.4%). This increase is due to the $29.5 million note payable for the new dormitory and the $22.2 million in University of North Carolina pooled general revenue bonds, Series 2005A, being outstanding for the entire fiscal year as opposed to being outstanding for only a portion of the year in the prior fiscal year. The caption Other non-operating revenues (expenses) consists of the net difference between surplus property sales (a revenue) and the loss on the disposal of capitalized assets. Surplus property sales of $40,690 represent a $4,348 (12.0%) increase over the prior year. The loss on the disposal of capitalized assets was $31,601 which represented a decrease of $529,898 from the prior year. The increase in these various categories as a whole yield an overall increase of $12.6 million (9.7%) in net nonoperating revenues.

- Other revenues decreased by $15.8 million (37.1%), primarily due to a decrease of $17.2 million (51.0%) in funding by the state for construction activities via the statewide higher education bonds. The decrease is due to the completion of the Beverly Cooper Moore and Irene Mitchell Moore Humanities and Research Administration, the Maud F. Gatewood Studio Arts Building, and the Electrical Power Distribution Expansion during the fiscal year all of which are funded by the statewide higher education bonds, while other projects financed by the statewide higher education bonds are only in the early planning stages. Capital appropriations increased by $1.9 million, due to the state appropriation funding of repair and renovations in the 2005 and 2004 Capital Improvement codes. Additions to endowments increased by $2.0 million (53.1%) due to increased giving related to the University's capital campaign.

Statement of Cash Flows

The final statement presented by The University of North Carolina at Greensboro is the Statement of Cash Flows. This statement is divided into five parts and presents detailed information about the cash activity of the University during the year. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section displays the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section displays the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and displays the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

A condensed statement of cash flows is reflected below.

Condensed Statement of Cash Flows
For the Years Ended

	6/30/06	6/30/05
Cash Provided (Used) by:		
Operating Activities	$ (133,593,918)	$ (116,792,263)
Noncapital Financing Activities	134,037,051	123,813,405
Capital and Related Financing Activities	(32,098,481)	35,208,122
Investing Activities	2,807,123	3,492,572
Net Change in Cash	(28,848,225)	45,721,836
Cash and Cash Equivalents - July 1, 2005	122,137,356	76,415,520
Cash and Cash Equivalents - June 30, 2006	$ 93,289,131	$ 122,137,356

Major sources of funds included in operating activities are student tuition and fees ($61.2 million), auxiliary sales and services ($25.4 million), and contracts and grants ($28.0 million). Major uses of funds included in operating activities are payments to employees and related fringe benefits ($159.5 million), payments to vendors / suppliers ($77.8 million), and payments for scholarships and fellowships ($11.9 million). Collectively, total sources of funds included in operating activities increased by 3.3% ($3.7 million), whereas total uses increased by 8.9% ($20.6 million).

The major source of funds included in noncapital financing activities is state appropriations ($117 million) which increased by 8.3% ($8.9 million) over the prior fiscal year. This increase is the major source of funds for financing the significant increase in operating activity uses noted in the preceding paragraph.

The major sources of funds included in capital and related financing activities are proceeds from capital grants ($26.1 million) and state capital appropriations ($4.3 million), whereas the major uses are the acquisition and construction of capital assets ($53 million), interest and fees paid on capital debt ($5.8 million), and principal paid on capital debt ($3.6 million). Collectively, total sources of funds included in capital and related financing activities decreased by $70.4 million, whereas total uses decreased by $3.1 million. The substantial decrease in sources of funds is due to the University issuing no new debt in Fiscal Year 2005-06 compared with the issuance of $70.1 million in debt in Fiscal Year 2004-05. Although total uses decreased, the acquisition and construction of capital assets component increased by $17.4, due to the completion of construction of the Maud F. Gatewood Studio Arts Building, the Beverly Cooper Moore and Irene Mitchell Moore Humanities and Research Administration Building, the new wing of the Gove Health Center, the Softball Stadium Complex, the Elliott University Center Connector, the Exercise Track, the Electric Power Distribution Expansion, and the near completion of the new residence hall and parking facility being constructed by the Capital Facilities Foundation, Inc.

The major source of funds included in investing activities is proceeds from sales and maturities of investments ($74.1 million), whereas the major use is purchase of investments and related fees ($76.8 million). Collectively, total sources of funds included in investing activities increased by $35.9 million, whereas total uses increased by $37 million. In summary, there was a greater significant movement of invested funds than in the prior year in an effort to take advantage of the upward movement in investment markets.

Capital Asset and Debt Administration

During fiscal year 2005-06, the Maud F. Gatewood Studio Arts Building, the Beverly Cooper Moore and Irene Mitchell Moore Humanities and Research Administration Building, the new wing of the Gove Health Center, the Softball Stadium Complex, the Elliott University Center Connector, the Exercise Track, and the Electric Power Distribution Expansion were all completed. The Maud F. Gatewood Studio Arts Building is the new home for the Department of Art and the Department of Interior Architecture. The Beverly Cooper Moore and Irene Mitchell Moore Humanities and Research Administration Building houses the Humanities related departments of, Classical Studies, English, German, Russian, Romance Languages, and Communication across the Curriculum Center and the Research related offices of, the Associate Provost for Research, Office of Research Services, Office of Contracts and Grants, and the Institute for Health, Science, and Society. The new wing of the Gove Health Center has expanded the existing clinic and includes the medical clinic, immunization, laboratory/radiology, pharmacy, counseling and testing center, and a wellness center. The Softball Stadium Complex includes a stadium with 500 permanent seats, a press box, a concession area, spacious restroom facilities, and an indoor hitting facility. The Elliott University Center Connector provides an indoor passage between the Elliott University Center and the Jackson Library. The Exercise Track provides an outdoor fitness area for the entire University community. The Electric Power Distribution Expansion provided a new substation for the campus in addition to a new 12kV switchgear and a new 12kV circuit for the campus.

Major projects included in construction in progress are as follows: $25.3 million for a new residence hall and parking facility being constructed by the Capital Facilities Foundation, Inc., $1.5 million for the Aycock Auditorium Renovation, $1.0 million for the Petty Classroom Renovation, $.5 million for the Oakland Parking Deck Addition, and $.4 million for the Brown Classroom Renovation.

The University did not acquire or issue any new debt in fiscal year 2005-06.

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

Economic Outlook

Management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2006-07 beyond those unknown variations having a global effect on virtually all types of business operations. We anticipate the current fiscal year will be very similar to the 2005-06 fiscal year and accordingly, will maintain a close watch over resources so that the University will be able to react to unknown internal and external issues. Continued increases in energy costs, due to events in the Middle East and the constant threat of hurricanes in the Eastern United States, could have a significant direct effect on the University's resources used for utilities and an indirect effect on the state economy through a slowdown in economic activity, which could impact the level of state support in the coming fiscal year.

The level of state support is one of the key factors influencing the University's financial condition and its ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. In addition, there is a direct relationship between the level of state support and tuition increases, as declines in state support have resulted in increased tuition rates. State appropriations constituted approximately thirty-nine percent of the University's total revenues for fiscal year 2005-06, up from thirty-six percent of the University's total revenues for fiscal year 2004-05. The University expects state support for fiscal year 2006-07 to continue to increase slightly due to increase funding for the University's increased

enrollment.
Since state support is only being increased due to an increase in the number of enrolled students, management will continue the University's ongoing efforts toward revenue diversification, cost containment, and operating efficiencies. Management will also continue to employ the University's long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility.

While it is not possible to predict ultimate results, we believe that the University's overall financial condition is strong enough to weather most economic uncertainties. We believe that sufficient resources will be available to allow the University to continue its current level of excellent service to its students, the community, and governmental agencies.

STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
http://www.ncauditor.net

March 7, 2007

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

We have audited the accompanying basic financial statements of The University of North Carolina at Greensboro, a constituent institution of the 16-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, 2006, as listed in the table of contents. 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 did not audit the financial statements of The University of North Carolina at Greensboro Investment Fund, Incorporated, which represent 25 percent, 34 percent, and 6 percent, respectively, of the assets, net assets and revenues of the University; the financial statements of the UNCG Excellence Foundation, which represent 12 percent, 15 percent and 4 percent, respectively, of the assets, net assets and revenues of the University; the financial statements of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, which represent 1 percent, 1 percent and .3 percent, respectively, of the assets, net assets and revenues of the University; or the financial statements of the Capital Facilities Foundation, Inc., which represent 5 percent, .2 percent and .2 percent respectively, of the assets, net assets and revenues of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of 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, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
March 7, 2007
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2007, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Leslie W. Merritt, Jr.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

January 30, 2007

ASSETS	
Current Assets	
Cash and cash equivalents	$ 66,284,284
Restricted cash and cash equivalents	14,172,605
Short-term investments	665,810
Restricted short-term investments	7,636,696
Receivables, net (Note 4)	6,760,993
Inventories	498,914
Notes receivable, net (Note 4)	1,312,871
Total current assets	97,332,173
Noncurrent Assets	
Restricted cash and cash equivalents	12,832,242
Receivables, net (Note 4)	590,221
Restricted due from primary government	1,389,353
Endowment investments	155,015,026
Other long-term investments	4,853,838
Notes receivable, net (Note 4)	4,888,952
Capital assets - nondepreciable (Note 5)	69,881,695
Capital assets - depreciable, net (Note 5)	275,756,394
Total noncurrent assets	525,207,721
Total assets	622,539,894
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities (Note 6)	13,031,006
Due to primary government	21,176
Deposits payable	586,160
Unearned revenue	4,083,195
Interest payable	1,044,159
Long-term liabilities - current portion (Note 7)	4,223,157
Total current liabilities	22,988,853
Noncurrent Liabilities:	
Funds held for others	569,525
U. S. government grants refundable	5,084,360
Funds held in trust for pool participants	3,213,552
Long-term liabilities (Note 7)	127,252,551
Total noncurrent liabilities	136,119,988
Total liabilities	159,108,841
NET ASSETS	
Invested in capital assets, net of related debt	238,199,580
Restricted for	
Nonexpendable	
Scholarships and fellowships	40,092,180
Endowed professorships	15,474,537
Departmental uses	11,321,756
Loans	962,370
Other	10,896,573
Expendable	
Scholarships and fellowships	39,145,920
Research	7,080
Endowed professorships	15,105,414
Departmental uses	16,275,227
Loans	1,935,691
Capital projects	5,813,284
Debt service	209,662
Other	6,006,837
Unrestricted	61,984,942
Total net assets	$ 463,431,053

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

REVENUES		
Operating Revenues		
Student tuition and fees, net (Note 9)	$	62,173,316
Federal grants and contracts		26,475,439
State and local grants and contracts		1,283,616
Nongovernmental grants and contracts		1,675,920
Sales and services, net (Note 9)		32,355,191
Interest earnings on loans		18,125
Other operating revenues		698,851
Total operating revenues		124,680,458
EXPENSES		
Operating Expenses:		
Salaries and benefits		161,214,765
Supplies and materials		31,051,119
Services		43,764,529
Scholarships and fellowships		11,932,439
Utilities		9,238,017
Depreciation		10,022,846
Total operating expenses		267,223,715
Operating loss		(142,543,257)
NONOPERATING REVENUES (EXPENSES)		
State appropriations		116,980,339
Noncapital grants		8,210,148
Noncapital gifts, net		3,825,028
Investment income (net of investment expense of $804,911)		19,450,015
Interest and fees on debt		(5,824,427)
Other nonoperating revenues (expenses)		9,089
Net nonoperating revenues		142,650,192
Income before other revenues, expenses, gains, or losses		106,935
Capital appropriations		4,251,600
Capital grants		16,485,617
Capital gifts		336,128
Additions to endowments		5,747,867
Increase in net assets		26,928,147
NET ASSETS		
Net Assets - July 1, 2005		436,502,906
Net Assets - June 30, 2006	$	463,431,053

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

Statement of
Cash Flows

Cash flows From Operating Activities	
Student tuition and fees, net	$ 61,784,288
Auxiliary enterprise charges	25,436,143
Grants and contracts	28,034,117
Payments to employees and fringe benefits	(159,516,765)
Payments to vendors and suppliers	(77,838,367)
Payments for scholarships and fellowships	(11,932,439)
Loans issued	(2,073,161)
Collection of loans	1,745,214
Interest earned on loans	208,150
Other receipts (payments)	558,902
Net cash used by operating activities	(133,593,918)
Cash Flows from Noncapital Financing Activities	
State appropriations	116,980,339
Noncapital grants	7,568,181
Noncapital gifts	5,055,755
Additions to endowments	4,117,867
Related activity agency receipts	314,909
Net cash provided by noncapital financing activities	134,037,051
Cash Flows from Capital Financing and Related Financing Activities	
State capital appropriations	4,251,600
Capital grants	26,063,484
Acquisition and construction of capital assets	(53,040,027)
Principal paid on capital debt and leases	(3,578,370)
Interest and fees paid on capital debt and leases	(5,835,858)
Other receipts	40,690
Net used by capital financing and related financing activities	(32,098,481)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	74,093,430
Investment income	5,504,757
Purchase of investments and related fees	(76,791,064)
Net cash provided by investing activities	2,807,123
Net decrease in cash and cash equivalents	(28,848,225)
Cash and cash equivalents - July 1, 2005	122,137,356
Cash and cash equivalents - June 30, 2006	$ 93,289,131

	Year Ended June 30, 2006
Reconciliation of Operating Loss to Net Cash used by Operating Activities:	
Operating loss	$ (142,543,257)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	10,022,846
Allowances, write-offs, and amortizations	113,138
Changes in assets and liabilities:	
Receivables, net	(1,508,256)
Inventories	(109,691)
Accounts payable and accrued liabilities	(1,101,135)
Due to primary government	12,718
Unearned revenue	5,511
Compensated absences	1,475,905
Note principal repayments	2,111,464
Notes issued	(2,073,161)
Net cash used by operating activities	$ (133,593,918)
Reconciliation of Cash and Cash Equivalent Balances:	
Current assets:	
Cash and cash equivalents	$ 66,284,284
Restricted cash and cash equivalents	14,172,605
Noncurrent assets:	
Restricted cash and cash equivalents	12,832,242
Total cash and cash equivalents - June 30, 2006	$ 93,289,131
Noncash Investing, Capital, and Financing Activities:	
Assets acquired through a gift	$ (1,966,128)
Change in fair value of investments	(14,429,102)

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

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, 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 16-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, Incorporated, The Weatherspoon Arts Foundation, The UNCG Excellence Foundation, The University of North Carolina at Greensboro Investment Fund, Incorporated, and The Capital Facilities Foundation, Inc., component units of the University, are reported as if they were part of the University.

The Human Environmental Sciences Foundation, Incorporated is governed by a twenty-five member board consisting of two ex officio directors and twenty-three appointed 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 directors of the Foundation are appointed by the members of The University of North Carolina at Greensboro Board of Trustees and the Foundation's sole purpose is to benefit The University of North Carolina at Greensboro, its financial statements have been blended with those of the University.

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

The University of North Carolina at Greensboro Investment Fund, Incorporated is governed by a fifteen member board consisting of nine ex officio directors and six appointed directors. The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. The Investment Fund is an external governmental investment pool. Because the directors of the Investment Fund are appointed by the members of the 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 five ex officio directors and three appointed directors. The Foundation's purpose is to aid the construction 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.

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 nonprofit 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

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.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes 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 portfolio. The short-term investment portfolio 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 - This classification includes long-term fixed income investments, equity investments, mutual funds, money market funds, limited partnerships, real estate investment, 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, investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component 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 value or appraised value at date of gift, if donated.

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, merchandise for resale, postage, and fuel oil are stated 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.

The University capitalizes assets that have a value or cost in excess of $5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line over the estimated useful lives of the assets, generally 25 years for general infrastructure, 50 years for buildings, and 4 to 10 years for equipment.

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

I. Restricted Assets – Unexpended proceeds of revenue bonds and unexpended capital contributions are classified as restricted assets because their use is limited by applicable bond covenants or donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.

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 bonds payable, notes payable, annuity and life income payable, and compensated absences that will not be paid within the next fiscal year.

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

L. Compensated Absences - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. 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.

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 to all full-time permanent employees as of September 30, 2002, as of July 1, 2003 and as of July 1, 2005. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method.

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 Assets – The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – 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 invested in capital assets, net of related debt.

Restricted Net Assets – Nonexpendable – Nonexpendable restricted net assets include 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 Assets – Expendable – Expendable restricted net assets include resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

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

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

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

P. Internal Sales Activities – Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as Motor Pool, 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. In addition, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, requires the University to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, with the State Treasurer. Although specifically exempted, 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. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2006, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $82,993,074 which represents the University's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.18 years as of June 30, 2006. Assets and shares of the Short-Term Investment Fund 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 Short-Term Investment Fund) 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.ncosc.net/ and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Cash on hand at June 30, 2006 was $38,529. The carrying amount of the University's deposits not with the State Treasurer, was $10,257,528 and the bank balance was $10,258,663. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Pursuant to G.S. 116-36.1, funds received for health care services not deposited with the State Treasurer shall be fully secured in the manner as prescribed by the State Treasurer for the security of public deposits. The University does not have a deposit policy for custodial credit risk. As of June 30, 2006, the University's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$ 9,670,257
Uninsured and Collateral Held by Bank	0
Uninsured and Collateral Held by Pledging Bank's Trust Department not in University's Name	0
Total	$ 9,670,257

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

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

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

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

Investments of The Human Environmental Sciences Foundation, The UNCG Excellence Foundation, and The University of North Carolina at Greensboro Investment Fund, Incorporated are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) 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 does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

External Investment Pool - The 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 Human Environmental Sciences Foundation and The UNCG Excellence Foundation 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."

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 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 Building, 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, 2006, for the External Investment Pool.

External Investment Pool

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities	$	$	$	$	$
Mutual Bond Funds	19,326,471		19,326,471		
Money Market Mutual Funds	9,370,377	9,370,377			
International Mutual Bond Funds	7,368,469			7,368,469	
		$ 9,370,377	$ 19,326,471	$ 7,368,469	$
Other Securities					
Other Mutual Funds	49,886,459				
Investments in Real Estate	13,107,020				
Limited Partnerships	41,006,742				
Domestic Stocks	9,770,840				
Foreign Stocks	963,504				
Other: Inflation Hedge Funds	4,655,560				
Total External Investment Pool	$ 155,455,442				

At June 30, 2006, investments in the External Investment Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa
Mutual Bond Funds	19,326,471	19,326,471
Money Market Mutual Funds	9,370,377	9,370,377
International Mutual Bond Funds	7,368,469	7,368,469

Rating Agencies: Moody's Investors Services, Standard & Poor's

Non-Pooled Investments - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2006, for the University's non-pooled investments.

Non-Pooled Investments

	Fair Value	Investment Maturities (in Years): Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities	$	$	$	$	$
U.S. Treasuries	197,294	55,192	130,274		11,828
U.S. Agencies	110,657	24,984	85,673		
Mutual Bond Funds	2,824,835		2,824,835		
Money Market Mutual Funds	2,978,908	2,978,908			
Domestic Corporate Bonds	207,619		168,575	39,044	
		$ 3,059,084	$ 3,209,357	$ 39,044	$ 11,828
Other Securities					
Other Mutual Funds	3,736,173				
Domestic Stocks	909,183				
Foreign Stocks	110,331				
Other: Real Estate	1,640,928				
Total Non-Pooled Investments	$ 12,715,928				

At June 30, 2006, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa
U.S. Agencies	110,657	110,657			
Mutual Bond Funds	2,824,835	2,824,835			
Money Market Mutual Funds	2,978,908	2,978,908			
Domestic Corporate Bonds	207,619	30,159	25,935	142,640	8,885

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

Total Investments – The following table presents the fair value of the total investments at June 30, 2006:

	Fair Value
Investment Type	
Debt Securities	$
U.S. Treasuries	197,294
U.S. Agencies	110,657
Mutual Bond Funds	22,151,306
International Mutual Bond Funds	7,368,469
Money Market Funds	12,349,285
Domestic Corporate Bonds	207,619
Other Securities	
Other Mutual Funds	53,622,632
Investments in Real Estate	13,107,020
Limited Partnerships	41,006,742
Domestic Stocks	10,680,023
Foreign Stocks	1,073,835
Other: Inflation Hedge Funds	4,655,560
Other: Real Estate	1,640,928
Total Investments	$ 168,171,370

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.

Investment return of the University's endowment funds and the endowment funds of its affiliated entities is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's pooled endowment funds are equal to 4.25 percent of the average market value of the Investment Pool at December 31 for the past three years. To the extent that the current year earnings do not meet the payout requirements, the University uses accumulated realized appreciation to fund the difference. At June 30, 2006, net appreciation of $35,889,211 was available to be spent, of which $32,935,192 was restricted to specific purposes.

Note 4 - Receivables

Receivables at June 30, 2006, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 898,732	$ 232,163	$ 666,569
Accounts	2,570,849		2,570,849
Intergovernmental	1,970,537		1,970,537
Pledges	364,092		364,092
Investment Earnings	280,899		280,899
Interest on Loans	168,195		168,195
Other	739,852		739,852
Total Current Receivables	$ 6,993,156	$ 232,163	$ 6,760,993
Noncurrent Receivables:			
Pledges	$ 590,221	$	$ 590,221
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 998,842	$ 42,740	$ 956,102
Institutional Student Loan Programs	376,975	20,206	356,769
Total Notes Receivable - Current	$ 1,375,817	$ 62,946	$ 1,312,871
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 5,083,161	$ 194,209	$ 4,888,952
Total Notes Receivable - Noncurrent	$ 5,083,161	$ 194,209	$ 4,888,952

Note 5 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2006, is presented as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets, Nondepreciable:				
Land	$ 20,447,603	$ 214,258	$	$ 20,661,861
Art, Literature, and Artifacts	20,194,473	339,453	(3,325)	20,530,601
Construction in Progress	30,682,985	47,432,231	(49,425,983)	28,689,233
Total Capital Assets, Nondepreciable	71,325,061	47,985,942	(49,429,308)	69,881,695
Capital Assets, Depreciable:				
Buildings	238,861,022	45,740,449	(532,000)	284,069,471
Machinery and Equipment	27,769,756	2,256,778	(1,497,827)	28,528,707
General Infrastructure	63,048,348	6,032,413		69,080,761
Total Capital Assets, Depreciable	329,679,126	54,029,640	(2,029,827)	381,678,939
Less Accumulated Depreciation/Amortization for:				
Buildings	(66,928,887)	(4,862,488)	532,000	(71,259,375)
Machinery and Equipment	(18,394,209)	(2,485,094)	1,445,026	(19,434,277)
General Infrastructure	(12,553,629)	(2,675,264)		(15,228,893)
Total Accumulated Depreciation	(97,876,725)	(10,022,846)	1,977,026	(105,922,545)
Total Capital Assets, Depreciable, Net	231,802,401	44,006,794	(52,801)	275,756,394
Capital Assets, Net	$ 303,127,462	$ 91,992,736	$ (49,482,109)	$ 345,638,089

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2006, were as follows:

	Amount
Accounts Payable	$ 4,516,362
Accrued Payroll	4,531,005
Contract Retainage	2,803,181
Intergovernmental Payables	145,660
Other	1,034,798
Total Accounts Payable and Accrued Liabilities	$ 13,031,006

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, 2006, is presented as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Current Portion
Bonds Payable	$ 90,945,000	$	$ 3,965,000	$ 86,980,000	$ 4,120,000
Add/Deduct Premium/Discount	1,668,812		122,089	1,546,723	
Deduct Deferred Charge on Refunding	(1,267,119)		(508,719)	(758,400)	
Total Bonds Payable	91,346,693		3,578,370	87,768,323	4,120,000
Notes Payable	29,500,000			29,500,000	
Compensated Absences	8,331,038	6,880,850	5,404,945	9,806,943	103,157
Annuity and Life Income Payable	3,547,231	853,211		4,400,442	
Total Long-Term Liabilities	$ 132,724,962	$ 7,734,061	$ 8,983,315	$ 131,475,708	$ 4,223,157

B. Bonds Payable - The University was indebted for 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 06/30/2006	Principal Outstanding 06/30/2006
Housing and Dining System						
Housing and Dining System Revenue Bonds (1997)	D	5.10%	4/1/07	$ 6,000,000	$ 5,820,000	$ 180,000
Housing and Dining System Revenue Bonds (1997)	E	4.00%-4.60%	4/1/07	7,290,000	6,525,000	765,000
Housing and Dining System Revenue Bonds (1997)	F	4.60%-5.10%	4/1/16	8,750,000	3,175,000	5,575,000
Housing and Dining System Revenue Bonds (2000)	G	5.75%	4/1/10	6,425,000	5,705,000	720,000
Total Housing and Dining				28,465,000	21,225,000	7,240,000
Student Facilities System						
Student Facilities Revenue Bonds (1997)	B	5.00%	4/1/07	3,755,000	3,640,000	115,000
Student Facilities Revenue Bonds (1997)	C	4.80%	4/1/07	12,200,000	11,825,000	375,000
Total Student Facilities System				15,955,000	15,465,000	490,000
General Revenue Bonds						
General Revenue Bonds (2001)	A	4.35%-5.00%	4/1/26	19,870,000	2,400,000	17,470,000
General Revenue Bonds (2001)	B	3.50%-5.38%	4/1/26	16,445,000	2,630,000	13,815,000
Total General Revenue Bonds				36,315,000	5,030,000	31,285,000
The University of North Carolina System Pool Revenue Bonds						
General Revenue Bonds (2002A)	(A)	4.00%-5.38%	4/1/27	8,835,000	895,000	7,940,000
General Revenue Bonds (2004C)	(B)	3.00%-5.00%	4/1/29	18,350,000	465,000	17,885,000
General Revenue Bonds (2005A)	(C)	3.00%-5.25%	4/1/26	22,235,000	95,000	22,140,000
Total The University of North Carolina System Pool Revenue Bonds				49,420,000	1,455,000	47,965,000
Total Bonds Payable (principal only)				$ 130,155,000	$ 43,175,000	86,980,000
Less: Unamortized Loss on Refunding						(758,400)
Less: Unamortized Discount						(187,529)
Plus: Unamortized Premium						1,734,252
Total Bonds Payable						$ 87,768,323

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

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2006, are as follows:

	Annual Requirements			
	Revenue Bonds Payable		Notes Payable	
Fiscal Year	Principal	Interest	Principal	Interest
2007	$ 4,120,000	$ 4,176,634	$	$ 1,380,600
2008	3,515,000	3,996,363	29,500,000	1,150,500
2009	3,660,000	3,856,184		
2010	3,815,000	3,704,337		
2011	3,985,000	3,545,247		
2012-2016	23,055,000	14,735,250		
2017-2021	20,885,000	9,098,100		
2022-2026	20,000,000	3,824,469		
2027-2031	3,945,000	381,000		
Total Requirements	$ 86,980,000	$ 47,317,584	$ 29,500,000	$ 2,531,100

Interest on the variable rate Notes Payable is calculated at 4.68% at June 30, 2006.
The interest rate on the Note Payable for the Capital Facilities Foundation 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 at 81% of the sum of (1) LIBOR Base Rate and (2) 35 basis points (.35%), calculated on the basis of a 365 day year for the actual number of days elapsed but at no time greater than a total interest rate of 9.454%.

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 Housing and 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 Statement of Net Assets. At June 30, 2006, the outstanding balance of the defeased Housing and Dining System Revenue Bonds was $5,435,000.

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

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 06/30/2006	Principal Outstanding 06/30/2006
Construction of New Dormitory	RBC Centura	4.68% - 9.45%	5/1/08	$ 29,500,000	$ 0	$ 29,500,000
Total Notes Payable				$ 29,500,000	$ 0	$ 29,500,000

The University plans to refinance the notes maturing on May 1, 2008 with General Revenue Bonds to be issued in the spring or fall of 2007.

Note 8 - Lease Obligations

Operating Lease Obligations – Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2006:

Fiscal Year	Amount
2007	$ 701,315
2008	383,050
2009	79,505
2010	14,571
2011	10,404
2012-2016	6,069
2017-2021	
Total Minimum Lease Payments	$ 1,194,914

Rental expense for all operating leases during the year was $890,498.

Note 9 - Revenues

A summary of eliminations and allowances by revenue classification and revenues pledged as security for revenue bonds is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues	Revenues Pledged as Security for Debt	
Operating Revenues:							
Student Tuition and Fees	$ 69,340,994	$ 15,641	$ 7,076,798	$ 75,239	$ 62,173,316	$ 3,676,427	(B)
Sales and Services:							
Sales and Services of Auxiliary Enterprises:							
Residential Life	$ 12,501,335	$ 347,816	$ 1,663,377	$ 14,714	$ 10,475,428	$	(A)
Dining	10,539,421		1,351,678	12,035	9,175,708		(A)
Student Union Services	1,199,397	85,960			1,113,437		
Health, Physical Education, and Recreation Services	733,704	2,805			730,899		
Parking	3,409,952	118,491		230,463	3,060,998		
Athletic	758,164	59,140			699,024		
Other	7,518,951	7,379,666		696	138,589		
Sales and Services of Education and Related Activities	7,324,994	363,886			6,961,108		
Total Sales and Services	$ 43,985,918	$ 8,357,764	$ 3,015,055	$ 257,908	$ 32,355,191	$	

Revenue Bonds Secured by Pledged Revenues:
(A) Housing and Dining System
(B) Student Facilities System

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	$ 83,199,982	$ 5,317,357	$ 5,061,672	$ 48,413	$ 276	$	$ 93,627,700
Research	6,670,989	589,374	3,324,203	135,361			10,719,927
Public Service	6,544,637	449,185	6,952,515	360,288	4,022		14,310,647
Academic Support	16,578,123	4,979,275	5,903,540	306,344	1,047		27,768,329
Student Services	8,379,063	1,279,706	2,803,438	4,749	124		12,467,080
Institutional Support	16,607,114	3,125,425	6,685,754	351	1,419		26,420,063
Operations and Maintenance of Plant	11,077,026	13,772,231	1,210,766		7,043,055		33,103,078
Student Financial Aid				11,076,933			11,076,933
Auxiliary Enterprises	12,157,831	1,538,566	11,822,641		2,188,074		27,707,112
Depreciation						10,022,846	10,022,846
Total Operating Expenses	$ 161,214,765	$ 31,051,119	$ 43,764,529	$ 11,932,439	$ 9,238,017	$ 10,022,846	$ 267,223,715

Note 11 - Pension Plans

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

The Teachers' and State Employees' Retirement System is a cost sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2006, these rates were set at 2.34% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2006, the University had a total payroll of $133,070,669, of which $61,311,915 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were $3,678,715 and $1,434,699, respectively. The University made 100% of its annual required contributions for the years ended June 30, 2006, 2005, and 2004, which were $1,434,699, $1,294,023, and $131,280, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report.* An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.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 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 Teachers' and State Employees' Retirement System. 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. The Board has authorized the following carriers: Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance Company, Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participants may elect to allocate their contributions and the University contributions to the carrier of their choice. Each carrier offers a variety of investment funds, including both fixed and variable account investment options and mutual funds.

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, 2006, 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 year ended June 30, 2006, the University had a total payroll of $133,070,669, of which $52,021,469 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were $3,121,288 and $3,558,268 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 $283,626 for the year ended June 30, 2006.

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 143-166.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2006, were $83,273. The voluntary contributions by employees amounted to $851,166 for the year ended June 30, 2006.

IRC Section 403(b) and 403(b)(7) Plans - Eligible University employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to $2,276,653 for the year ended June 30, 2006.

Note 12 - Other Postemployment Benefits

A. Health Care for Long-Term Disability Beneficiaries and Retirees - The University participates in State-administered programs that 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 Employees' 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 3.8% 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, 2006, the University's total contribution to the Plan was $4,306,669. 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 and the Optional Retirement Program. 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 year ended June 30, 2006, the University's total contribution to the DIPNC was $589,334. The University assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report.*

Note 13 - Risk Management

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

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 public officers' and employees' liability insurance up to $5,000,000 via contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

The University is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a $500 per occurrence deductible. Extended coverage has been purchased for all residence halls (buildings only) and the West Entranceway. Extended coverage for buildings and contents has been purchased for the following buildings: Chemical Storage Facility, the Baseball Complex, the 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 and the West Entranceway. The University must fund the cost of this insurance. Both the Extended coverage and VMM are subject to a $500 per event deductible 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 occurring in-State are $500,000 per claim and $5,000,000 per occurrence and out-of-State are $1,000,000 per claim and $5,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence with a $50,000 deductible and a 10% participation in each loss above the deductible.

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. These purchased coverages are: postal surety bond (coverage limit $30,000); athletic staff travel (coverage limit $10,000, $5.0 million aggregate, $3,000 deductible); selective travel and club sports ($10,000 accidental death and dismemberment, $500,000 aggregate); physicians professional medical liability ($1.0 million per person, $3.0 million total); non-professional medical liability ($1.0 million per person, $3.0 million total); fine art (up to $13.1 million per event, $1,000 deductible for the permanent collection, no deductible for loaned items); musical instruments ($2.85 million cash replacement value with no deductible); robbery and safe burglary ($500,000 per event, $1,000 deductible); boiler and machinery ($5,000 occurrence aggregate, $500 deductible); "all-risk" for equipment covering all perils except fire (replacement cost, $1,000 deductible per event).

University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan has contracted with third parties to process claims.

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

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

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

Note 14 - Commitments and Contingencies

A. Commitments – The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $25,549,665 at June 30, 2006.

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 is as follows:

Purpose	Amount
Pledges to The UNCG Excellence Foundation Endowment Fund	$ 5,220,872
Pledges to The Human Environmental Sciences Foundation Endowment Fund	70,517
Pledges to The UNCG Endowment Fund	787,830

The Board of Trustees and University Officers

Administrative Officers and Deans 2005-2006

Patricia A. Sullivan
Chancellor

A. Edward Uprichard
Provost & Vice Chancellor for Academic Affairs

Reade Taylor
Vice Chancellor for Business Affairs

James Clotfelter
Vice Chancellor for Information Technology and Planning

Carol S. Disque
Vice Chancellor for Student Affairs

Patricia W. Stewart
Vice Chancellor for University Advancement

Lucien Capone
University Counsel

Sharlene O'Neil
Executive Assistant to the Chancellor

Robert M. Brown
Dean, Division of Continual Learning

John J. Deal
Dean, School of Music

Timothy D. Johnston
Dean, College of Arts and Sciences

Lynne G. Pearcey
Dean, School of Nursing

David H. Perrin
Dean, School of Health and Human Performance

James C. Petersen
Dean, The Graduate School

Dale H. Schunk
Dean, School of Education

Laura S. Sims
Dean, School of Human Environmental Sciences

James K. Weeks
Dean, Joseph M. Bryan School of Business and Economics

Rosann V. Bazirjian
University Librarian

Nelson E. Bobb
Director of Athletics

Office of Business Affairs 2005-2006

Reade Taylor
Vice Chancellor for Business Affairs

Steven W. Rhew
Associate Vice Chancellor for Finance

R. Alan Bridge
Associate Vice Chancellor for Human Resource Services

Davis B. Lumpkin
Associate Vice Chancellor for Facilities

Michael T. Byers
Assistant Vice Chancellor of Auxiliary Services

Shannon B. Clegg
Assistant Vice Chancellor for Business Services

Jill Goodman
Assistant Vice Chancellor for Foundation Finance

Rollin Donelson
Assistant Vice Chancellor for Public Safety and Police

Office of the Controller 2005-2006

Wayne T. Jones
Assistant Vice Chancellor for Finance

Randle W. Bennett
Assistant Controller

Joanne N. Jones
Manager of Financial Systems and Reporting

Karen L. Stevenson
Financial Accounting Manager

Jennifer W. Leung
Financial Reporting Manager

70 copies of this public document were printed at a cost of $251.40 or $3.59 per copy.

THE UNIVERSITY OF NORTH CAROLINA

1891

GREENSBORO