



STATE OF NORTH CAROLINA

UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE

CHARLOTTE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2011

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE

CHARLOTTE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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THE UNIVERSITY OF NORTH CAROLINA

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, University of North Carolina at Charlotte

We have completed a financial statement audit of the University of North Carolina at Charlotte for the year ended June 30, 2011, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University of North Carolina at Charlotte
Charlotte, North Carolina

We have audited the accompanying financial statements of the University of North Carolina at Charlotte, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The University of North Carolina at Charlotte Investment Fund, Inc., which represent 10.8 percent and 2.8 percent, respectively, of the assets and revenues of the University; nor the financial statements of The University of North Carolina at Charlotte Facilities Development Corporation, Inc., which represent 1.6 percent, 0.3 percent, and 0.3 percent, respectively, of the assets, net assets, and revenues of the University. In addition, we did not audit the financial statements of The Foundation of the University of North Carolina at Charlotte, Inc., the University's discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are 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. The financial statements of The University of North Carolina at Charlotte Investment Fund, Inc., The University of North Carolina at Charlotte Facilities Development Corporation, Inc., and The Foundation of the University of North Carolina at Charlotte, Inc. were not audited in accordance with *Government Auditing Standards*. 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 opinions.


INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 respective financial position of the University of North Carolina at Charlotte and its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 59, *Financial Instruments Omnibus*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 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, 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.



Beth A. Wood, CPA
State Auditor

December 14, 2011

UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

The University of North Carolina at Charlotte is pleased to present its annual financial statement report for the fiscal year ended June 30, 2011.

The University's financial report includes five financial statements and related notes:

- Statement of Net Assets for the University of North Carolina at Charlotte
- Statement of Revenues, Expenses, and Changes in Net Assets for the University of North Carolina at Charlotte
- Statement of Cash Flows for the University of North Carolina at Charlotte
- Statement of Financial Position for The Foundation of the University of North Carolina at Charlotte, Inc.
- Statement of Activities for The Foundation of the University of North Carolina at Charlotte, Inc.

The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. Please note that although the University's Foundation identified under guidance from GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, is reported in the component unit financial statements, this Management's Discussion and Analysis excludes it except where specifically noted.

This discussion and analysis provides an overview of the University's financial position and activities for the year ended June 30, 2011, emphasizing current year data and material changes between the prior and current fiscal year. Comparative information for the year ended June 30, 2010 has been provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements that are included in this annual report.

Statement of Net Assets

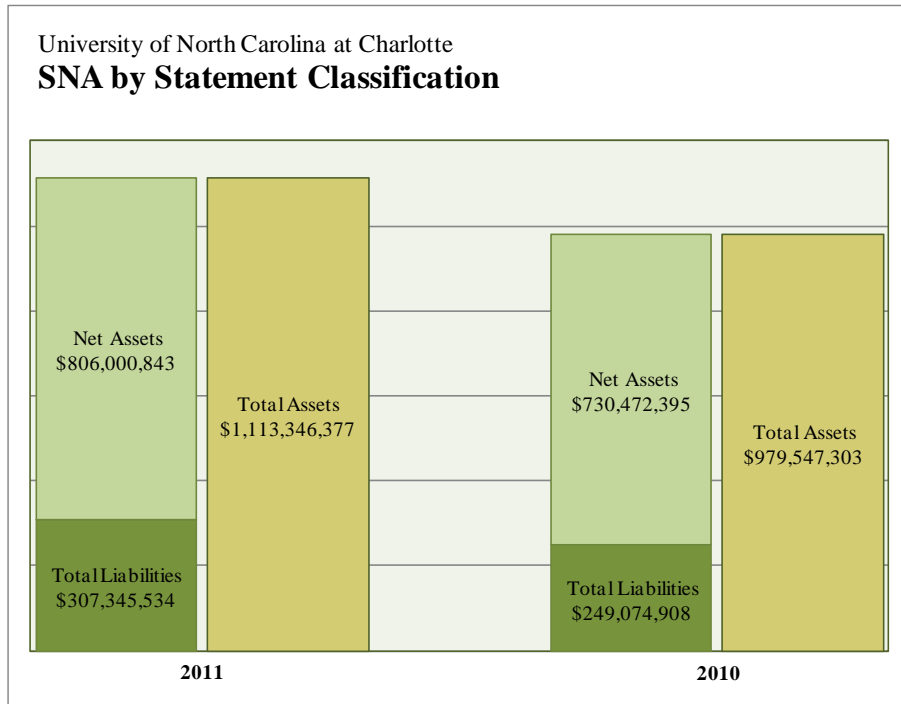
The Statement of Net Assets (SNA) summarizes the financial position of the University by presenting the assets, liabilities, and net assets as of the end of the fiscal year. The SNA is a point-in-time financial statement, the purpose of which is to present a fiscal snapshot of the University.

The SNA presents a summary of all assets available to continue the operations of the University. The statement also presents a summary of all liabilities, or amounts owed to vendors, investors, and lending institutions. Finally, the SNA provides a picture of the net assets, which represents the residual interest in the University's assets net of its liabilities and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

their availability for expenditure by the University. The change in net assets is an indicator of whether the overall financial condition of the University has improved or worsened during the year.

A comparison of net assets, as well as the total assets and total liabilities as elements of net assets, at June 30, 2011, and June 30, 2010, is presented below:



Net assets are divided into three major categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted Net Assets
- Unrestricted Net Assets

Net assets invested in capital assets, net of related debt, represents the University's equity in property, plant, and equipment owned by the University.

Restricted net assets are divided into two categories: expendable and nonexpendable. The corpus of nonexpendable restricted resources is available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and external entities that have placed time or purpose restrictions on the use of the assets.

Unrestricted net assets are available to the University for any lawful purpose of the University.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following table summarizes and compares the University's assets, liabilities, and net assets on June 30, 2011, and June 30, 2010.

Condensed Statement of Net Assets	2011	2010	Increase/Decrease	
			Amount	Percent
Assets:				
Current Assets	\$ 168,602,212	\$ 171,881,321	\$ (3,279,109)	-1.9%
Noncurrent Assets:				
Endowment and Other Investments	62,054,564	53,164,303	8,890,261	16.7%
Capital Assets, Net	810,994,573	690,030,002	120,964,571	17.5%
Other Noncurrent Assets	71,695,028	64,471,677	7,223,351	11.2%
Total Assets	1,113,346,377	979,547,303	133,799,074	13.7%
Liabilities:				
Current Liabilities	47,722,984	31,230,314	16,492,670	52.8%
Noncurrent Liabilities:				
Funds Held in Trust	8,121,293	5,899,417	2,221,876	37.7%
Long-Term Liabilities	245,804,824	206,442,871	39,361,953	19.1%
Other Noncurrent Liabilities	5,696,433	5,502,306	194,127	3.5%
Total Liabilities	307,345,534	249,074,908	58,270,626	23.4%
Net Assets:				
Invested in Cap Assets, Net of Related Debt	626,466,945	536,390,601	90,076,344	16.8%
Restricted:				
Nonexpendable	35,109,350	33,131,904	1,977,446	6.0%
Expendable	35,320,875	31,409,237	3,911,638	12.5%
Unrestricted	109,103,673	129,540,653	(20,436,980)	-15.8%
Total Net Assets	\$ 806,000,843	\$ 730,472,395	\$ 75,528,448	10.3%

This condensed statement reflects continued growth and financial strength of the University. Refer to University Exhibit A-1 and the accompanying notes for additional detail related to the Statement of Net Assets for fiscal year 2011. Some highlights of the information presented on the SNA include:

- Total current assets at June 30, 2011 were \$168.6 million, a decrease of \$3.3 million, or 1.9 percent, during the fiscal year. Current cash and cash equivalents (unrestricted and restricted) decreased by \$4.2 million from the prior year end to cover increases in deficit restricted fund balances. Prepaid items increased by \$1.2 million due to contractual requirements related to construction contracts.
- Total noncurrent assets increased by \$137.1 million, or 17.0 percent, during fiscal year 2011. Noncurrent restricted cash increased by \$7.6 million due to a net increase in unspent bond and note payable proceeds at year end related to construction projects. Capital assets increased by \$121.0 million, or 17.5 percent, for new construction and other capital acquisitions. Total investments increased by \$8.9 million, or 16.7 percent, mainly due to a \$6.8 million increase in market performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Total liabilities increased by \$58.3 million, or 23.4 percent, to \$307.3 million at June 30, 2011. Current liabilities increased by \$16.5 million while noncurrent liabilities increased by \$41.8 million. Current liabilities increased due to a combination of factors. Accruals at year end for capital improvement projects increased by \$4.5 million, and contract retainage for construction projects increased by \$3.8 million, both due to an increased amount of construction in progress at year end. In addition, normal operating accounts payable at year end increased by \$2.5 million due to enforcement of cash spending restrictions in June of 2011, which were subsequently lifted in July. The increase in noncurrent liabilities was mainly due to \$40.9 million in general revenue bonds being issued during December 2010, along with the addition of a new promissory note of \$5.5 million in May 2011. Noncurrent funds held in trust for pool participants also increased due to a new external participant in the University's Investment Fund (a blended component unit), University Research Park, Inc. (URP). URP's total investments at year end totaled \$1.3 million.
- Net assets increased from the prior fiscal year by \$75.5 million, or 10.3 percent, to \$806.0 million. This growth is primarily due to a \$90.1 million, or 16.8 percent, increase in net assets invested in capital assets, net of related debt. The increase in this category represents the amount of growth the University has experienced this fiscal year in capital asset additions, primarily major construction projects in progress. Restricted nonexpendable and expendable net assets increased by \$2.0 million and \$3.9 million, respectively, mainly due to increases in endowed professorships. Unrestricted net assets decreased by \$20.4 million, or 15.8 percent, mainly due to use of unrestricted funds to cover increases in deficit restricted fund balances.
- The University's liquidity remains strong. The current ratio (current assets divided by current liabilities) of 3.53 indicates that the University, if needed, could satisfy payment of its current liabilities more than three times before current assets are exhausted. Total working capital (current assets less current liabilities) of \$120.9 million at June 30, 2011, decreased by 14.1 percent from the prior year, due to the temporary increase in current liabilities discussed above.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented in the Statement of Net Assets, are based on activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA). The purpose of this statement is to present the operating and nonoperating revenues earned by the University, and the operating and nonoperating expenses incurred by the University. Other revenues, expenses, gains, and losses recognized by the University and not classified as operating or nonoperating are presented separately on the statement.

Generally, operating revenues are generated by providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided to fulfill the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. Certain significant recurring sources of the University's revenues, including

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

state appropriations, are classified as nonoperating because they are provided to the University without the provider directly receiving commensurate goods and services for those revenues.

The following table summarizes and compares the University's results of operations for the fiscal years ended June 30, 2011, and June 30, 2010.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	2011	2010		Increase/Decrease	
		(as restated)		Amount	Percent
Operating Revenues:					
Student Tuition and Fees, Net	\$ 131,299,374	\$ 120,412,866	\$ 10,886,508	9.0%	
Grants and Contracts	29,912,172	35,778,967	(5,866,795)	-16.4%	
Sales and Services, Net	48,514,153	48,075,298	438,855	0.9%	
Other Operating Revenues	1,806,740	1,614,558	192,182	11.9%	
Total Operating Revenues	211,532,439	205,881,689	5,650,750	2.7%	
Operating Expenses:					
Salaries and Benefits	262,739,773	255,770,760	6,969,013	2.7%	
Supplies and Materials	41,371,795	33,321,534	8,050,261	24.2%	
Services	71,510,139	62,337,515	9,172,624	14.7%	
Scholarships and Fellowships	40,535,841	32,554,939	7,980,902	24.5%	
Utilities	10,655,975	11,076,706	(420,731)	-3.8%	
Depreciation/Amortization	18,341,331	16,675,256	1,666,075	10.0%	
Operating Expenses	445,154,854	411,736,710	33,418,144	8.1%	
Operating Loss	(233,622,415)	(205,855,021)	(27,767,394)	13.5%	
Nonoperating Revenues (Expenses):					
State Appropriations and State Aid	190,400,199	186,335,342	4,064,857	2.2%	
Noncapital Gifts and Grants	71,432,976	57,704,245	13,728,731	23.8%	
Investment Gain, Net	7,334,742	5,788,391	1,546,351	26.7%	
Interest and Fees on Debt	(6,930,994)	(5,078,111)	(1,852,883)	36.5%	
Other Nonoperating Expenses	(543,865)	(738,627)	194,762	-26.4%	
Net Nonoperating Revenues	261,693,058	244,011,240	17,681,818	7.2%	
Income Before Other Changes	28,070,643	38,156,219	(10,085,576)	-26.4%	
Capital Appropriations (Net of Refunds)	-	(299,013)	299,013	-100.0%	
Capital Grants	44,367,266	19,809,724	24,557,542	124.0%	
Capital Gifts	2,063,094	715,658	1,347,436	188.3%	
Additions to Endowment	1,027,445	486,830	540,615	111.0%	
Increase in Net Assets	75,528,448	58,869,418	16,659,030	28.3%	
Net Assets, Beginning of Year	730,472,395	671,602,977	58,869,418	8.8%	
Net Assets, End of Year	\$ 806,000,843	\$ 730,472,395	\$ 75,528,448	10.3%	

Refer to University Exhibit A-2 and the accompanying notes for additional information regarding the University's Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2011. Some highlights of the information presented on the SRECNA are as follows:

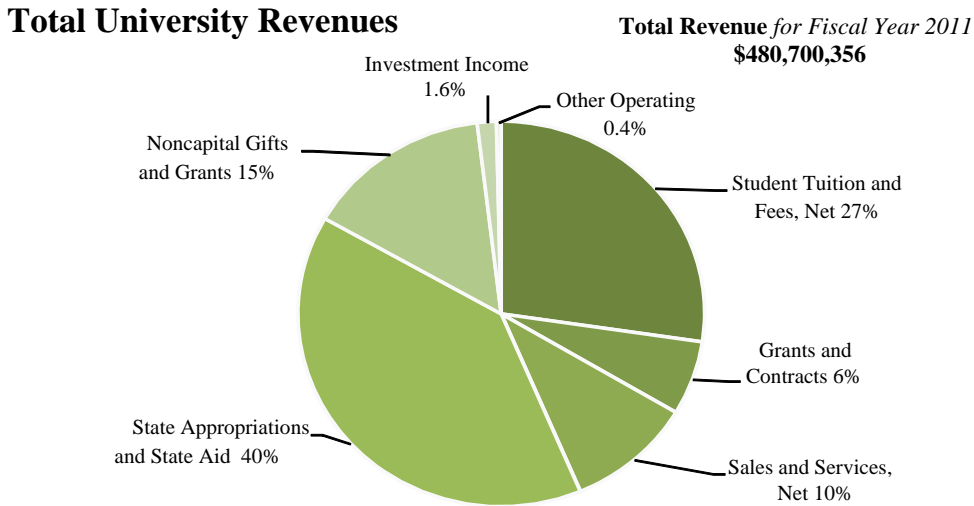
- Total operating revenues increased by \$5.7 million, or 2.7 percent, as compared to the prior fiscal year. This net increase is attributable to a \$10.9 million, or 9.0 percent, increase in student tuition and fees resulting mainly from increases in official rates, offset by a \$5.9 million, or 16.4 percent, decrease in grants and contracts received from federal, state and local sources.
- Net nonoperating revenues provided to the University were \$261.7 million in fiscal year 2011, a \$17.7 million, or 7.2 percent, increase compared to the prior year. Part of this increase is the result of a \$4.3 million increase in state appropriations as compared

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

to the prior fiscal year. State aid of \$12.1 million, funded by the American Recovery and Reinvestment Act of 2009 (ARRA) federal economic stimulus package, was also received during the fiscal year, a slight decrease from the prior year. In addition, the University’s investment income increased by \$1.5 million, or 26.7 percent, over the prior fiscal year due to improvements in market performance.

- Noncapital gifts and grants include expendable gifts and awards that are not considered to be operating revenues. Certain federal and state grants that are awarded directly to students but administered by the University are included in this category, and the corresponding distribution of funds is included in operating expenses as scholarships and fellowships. Noncapital gifts and grants received in fiscal year 2011 totaled \$71.4 million, a 23.8 percent increase from the prior year. Most of this increase is from Pell grants awarded, which increased by \$8.6 million due to an increase in the maximum amount of Pell Grant available per student. National Science and Mathematics Access to Retain Talent (SMART) Grants awarded also increased by almost \$1 million.

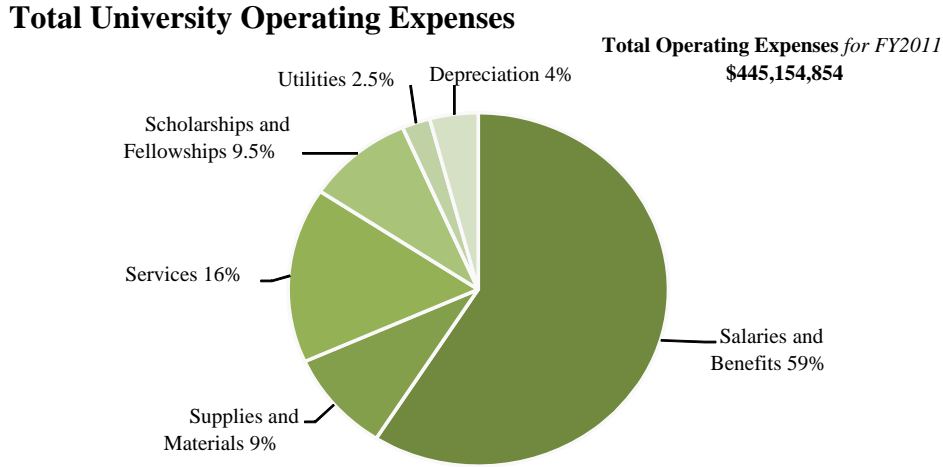
A summary of total revenues by source (both operating and nonoperating), which were used to fund the University’s operating activities for the fiscal year ended June 30, 2011, is shown below.



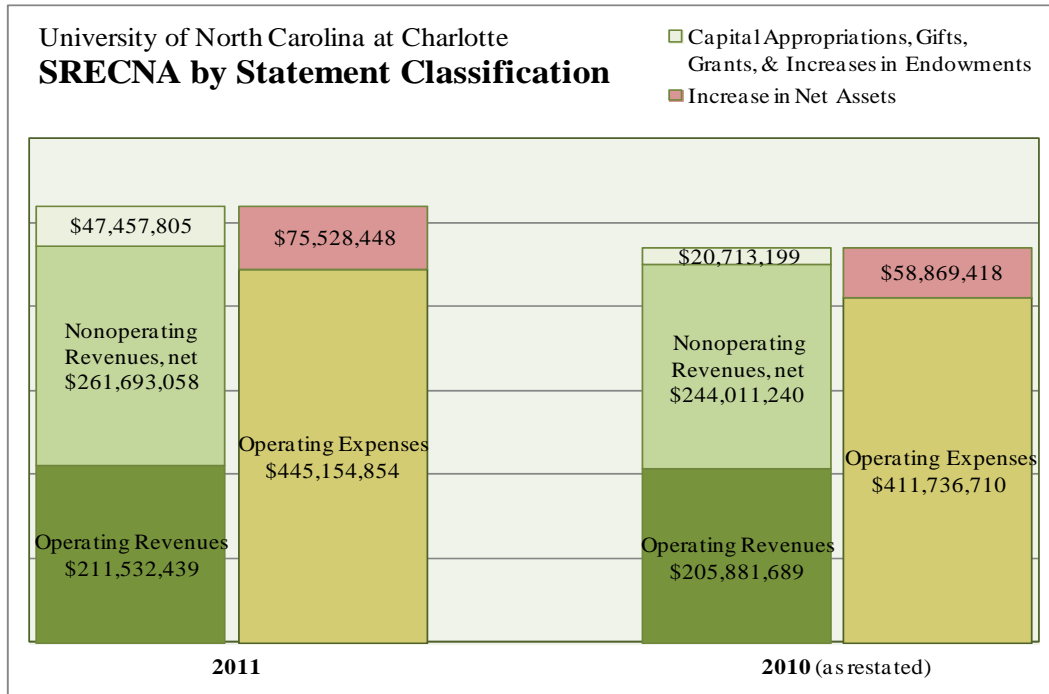
Total operating expenses increased by \$33.4 million, or 8.1 percent, from the prior year. This increase was mainly due to an increase in supplies and materials expended of \$8.1 million, or 24.2 percent, and in services purchased of \$9.2 million, or 14.7 percent. This difference is attributed to increases in auxiliary operations expenditures to meet demands of our growing student population as well as one-time expenditures that were temporarily reallocated from salaries of vacant positions due to the hiring freeze or positions held vacant in anticipation of reductions to the 2012 budget. Scholarships and fellowships increased by \$8.0 million, or 24.5 percent, due to increases in federal, state, institutional, and private scholarships and fellowships awarded.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

A summary of total operating expenses by natural classification for the fiscal year ended June 30, 2011, is shown below.

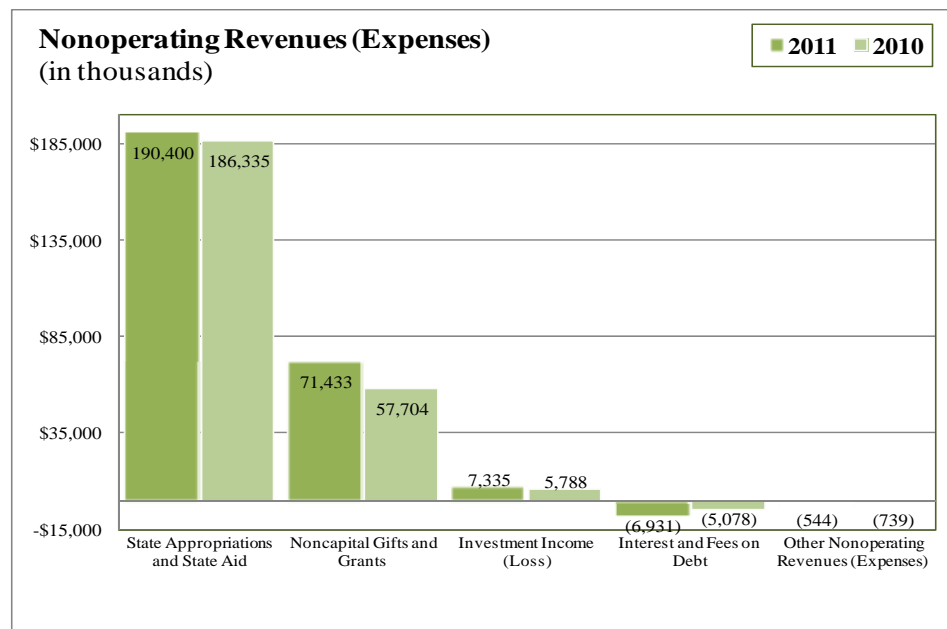
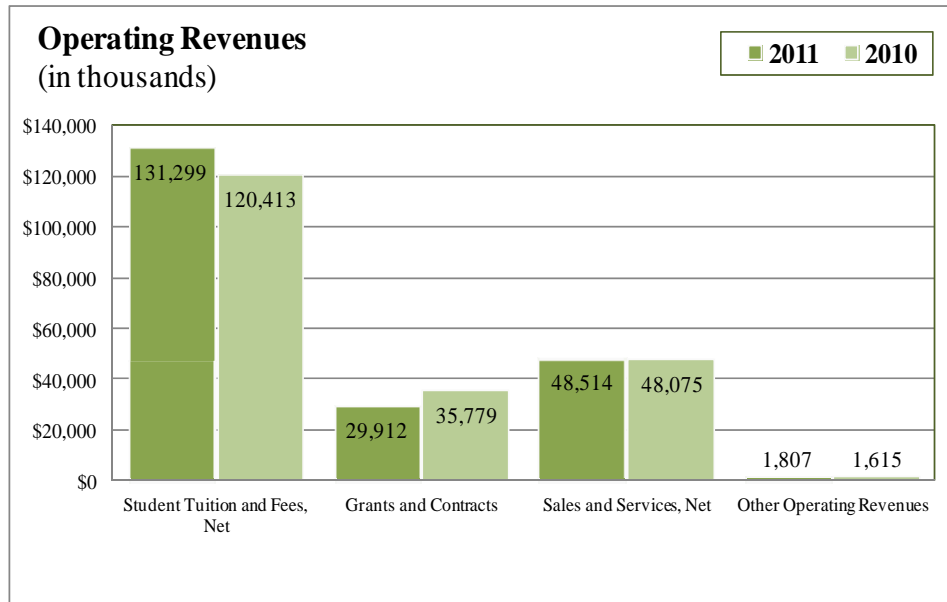


A comparison of annual activity by statement classification, as well as a comparison of total operating revenues, nonoperating revenues, and other increases in net assets as elements of operating expenses, at June 30, 2011, and June 30, 2010, is presented below:



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Comparisons of the operating and nonoperating revenues for the fiscal years ended June 30, 2011, and June 30, 2010, are presented below:



Capital Assets and Debt Administration

The University remains committed to providing quality education, research, residential life, and other services to the community as student enrollment increases, technology advances, and community needs evolve. A critical factor in meeting these commitments is the University's ability to develop, expand, and improve its capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total capital assets, by major classification and net of accumulated depreciation, are presented below for the fiscal years ended June 30, 2011, and June 30, 2010. Information regarding changes in capital assets is also disclosed in Note 5.

Capital Assets, net of Accumulated Depreciation	2011	2010	Increase/Decrease	
			Amount	Percent
Land	\$ 7,331,270	\$ 7,331,270	\$ -	0.0%
Art, Literature and Artifacts	27,313,634	25,457,354	1,856,280	7.3%
Construction in Progress	167,219,862	55,789,824	111,430,038	199.7%
Computer Software in Development	577,000	-	577,000	100.0%
Buildings	468,659,552	473,148,637	(4,489,085)	-0.9%
Machinery and Equipment	46,186,318	40,532,717	5,653,601	13.9%
General Infrastructure	93,471,776	87,770,200	5,701,576	6.5%
Computer Software	235,161	-	235,161	100.0%
Total Capital Assets, Net	\$ 810,994,573	\$ 690,030,002	\$ 120,964,571	17.5%

During fiscal year 2011, the University continued to strategically invest in the growth of its capital assets in accordance with the University's campus master plan. Total construction in progress at the end of the year was \$167.2 million, a \$111.4 million increase from the prior year due to four major construction projects still in progress at year end: Parking Deck H, Residence Hall Phase IX, the Center City Building, and the Energy Production & Infrastructure Center (EPIC). In addition, residence hall fire sprinkler installation projects continued as planned through the summer as well as the renovation of the Prospector Building to meet food and other service needs of students, faculty, and staff.

The Center City Building opened in August 2011 and is a twelve-story, 143,000-square-foot facility in uptown Charlotte that provides classroom and office space for several graduate programs and continuing education. It is the only University of North Carolina classroom building conceived and designed specifically to serve the businesses, organizations, and people of the urban center. The 200,000-square-foot EPIC building will provide classroom and state-of-the-art laboratory space to accommodate growth in energy infrastructure research and collaboration with industry partners. Parking Deck H and Residence Hall Phase IX (Spruce Hall) opened in August 2011 to serve the needs of our growing student population.

The University also had \$98.0 million in outstanding commitments on construction contracts for capital expenditures at June 30, 2011. The bulk of these commitments relate to the following construction projects: the University's new football complex (\$35.4 million), the EPIC building (\$23.9 million), and Parking Deck I (\$15.1 million).

The University did not receive any state capital appropriations in the current or prior fiscal year. Capital grants increased \$24.6 million to \$44.4 million as necessary funding for specific capital projects approved was received, mostly from Certificates of Participation issued by the State. Additionally, capital gifts of art, rare books, and manuscript collections of approximately \$2 million were made to the University during the fiscal year.

All of the University's long-term debt is issued for specific capital needs. In December 2010, the University issued \$40.9 million of General Revenue Bonds, Series 2010, which the

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

University elected to treat as taxable Build America Bonds under the American Recovery and Reinvestment Act of 2009. The University expects to receive a tax subsidy payment from the U.S. Treasury equal to 35 percent of the amount of each interest payment on the Build America Bonds. Proceeds from the Series 2010 bonds will finance the construction and equipping of a football complex on the University's campus. This issuance represents the University's second use of the program, capitalizing on its tax advantages prior to its expiration in December 2010.

The University's credit rating was increased by Standard and Poor's to 'AA-' from 'A+' on November 8, 2010 due to strong operating support, financial resources, and enrollment. This increase to our institutional credit rating will position the University well to achieve its capital master plan objectives.

Economic Outlook

The University's financial position remains strong, and net assets grew by \$75.5 million during fiscal year 2011, a 10.3 percent increase over prior year net assets, due to institutional planning and support from the State to meet the educational needs of the Charlotte region throughout a challenging economic period. From a budget perspective, fiscal year 2012 has proven to be challenging for UNC Charlotte as it faces a \$34.0 million permanent reduction to its budget, which represents a loss of 294 full-time equivalent positions and operating funds. Due to effective planning since 2010, this loss did not result in actual reductions in force as positions were held centrally when vacated in anticipation of projected budget reductions.

Despite economic challenges, the University continues to focus on its instructional mission, and enrolled approximately 25,300 students for the Fall 2011 semester, the highest enrollment in the University's history. Student demand for higher education and for enrollment at UNC Charlotte continues to increase. Freshman and transfer applications for Fall 2011 were up more than 12 percent over 2010. To ensure quality in educational offerings, the University scaled back its rate for enrollment growth until economic recovery is assured. To partially offset the classroom impact of the reduction in state appropriations, tuition was increased by 6.5 percent, which represents a \$198 annual increase in undergraduate tuition for residents of North Carolina and a \$916 annual increase for non-residents. Despite this modest increase, UNC Charlotte's tuition and fee rates remain in the bottom quartile of its public peers, which reflects the strong value of a UNC Charlotte education.

When talented faculty and students work together with great results, the outcomes include increased national recognition for our academic programs. In the 2012 edition of *U.S. News and World Report's Best Graduate Schools*, more than a dozen UNC Charlotte programs and colleges were nationally ranked. Some highlights include:

- The College of Education was ranked as one of the "Best Graduate Schools in Education 2012" in *U.S. News and World Report*. The graduate programs in counseling and special education were ranked in the top 20 in their disciplines in that same publication. The Faculty Scholarly Productivity Index consistently identified the

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

special education faculty at UNC Charlotte in the top ten nationally in terms of scholarly productivity.

- The Belk College of Business part-time MBA program, which serves business professionals furthering their careers while maintaining employment, was ranked 59th of 192. This was the first time the part-time MBA program appeared on the list.
- UNC Charlotte's School of Nursing in the College of Health and Human Services was ranked twice: 22nd of 100 for the Nursing-Anesthesia program offered in conjunction with the Carolinas Medical Center, and 127th of 442 for Overall Nursing Schools.
- Other ranked programs included civil, electrical, and mechanical engineering; computer science; mathematics; social work; public affairs; nursing; healthcare management; and the biological sciences.

One of UNC Charlotte's historical commitments has been to extend the resources and talents of the University into the community we serve. That continues today and our outreach efforts have been expanded in scope and significance.

For instance, with the establishment of the College of Arts + Architecture in 2008, the University has been better able to seize on new opportunities for collaborations and cultural exchange in disciplines including architecture, dance, theatre, music, art, and art history. In just under three years, the College truly has become a conduit between the University and regional arts and cultural organizations. These partnerships have resulted in programs and exhibits that benefit not only our students but also the greater Charlotte community.

Our collaborations also involved the more technical sides of the University. For instance, the College of Computing and Informatics is playing a key role in a public-private collaboration created to elevate Charlotte as a global model for environmental sustainability and measurable community results. The *Envision: Charlotte* initiative leverages technology, research, and industry-university partnerships to help achieve a significant reduction in energy consumption in the Center City. Our Center City facility will be one of the prominent partners in that effort.

Management is committed to making sound fiscal decisions to maintain the University's financial position, its ability to withstand future economic uncertainties, and its commitment to academic excellence. The University has remained resilient and will continue to ensure that the quality of its daily operations and services to students remain high. Through challenges and victories, management is dedicated to the University's overall goals and purpose: to discover, create, transmit, and apply knowledge to address the needs of individuals and society.

Elizabeth A. Hardin
Vice Chancellor for Business Affairs

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University of North Carolina at Charlotte
Statement of Net Assets
June 30, 2011

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 110,359,404
Restricted Cash and Cash Equivalents	41,787,971
Receivables, Net (Note 4)	12,919,078
Inventories	309,794
Notes Receivable, Net (Note 4)	662,189
Prepaid Items	2,563,776
	<hr/>
Total Current Assets	168,602,212
	<hr/>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	65,914,374
Bond Issuance Costs	173,818
Endowment Investments	61,418,180
Other Investments	636,384
Notes Receivable, Net (Note 4)	5,606,836
Capital Assets - Nondepreciable (Note 5)	202,441,766
Capital Assets - Depreciable, Net (Note 5)	608,552,807
	<hr/>
Total Noncurrent Assets	944,744,165
	<hr/>
Total Assets	1,113,346,377

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	26,949,740
Deposits Payable	1,426,187
Funds Held for Others	100
Unearned Revenue	5,105,547
Interest Payable	2,796,072
Long-Term Liabilities - Current Portion (Note 7)	11,445,338
	<hr/>
Total Current Liabilities	47,722,984
	<hr/>
Noncurrent Liabilities:	
Funds Held for Others	140,754
U. S. Government Grants Refundable	5,555,679
Funds Held in Trust for Pool Participants	8,121,293
Long-Term Liabilities (Note 7)	245,804,824
	<hr/>
Total Noncurrent Liabilities	259,622,550
	<hr/>
Total Liabilities	307,345,534

University of North Carolina at Charlotte
Statement of Net Assets
June 30, 2011

Exhibit A-1
Page 2 of 2

NET ASSETS

Invested in Capital Assets, Net of Related Debt	626,466,945
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	5,066,096
Research	2,574,020
Endowed Professorships	21,453,747
Departmental Uses	3,949,085
Loans	1,850,405
Other	215,997
Expendable:	
Scholarships and Fellowships	5,024,598
Research	5,620,052
Endowed Professorships	5,108,972
Departmental Uses	3,119,585
Capital Projects	14,446,220
Debt Service	1,160,878
Other	840,570
Unrestricted	109,103,673
Total Net Assets	<u>\$ 806,000,843</u>

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

University of North Carolina at Charlotte
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 131,299,374
Federal Grants and Contracts	22,758,014
State and Local Grants and Contracts	4,011,618
Nongovernmental Grants and Contracts	3,142,540
Sales and Services, Net (Note 9)	48,514,153
Interest Earnings on Loans	94,406
Other Operating Revenues	1,712,334
	<hr/>
Total Operating Revenues	211,532,439

EXPENSES

Operating Expenses:

Salaries and Benefits	262,739,773
Supplies and Materials	41,371,795
Services	71,510,139
Scholarships and Fellowships	40,535,841
Utilities	10,655,975
Depreciation/Amortization	18,341,331
	<hr/>

Total Operating Expenses 445,154,854

Operating Loss (233,622,415)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	178,292,837
State Aid - Federal Recovery Funds	12,107,362
Noncapital Grants - Student Financial Aid	38,911,904
Other Noncapital Grants	26,282,522
Noncapital Gifts	6,238,550
Investment Income (Net of Investment Expense of \$539,258)	7,334,742
Interest and Fees on Debt	(6,930,994)
Federal Interest Subsidy on Debt	1,491,596
Other Nonoperating Expenses	(2,035,461)
	<hr/>

Net Nonoperating Revenues 261,693,058

Income Before Other Revenues, Expenses, Gains, or Losses 28,070,643

Capital Grants	44,367,266
Capital Gifts	2,063,094
Additions to Endowments	1,027,445
	<hr/>

Increase in Net Assets 75,528,448

NET ASSETS

Net Assets - July 1, 2010

730,472,395

Net Assets - June 30, 2011 \$ 806,000,843

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

University of North Carolina at Charlotte
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Exhibit A-3

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 212,063,011
Payments to Employees and Fringe Benefits	(262,548,128)
Payments to Vendors and Suppliers	(123,127,612)
Payments for Scholarships and Fellowships	(40,535,841)
Loans Issued	(488,715)
Collection of Loans	757,293
Interest Earned on Loans	92,000
Student Deposits Received	3,494,151
Student Deposits Returned	(3,359,337)
Other Receipts	1,396,935
	<hr/>
Net Cash Used by Operating Activities	(212,256,243)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	178,292,837
State Aid - Federal Recovery Funds	12,107,362
Noncapital Grants - Student Financial Aid	39,123,861
Other Noncapital Grants	26,282,522
Noncapital Gifts	6,238,550
Additions to Endowments	1,027,445
William D. Ford Direct Lending Receipts	114,970,136
William D. Ford Direct Lending Disbursements	(116,229,246)
Related Activity Agency Receipts	12,180,040
Related Activity Agency Disbursements	(12,232,912)
External Participation in Investment Fund Receipts	1,285,516
External Participation in Investment Fund Disbursements	(81,041)
Other Payments	(322,667)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	262,642,403

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	46,395,000
Capital Grants	44,367,266
Proceeds from Sale of Capital Assets	53,074
Acquisition and Construction of Capital Assets	(125,753,719)
Principal Paid on Capital Debt and Leases	(7,605,816)
Interest and Fees Paid on Capital Debt and Leases	(4,163,156)
Federal Interest Subsidy on Debt Received	1,491,596
Other Payments	(1,220,937)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(46,436,692)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	1,776,072
Investment Income	1,316,563
Purchase of Investments and Related Fees	(3,630,796)
	<hr/>
Net Cash Used by Investing Activities	(538,161)
	<hr/>
Net Increase in Cash and Cash Equivalents	3,411,307
Cash and Cash Equivalents - July 1, 2010	214,650,442
	<hr/>
Cash and Cash Equivalents - June 30, 2011	\$ 218,061,749

University of North Carolina at Charlotte
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Exhibit A-3

Page 2 of 2

**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (233,622,415)
Adjustments to Reconcile Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	18,341,331
Allowances, Write-Offs, and Amortizations	1,803,309
Changes in Assets and Liabilities:	
Receivables (Net)	(105,836)
Inventories	(10,090)
Notes Receivable (Net)	251,104
Prepaid Items	(1,205,747)
Accounts Payable and Accrued Liabilities	1,103,195
Unearned Revenue	285,743
Compensated Absences	768,349
Deposits Payable	134,814
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (212,256,243)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 110,359,404
Restricted Cash and Cash Equivalents	41,787,971
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	65,914,374
	<hr/>
Total Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 218,061,749</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 3,160,409
Assets Acquired through a Gift	2,063,094
Change in Fair Value of Investments	6,814,490
Loss on Disposal of Capital Assets	867,598

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

***The Foundation of the University of North Carolina
at Charlotte, Inc.***

Statement of Financial Position

June 30, 2011

Exhibit B-1

ASSETS

Investments	\$	82,966,803
Assets Held in Charitable Trusts		7,627,688
Interest Receivable		69,565
Accounts Receivable		40,352
Notes Receivable		2,408,000
Pledges Receivable, Net		14,870,096
Cash Surrender Value of Life Insurance		705,365
Equipment, Net		20,484
Property Held for Investment, Net		2,510,284
Prepaid Expenses		14,896
		<hr/>
Total Assets		111,233,533

LIABILITIES

Accounts Payable and Accrued Expenses		46,908
Interest Payable		9,681
Funds Held for Others		121,238
Long-term Notes Payable, Current		226,365
Long-term Notes Payable, Noncurrent		3,468,946
		<hr/>
Total Liabilities		3,873,138

NET ASSETS

Unrestricted		14,774,049
Temporarily Restricted		52,130,714
Permanently Restricted		40,455,632
		<hr/>
Total Net Assets	\$	107,360,395

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

The Foundation of the University of North Carolina at Charlotte, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Support:				
Public Contributions	\$ 287,590	\$ 8,247,263	\$ 3,142,907	\$ 11,677,760
Grants		287,008		287,008
Revenue:				
Dividends and interest income	451,252	152,227		603,479
Endowment Income	16,928	65,319		82,247
Distributions of Endowment Income	(422,886)	422,886		
Rental Income and Other Income	202,884			202,884
Miscellaneous Income		129,595		129,595
Net Gain on Investments	3,281,116	7,165,494		10,446,610
Subtotal Revenue and Support	3,816,884	16,469,792	3,142,907	23,429,583
Transfers to/from Other Funds	820,071	(923,315)	103,244	
Net Assets Released from Restrictions	5,587,308	(5,587,308)		
Total Revenue, Support and Gains	10,224,263	9,959,169	3,246,151	23,429,583
EXPENSES				
Program Services:				
Contributions to the University of North Carolina at Charlotte	4,936,507			4,936,507
Distributions to Donors	154,703			154,703
Grants and Research Administration	381,636			381,636
Other Program Support	402,820			402,820
Total Program Services	5,875,666			5,875,666
Supporting Services:				
Professional Fees	53,534			53,534
Investment Fees	590,573			590,573
Other General and Administrative Expenses	406,933			406,933
Interest Expense	124,093			124,093
Total Supporting Services	1,175,133			1,175,133
Total Expenses	7,050,799			7,050,799
Change in Net Assets	3,173,464	9,959,169	3,246,151	16,378,784
Net Assets at Beginning of Year	11,600,585	42,171,545	37,209,481	90,981,611
Net Assets at End of Year	<u>\$ 14,774,049</u>	<u>\$ 52,130,714</u>	<u>\$ 40,455,632</u>	<u>\$ 107,360,395</u>

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

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UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. The blended component units, although legally separate, are, in substance, part of the University's operations and therefore, are reported as if they were part of the University. Discretely presented component unit financial data are reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Blended Component Units - Although legally separate, The University of North Carolina at Charlotte Facilities Development Corporation, Inc. (FDC) and The University of North Carolina at Charlotte Investment Fund, Inc. (Investment Fund), component units of the University, are reported as if they were part of the University.

The FDC is governed by a five-member board consisting of one ex officio director and four elected directors. The sole purpose is to assist the University in financing, constructing, and equipping a student housing project on campus. The University operates and manages the project under the terms of agreement between the University and the FDC. Because the elected directors of the FDC are appointed by the members of the University of North Carolina at Charlotte Board of Trustees and because the FDC's primary purpose is to benefit the University, its financial statements have been blended with those of the University.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Investment Fund is governed by a board consisting of three ex officio directors and four elected directors. The purpose of the Investment Fund is to support the University by operating an investment fund for nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. Its member investors include the University, the Foundation, the Athletic Foundation (see Note 15), and University Research Park. Because two of the seven directors of the Investment Fund are administrators of the University and the elected directors are appointed by the member investors' Board of Trustees, and because the Investment Fund's sole purpose is to benefit the University, the financial activity for the University's, the Athletic Foundation's, and University Research Park's shares of the Investment Fund have been blended with the University's financial statements.

Separate financial statements for the FDC and the Investment Fund for the most recent reporting period can be obtained from the University Controller's Office, at controller@uncc.edu, or by calling (704) 687-5759.

Discretely Presented Component Unit - The Foundation of the University of North Carolina at Charlotte, Inc. (Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of 38 officers and directors. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereof, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2011, the Foundation distributed \$4,936,507 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Controller's Office at controller@uncc.edu, or by calling (704) 687-5759.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange 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, and deposits held by the State Treasurer in the Short-Term Investment Fund. The Short-Term Investment Fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

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

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

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories held by the University are valued at cost using the last invoice cost method. Inventories consist of expendable supplies, postage, fuel held for consumption, and other merchandise for resale.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of two or more years except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. 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 method over the estimated useful lives of the assets, generally 15 to 75 years for general infrastructure, 10 to 75 years for buildings and building improvements, and 4 to 20 years for equipment. Amortization is computed using the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

straight-line method over the estimated useful lives of the assets, generally 20 years for computer software.

The University's art, literature, and artifacts are capitalized at cost or fair value at the date of donation. These collections are considered inexhaustible and are therefore not depreciated.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources legally segregated for the payment of principal and interest as required by debt covenants.
- 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, certificates of participation, notes payable, capital lease obligations, 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 the straight-line method. The deferred losses on refunds are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs are expensed.

Cost of issuance for the FDC's certificates of participation is amortized over ten years. Unamortized cost of issuance is reported as Bond Issuance Cost.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

M. Net 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 central stores, copy centers, motor pool, postal services, and telecommunications. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2011, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$217,230,173 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 1.9 years as of June 30, 2011. 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.osc.nc.gov/> and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Cash on hand at June 30, 2011 was \$60,090. The carrying amount of the University's deposits not with the State Treasurer was \$771,486 and the bank balance was \$1,317,884. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2011, the University's bank balance was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Bank	<u>\$ 141,656</u>
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Investments

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

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

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

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

Investments of the University's component units, the Foundation and Investment Fund, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

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

Investments are subject to the following risks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

External Investment Pool - The external investment pool sponsored by the University was established in 2002. 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 and the Foundation, a separate entity and discrete component unit included in the University's reporting entity, represent the pool's internal participants. Two affiliated organizations not included in the University's reporting entity, The University of North Carolina at Charlotte Athletic Foundation, Inc. and University Research Park, Inc., represent the pool's external participants. Fund ownership of the pool is measured using the pro rata share method. Under this method, each participating fund's investment balance is determined based on its pro rata share of the fair market value of the investment pool at the beginning of each monthly period. 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.

The pool is managed by two primary external investment managers. These managers provide 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 University Controller's Office, controller@uncc.edu, or by calling (704) 687-5759.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2011, for the External Investment Pool.

External Investment Pool

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
	Fair Value	Investment Maturities (in Years) Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 6,150,265	\$ 6,150,265
Total Debt Securities		\$ 6,150,265
Other Securities		
UNC Investment Fund	54,920,727	
Limited Partnerships	59,293,713	
Total External Investment Pool	\$ 120,364,705	

At June 30, 2011, investments in the External Investment Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa
	Fair Value	AAA Aaa
Money Market Mutual Funds	\$ 6,150,265	\$ 6,150,265

Rating Agency: Moody's / Standard & Poors

Concentration of Credit Risk: The External Investment Pool Board places no limit on the amount the Board may invest in any one issuer. More than 5% of the external investment pool investments are in Money Market Mutual Funds, UNC Investment Fund, and Global Endowment Management. These investments are 5.1%, 45.6%, and 49.3%, respectively, of the External Investment Pool's total investments.

UNC Investment Fund, LLC - At June 30, 2011, the University's investments include \$54,920,727, of which \$22,276,570 represents the University's equity position and \$32,644,157 represents the Foundation's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating. Asset and ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2011, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	Fair Value	Investment Maturities (in Years)			More than 10
		Less Than 1	1 to 5	6 to 10	
<i>Debt Securities</i>					
U.S. Treasuries	\$ 614,430	\$ 0	\$ 323,080	\$ 291,350	\$ 0
U.S. Agencies	476,318	156,574	188,525	131,219	
Mortgage Pass Throughs	208,023		7,759	24,319	175,945
Collateralized Mortgage Obligations	57,727				57,727
Money Market Mutual Funds	672,243	672,243			
Domestic Corporate Bonds	988,174	41,345	502,543	444,286	
Total Debt Securities	3,016,915	<u>\$ 870,162</u>	<u>\$ 1,021,907</u>	<u>\$ 891,174</u>	<u>\$ 233,672</u>
<i>Other Securities</i>					
Investments in Real Estate	8,953,283				
Domestic Stocks	1,216,009				
Other	28,219				
Total Non-Pooled Investments	<u>\$ 13,214,426</u>				

At June 30, 2011, 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	\$ 476,318	\$ 476,318	\$ 0	\$ 0	\$ 0
Mortgage Pass Throughs	208,023	208,023			
Collateralized Mortgage Obligations	57,727	57,727			
Money Market Mutual Funds	672,243	672,243			
Domestic Corporate Bonds	988,174		194,423	555,425	238,326

Rating Agency: Moody's / Standard & Poor's

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Total Investments - The following table presents the fair value of the total investments at June 30, 2011:

Investment Type	Fair Value
Debt Securities	
U.S. Treasuries	\$ 614,430
U.S. Agencies	476,318
Mortgage Pass Throughs	208,023
Collateralized Mortgage Obligations	57,727
Money Market Mutual Funds	6,822,508
Domestic Corporate Bonds	988,174
Total Debt Securities	9,167,180
Other Securities	
UNC Investment Fund	54,920,727
Investments in Real Estate	8,953,283
Limited Partnerships	59,293,713
Domestic Stocks (Common & Preferred)	1,216,009
Other - Cash Surrender Value Life Insurance	28,219
Total Investments	\$ 133,579,131

Total investments include \$71,524,567 held in The University of North Carolina at Charlotte Investment Fund, Inc., for the component unit that is discretely presented in the accompanying financial statements. Of this amount, \$67,878,384 is reported in the financial statements of the component unit as investments in an external pool, and \$3,646,183 is reported as investments in money market funds. The University's reporting entity, including the discretely presented component unit, comprises 93% of The University of North Carolina at Charlotte Investment Fund, Inc.

Component Units - Investments of the University's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Fair Value
Money Market Funds	\$ 11,237,165
Debt Securities	3,642,278
Equity Securities	208,976
External Investment Pool	67,878,384
Total Investments	\$ 82,966,803

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

C. Reconciliation of Deposits and Investment - A reconciliation of deposits and investments for the University of June 30, 2011, is as follows:

Cash on Hand	\$	60,090
Deposits with Private Financial Institutions		771,486
Deposits in the Short Term Investment Fund		217,230,173
Investments in the UNC Investment Fund		22,276,570
External Investment Pool		26,563,568
Non-pooled investments		13,214,426
Total Deposits and Investments	\$	<u>280,116,313</u>
Deposits		
Current:		
Cash and Cash Equivalents	\$	110,359,404
Restricted Cash and Cash Equivalents		41,787,971
Noncurrent:		
Restricted Cash and Cash Equivalents		65,914,374
Total Deposits		<u>218,061,749</u>
Investments		
Noncurrent:		
Endowment Investments		61,418,180
Other Investments		636,384
Total Investments		<u>62,054,564</u>
Total Deposits and Investments	\$	<u>280,116,313</u>

NOTE 3 - ENDOWMENT INVESTMENTS

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

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on a preset rate as approved by the Board of Trustees of the Endowment Fund. The payout rate for the period end June 30, 2011 was 5% of a twelve-quarter rolling average of the fair market

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

value of the fund. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income from restricted expendable net asset endowment balances to make up the difference. At June 30, 2011, endowment net assets of \$20,037,255 were available to be spent, of which \$8,805,451 was restricted to specific purposes.

During the current year, the University incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2011, the amount of investment losses reported against the nonexpendable endowment balances were \$321,270.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 7,077,242	\$ 1,602,510	\$ 5,474,732
Accounts	3,121,446		3,121,446
Intergovernmental	4,017,707		4,017,707
Investment Earnings	94,367		94,367
Other	210,826		210,826
Total Current Receivables	<u>\$ 14,521,588</u>	<u>\$ 1,602,510</u>	<u>\$ 12,919,078</u>
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 657,637	\$ 26,739	\$ 630,898
Institutional Student Loan Programs	35,549	4,258	31,291
Total Notes Receivable - Current	<u>\$ 693,186</u>	<u>\$ 30,997</u>	<u>\$ 662,189</u>
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 5,525,645	\$ 283,699	\$ 5,241,946
Institutional Student Loan Programs	388,945	24,055	364,890
Total Notes Receivable - Noncurrent	<u>\$ 5,914,590</u>	<u>\$ 307,754</u>	<u>\$ 5,606,836</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2011, is presented as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets, Nondepreciable:				
Land	\$ 7,331,270	\$ 0	\$ 0	\$ 7,331,270
Art, Literature, and Artifacts	25,457,354	2,056,280	200,000	27,313,634
Construction in Progress	55,789,824	124,815,771	13,385,733	167,219,862
Computer Software in Development	0	577,000		577,000
Total Capital Assets, Nondepreciable	88,578,448	127,449,051	13,585,733	202,441,766
Capital Assets, Depreciable:				
Buildings	560,861,534	4,830,687	0	565,692,221
Machinery and Equipment	80,536,127	13,140,249	2,031,986	91,644,390
General Infrastructure	105,274,781	8,304,662	718,495	112,860,948
Computer Software	0	247,538		247,538
Total Capital Assets, Depreciable	746,672,442	26,523,136	2,750,481	770,445,097
Less Accumulated Depreciation/Amortization for:				
Buildings	87,712,897	9,319,772	0	97,032,669
Machinery and Equipment	40,003,410	6,841,138	1,386,476	45,458,072
General Infrastructure	17,504,581	2,168,044	283,453	19,389,172
Computer Software	0	12,377		12,377
Total Accumulated Depreciation	145,220,888	18,341,331	1,669,929	161,892,290
Total Capital Assets, Depreciable, Net	601,451,554	8,181,805	1,080,552	608,552,807
Capital Assets, Net	\$ 690,030,002	\$ 135,630,856	\$ 14,666,285	\$ 810,994,573

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2011, were as follows:

	Amount
Accounts Payable	\$ 20,855,396
Accrued Payroll	654,064
Contract Retainage	5,436,626
Other	3,654
Total Accounts Payable and Accrued Liabilities	\$ 26,949,740

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, 2011, is presented as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Revenue Bonds Payable	\$ 181,615,000	\$ 40,895,000	\$ 5,820,000	\$ 216,690,000	\$ 7,410,000
Certificates of Participation	18,295,000		1,030,000	17,265,000	1,070,000
Add Premium/Deduct Discount	4,804,892		380,030	4,424,862	
Deduct Deferred Charge on Refunding	(3,503,477)		(305,445)	(3,198,032)	
Total Revenue Bonds and Certificates of Participation Payable	201,211,415	40,895,000	6,924,585	235,181,830	8,480,000
Notes Payable		5,500,000		5,500,000	485,000
Capital Leases Payable	1,215,875	3,160,409	755,816	3,620,468	974,573
Compensated Absences	12,179,515	8,385,549	7,617,200	12,947,864	1,505,765
Total Long-Term Liabilities	\$ 214,606,805	\$ 57,940,958	\$ 15,297,601	\$ 257,250,162	\$ 11,445,338

Additional information regarding capital lease obligations is included in Note 8.

B. Revenue Bonds Payable and Certificates of Participation - The University was indebted for revenue bonds payable and certificates of participation for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2011	Principal Outstanding June 30, 2011	See Table Below
Revenue Bonds Payable							
General Revenue Bonds Payable							
Refund of Housing Phase VII	2006A	4.25%-5.00%	2014	\$ 1,920,000	\$ 50,000	\$ 1,870,000	
Parking Deck G	2006A	4.00%-5.00%	2036	10,545,000	1,035,000	9,510,000	
Student Union Taxable	2007-A	5.12%-5.68%	2023	18,140,000	3,420,000	14,720,000	
Student Union Non-Taxable	2007-B	4.25%-5.00%	2037	36,260,000		36,260,000	
Parking Deck H BABs	2009-B	4.43%-6.25% *	2039	16,280,000		16,280,000	
Housing Phase 9 BABs	2009-B	4.43%-6.25% *	2039	33,490,000		33,490,000	
Parking Deck H - Tax Exempt	2009-A	2.00%-3.00%	2017	2,720,000		2,720,000	
Housing Phase 9 - Tax Exempt	2009-A	2.00%-3.00%	2017	5,610,000		5,610,000	
Football Complex BABs	2010	1.64%-6.52% *	2040	40,895,000	295,000	40,600,000	
Total General Revenue Bonds Payable				165,860,000	4,800,000	161,060,000	
The University of North Carolina System Pool Revenue Bonds							
Phase 8 Apartments	2002 A	5.00%	2027	21,115,000	17,460,000	3,655,000	
Brocker Health Center	2003 A	3.70%-5.25%	2028	6,055,000	1,330,000	4,725,000	
Refinance Portion of SAC 1995 Bonds	2003 A	3.70%-5.25%	2016	8,770,000	2,485,000	6,285,000	
Refinance Portion of H&D Series M	2003 A	3.70%-5.00%	2015	8,635,000	6,570,000	2,065,000	
Refinance Parking Series 1996	2004 A	3.10%-4.00%	2021	4,480,000	1,540,000	2,940,000	
Refinance Portion of SAC 1995 Bonds	2005 A	3.50%-5.25%	2021	11,855,000	3,665,000	8,190,000	
2nd Partial Refund of Housing Phase 7	2009-B	3.00%-5.00%	2020	6,185,000	580,000	5,605,000	
Final Refinance of Housing Phase 7	2010-B1	5.25%	2024	2,665,000		2,665,000	
Partial Refunding of Housing Phase 8	2010-B1	3.00%-5.25%	2025	13,770,000	55,000	13,715,000	
Refund of Parking Series 2002 Bonds	2010-B1	3.00%-5.25%	2027	6,300,000	515,000	5,785,000	
Total The University of North Carolina System Pool Revenue Bonds				89,830,000	34,200,000	55,630,000	
Certificates of Participation							
Banner COPs	2004	3.00%-5.00%	2014	5,925,000	3,730,000	2,195,000	(1)
Greek Village COPs	2005	3.00%-4.75%	2035	16,745,000	1,675,000	15,070,000	(2)
Total Certificates of Participation				22,670,000	5,405,000	17,265,000	
Total Revenue Bonds Payable and Certificates of Participation (principal only)				\$ 278,360,000	\$ 44,405,000	233,955,000	
Less: Unamortized Loss on Refunding						(3,198,032)	
Less: Unamortized Discount						(130,206)	
Plus: Unamortized Premium						4,555,068	
Total Revenue Bonds Payable and Certificates of Participation						\$ 235,181,830	

* The University has elected to treat these bonds as federally taxable "Build America Bonds" for the purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury equal to 35% of the interest payable on these bonds. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The University has pledged future revenues, net of specific operating expenses, to repay certificates of participation as shown in the table below:

Ref	Revenue Source	Total Future Revenues Pledged	Current Year			Estimate of % of Revenues Pledged
			Revenues Net of Expenses	Principal	Interest	
(1)	Administrative Computing Debt Fee	\$ 2,375,938	\$ 1,284,073	\$ 675,000	\$ 117,450	62%
(2)	Greek Village	25,390,981	1,397,775	355,000	702,518	76%

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2011, are as follows:

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable		Certificates of Participation		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 7,410,000	\$ 11,045,812	\$ 1,070,000	\$ 782,863	\$ 485,000	\$ 158,400
2013	7,565,000	10,748,046	1,115,000	733,063	495,000	144,432
2014	7,920,000	10,458,010	1,160,000	690,494	510,000	130,176
2015	8,260,000	10,137,934	415,000	644,094	525,000	115,488
2016	8,010,000	9,784,735	430,000	627,494	540,000	100,368
2017-2021	43,205,000	43,553,886	2,435,000	2,858,404	2,945,000	259,488
2022-2026	38,110,000	33,313,089	3,035,000	2,251,238		
2027-2031	34,695,000	23,656,107	3,820,000	1,467,031		
2032-2036	40,000,000	13,514,009	3,785,000	447,238		
2037-2041	21,515,000	2,787,694				
Total Requirements	\$ 216,690,000	\$ 168,999,322	\$ 17,265,000	\$ 10,501,919	\$ 5,500,000	\$ 908,352

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

Prior Year Defeasances - During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2011, the outstanding balance of prior year defeased bonds was \$20,245,000.

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

Purpose	Financial Institution	Interest Rate/Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2011	Principal Outstanding June 30, 2011
Sprinkler Installation - Moore and Sanford Halls	Suntrust Bank	2.88%	05/17/2021	\$ 5,500,000	\$ 0	\$ 5,500,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - LEASE OBLIGATIONS

- A. Capital Lease Obligations** - Capital lease obligations relating to networking and server equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2011:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 1,100,411
2013	1,084,972
2014	960,606
2015	686,405
2016	<u>57,200</u>
Total Minimum Lease Payments	3,889,594
Amount Representing Interest (3.39% - 6.11% Rate of Interest)	<u>269,126</u>
Present Value of Future Lease Payments	<u><u>\$ 3,620,468</u></u>

Machinery and equipment recorded under capital lease amounted to \$4,447,884, and related software acquired under capital lease amounted to \$247,538 at June 30, 2011. Depreciation for the capital assets associated with capital leases is included in depreciation expense.

- B. Operating Lease Obligations** - The University entered into operating leases for noncapital networking and server equipment as well as office, warehouse, and classroom space. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2011:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 1,568,816
2013	1,493,555
2014	1,213,156
2015	1,081,378
2016	<u>90,115</u>
Total Minimum Lease Payments	<u><u>\$ 5,447,020</u></u>

Rental expense for all operating leases during the year was \$1,481,071.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Change in Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 170,041,953	\$ 85,619	\$ 37,144,788	\$ 1,512,172	\$ 131,299,374
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 22,007,325	\$ 372,620	\$ 5,671,805	\$ 133,184	\$ 15,829,716
Dining	15,600,866	6,566	3,031,240	87,701	12,475,359
Student Union Services	6,482,662	1,451,776			5,030,886
Health Services	2,132,385	31,058		51,051	2,050,276
Parking	7,302,506	249,687		19,201	7,033,618
Athletics	1,972,063	24,267			1,947,796
Facilities	14,457,195	13,563,491			893,704
Telecommunications	3,296,099	2,950,047			346,052
Other	1,738,235	1,125,948			612,287
Sales and Services of Education and Related Activities	4,025,931	1,731,472			2,294,459
Total Sales and Services	\$ 79,015,267	\$ 21,506,932	\$ 8,703,045	\$ 291,137	\$ 48,514,153

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	\$ 144,298,725	\$ 8,915,525	\$ 15,202,724	\$ 0	\$ 1,267	\$ 0	\$ 168,418,241
Research	15,164,593	2,081,518	4,690,498		531		21,937,140
Public Service	1,729,483	71,091	295,007				2,095,581
Academic Support	16,632,979	9,697,123	8,814,121				35,144,223
Student Services	14,074,382	1,102,751	2,751,520		6,000		17,934,653
Institutional Support	23,064,208	1,617,119	6,413,447		1,626		31,096,400
Operations and Maintenance of Plant	20,819,058	5,120,527	6,836,679		7,520,927		40,297,191
Student Financial Aid				40,535,841			40,535,841
Auxiliary Enterprises	26,956,345	12,766,141	26,506,143		3,125,624		69,354,253
Depreciation/Amortization						18,341,331	18,341,331
Total Operating Expenses	\$ 262,739,773	\$ 41,371,795	\$ 71,510,139	\$ 40,535,841	\$ 10,655,975	\$ 18,341,331	\$ 445,154,854

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2011, these rates were set at 4.93% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the University had a total payroll of \$211,924,159, of which \$90,504,892 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$4,461,891 and \$5,430,294, respectively.

Required employer contribution rates for the years ended June 30, 2010, and 2009, were 3.57% and 3.36%, respectively, while employee contributions were 6% each year. The University made 100% of its annual required contributions for the years ended June 30, 2011, 2010, and 2009, which were \$4,461,891, \$3,138,757, and \$2,853,451, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 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 or the trustee responsible for the investment of contributions under the Program and approves the form and contents of the contracts and trust agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2011, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$211,924,159, of which \$90,204,357 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$6,169,978 and \$5,412,261, 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 \$672,720 for the year ended June 30, 2011.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

year ended June 30, 2011, were \$75,706. The voluntary contributions by employees amounted to \$1,482,696 for the year ended June 30, 2011.

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 \$2,880,822 for the year ended June 30, 2011.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by *North Carolina General Statute 135-7* and Chapter 135, Article 3A, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the current fiscal year the University contributed 4.9% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Fund. The required contribution rate for the years ended June 30, 2010, and 2009, were 4.5% and 4.1%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, which were \$8,854,753, \$8,088,140, and \$7,254,140, respectively. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2011, the University made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. The required contribution rate for the years ended June 30, 2010, and 2009, was .52% for both years. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2011, 2010, and 2009, which were \$939,688, \$934,630, and \$920,037, respectively. The University assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The University is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. The University has purchased extended coverage for all buildings and contents within the buildings. Extended coverage includes the perils of windstorm, hail, explosion, smoke, aircraft or vehicles, riot or civil commotion.

All State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

The University retained the following risks as of June 30, 2011:

A separate professional liability policy underwritten by Medical Mutual Insurance is provided to healthcare professionals. The limit of liability is \$1,000,000 per claim and \$3,000,000 aggregate annually.

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 \$98,020,753 at June 30, 2011.
- 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.

NOTE 15 - RELATED PARTIES

Foundations - There are two separately incorporated nonprofit foundations associated with the University. These foundations are The Athletic Foundation of the University of North Carolina at Charlotte and The Ben Craig Center, Inc.

The Athletic Foundation serves as the primary fundraising arm of the University's Athletic Department through which individuals, corporations, and other organizations support University athletic programs by providing scholarships, salary supplements, and unrestricted funds. The University's financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundation, except for support from the

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

organization to the University. This support amounted to \$1,610,122 for the year ended June 30, 2011.

The Ben Craig Center, Inc. serves as an economic development and business catalyst for emerging businesses in the Charlotte-Mecklenburg area. The University's financial statements do not include the assets, liabilities, net assets, or operational transactions of the center, except for the support from the organization to the University. This support amounted to \$88,300 for the year ended June 30, 2011.

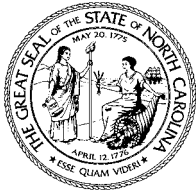
NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2011, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 59, updates the disclosure and reporting requirements for certain financial instruments and external investment pools.

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Beth A. Wood, CPA
State Auditor

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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
University of North Carolina at Charlotte
Charlotte, North Carolina

We have audited the financial statements of the University of North Carolina at Charlotte, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 14, 2011. Our report includes a reference to other auditors.

As discussed in Note 16 to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 59, *Financial Instruments Omnibus*, during the year ended June 30, 2011.

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. Other auditors audited the financial statements of The University of North Carolina at Charlotte Investment Fund, Inc., The University of North Carolina at Charlotte Facilities Development Corporation, and the discretely presented component unit, as described in our report on the University's financial statements. The financial statements of The University of North Carolina at Charlotte Investment Fund, Inc., The University of North Carolina at Charlotte Facilities Development Corporation, and the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

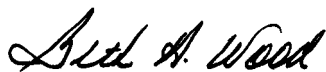
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the University, the Board of Governors, the Board of Trustees, the Audit Committee, others within the entity, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA
State Auditor

December 14, 2011

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