



**125**  
YEARS





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Prepared by the University Controller's Office  
For the Fiscal Year Ended June 30, 2012

A constituent institution of the University of North Carolina  
and a component unit of the State of North Carolina



# MISSION STATEMENT

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As a research-extensive land-grant university, North Carolina State University is dedicated to excellent teaching, the creation and application of knowledge, and engagement with public and private partners. By uniting our strength in science and technology with a commitment to excellence in a comprehensive range of disciplines, NC State promotes an integrated approach to problem solving that transforms lives and provides leadership for social, economic, and technological development across North Carolina and around the world.



This year we recognized a milestone in NC State's history—our 125<sup>th</sup> anniversary as a university. With a year-long celebration that began March 7, 2012, and continues today, we reflect on the traditions that form our foundation and celebrate the ways we have transformed lives on campus, in North Carolina, across our nation and throughout the world.

NC State's value as a premier research university has been continually recognized throughout the past financial year. *U.S. News and World Report* named NC State in the top five best values among public universities, and Fox Business announced that NC State was among only a handful of U.S. colleges and universities—the only one in North Carolina—named a Top Value. Additionally, our students graduate with lower debt and are highly sought by recruiters, a powerful combination for our graduates.

These graduates are starting to give back more than ever before. Annual alumni giving this fiscal year exceeded goals and surpassed expectations, increasing 34.5% from last fiscal year. With this crucial alumni support, we were able to increase research funding by 6%, further positioning NC State as a world-class research institution, discovering innovative solutions to the world's most serious challenges.

Our response to change and challenging economic times has also been recognized. In another recent ranking from *U.S. News*, NC State was named a top 20 “up-and-comer,” recognized for the promising and innovative changes we have implemented this year. These innovative changes have been purposeful, helping to strategically position our university for greater success.

In 2010, NC State launched a strategic plan, *The Pathway to the Future*, that has led to informed decision-making, allowing us to focus on our core values of faculty and student success, organizational excellence, and local and global engagement. Thanks to the dedicated work of the entire NC State community, we are elevating this university to new levels of effectiveness and efficiency. And the outcomes are clear. The new Division of Academic and Student Affairs has been launched, with Dr. Mike Mullen at its helm. The revamped College of Sciences has been announced. Operations are being centralized through the new Business Operating Centers. NC State's response to today's changes is priming us for an even more successful tomorrow.

NC State's 125<sup>th</sup> birthday year has been one filled with challenges and change, but also with great celebration and transformational steps forward. As we continue to cement our university as a world-class institution and top value, I am excited to begin the next 125 years in the story of NC State.

A handwritten signature in black ink that reads "Randy Woodson". The signature is fluid and cursive, with a long horizontal flourish at the end.

Randy Woodson, Chancellor  
NC State University

To: Chancellor W. Randolph Woodson and the Board of Trustees  
North Carolina State University



I am pleased to present the 2012 Annual Financial Report for North Carolina State University. This report was prepared by Finance and Business staff in accordance with generally accepted accounting principles for public colleges and universities as defined by the Governmental Accounting Standards Board, and provides detailed information about the University's financial activities. The report comprises a summary of current achievements and service outcomes, a comparison of key financial information for the past five years, complete financial statements with management discussion and analysis, and a report from the Office of the State Auditor. Supplemental information includes trend data relating to students, endowment growth, debt coverage, and the faculty. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and reported in a manner that fairly presents the University's financial position.

Following are a few of the highlights in this year's Annual Financial Report:

- The University's financial assets were \$2.55 billion with net assets of \$1.74 billion
- Net assets grew by \$115.1 million during the reporting period due primarily to the acquisition of \$66.9 million in new capital assets (net of related debt), improvements of \$11.6 million in restricted net assets, and \$36.6 million in unrestricted balances.
- The growth in restricted net assets included an increase of \$3.4 million in endowed professorships
- Revenues and expenses (operating and non-operating) were \$1.27 billion and \$1.21 billion, respectively
- Revenues increased by \$11.4 million, primarily due to increases in student tuition and fees, research contracts and grants, sales and services income and noncapital gifts
- State appropriations decreased \$12.3 million
- Expenses increased by \$5.3 million, with research expenses showing the largest increase.

As the State of North Carolina slowly recovers from the economic downturn of 2008, North Carolina State will continue to carefully nurture its resources and align expenditures and investments with the University's strategic plan adopted by the Board of Trustees in April 2011. And, in so doing we will maintain an effective system of internal controls to ensure that assets are safeguarded against loss and transactions are properly executed and recorded.

Sincerely,



Charles D. Leffler  
Vice Chancellor for Finance and Business

NC State University



## STUDENTS

- Largest four-year institution in North Carolina
- Largest number of applications from NC students
- 34,340 students from all 100 NC counties, 52 states and territories and 119 foreign countries (24,833 undergraduates; 9,507 graduate and professional)
- 5,423 undergraduate and 2,866 graduate degrees awarded in 2010-11
- Bachelor's degrees in 106 fields; master's in 104 fields; doctorates in 61 fields; Doctor of Veterinary Medicine
- 100+ national scholars and fellows in past five years

## FACULTY & STAFF

- 2,297 teaching, research and extension faculty
- 20 members of the National Academies
- 7th among 16 peers in NSF CAREER faculty awards over last four years
- 6,088 administrative and support staff

## COLLEGES

- Agriculture and Life Sciences
- Design
- Education
- Engineering
- Humanities and Social Sciences
- Poole College of Management
- Natural Resources
- Physical and Mathematical Sciences
- Textiles
- Veterinary Medicine

## RANKING

- 5th best value among public U.S. universities (*U.S. News & World Report, 2013*)
- 23rd among U.S. universities for collaborative research (*Leiden Ranking, 2011/2012*)
- 31st among U.S. research universities (*Lombardi Ranking, 2011*)
- 1st in graduate textiles (*U.S. News & World Report, 2007*)
- 3rd in graduate veterinary medicine (*U.S. News & World Report, 2013*)
- 4th in math and statistics undergraduate degrees awarded to African-Americans (*Diverse: Issues in Higher Education, 2009*)
- 10th in U.S. undergraduate biological and agricultural engineering (*U.S. News & World Report, 2013*)
- 29th in the world for engineering/technology and computer science (*Academic Ranking of World Universities, 2012*)

## EXTENSION, ENGAGEMENT & ECONOMIC DEVELOPMENT

- Economic impact on the state of North Carolina of about \$1.7 billion annually
- 710 employees stationed in all 100 counties and the Qualla Boundary of Eastern Band of Cherokee Indians
- 13 off-campus regional research and extension centers, nine field laboratories, and 18 shared research stations

## FINANCIALS & PRIVATE SUPPORT

- Total budget, 2012-13: \$1.35 billion (37% from state appropriations and 18% from tuition)
- Total endowment, \$635 million (as of June 30, 2012)

## RESEARCH

- \$380 million in total research expenditures (*National Science Foundation, 2009*)
- 8th in industry research funding among research universities without medical schools (*National Science Foundation, 2009*)
- More than 70% of faculty engaged in sponsored research
- More than 2,900 graduate students supported on research and teaching appointments
- 57 multidisciplinary centers and institutes

## TECHNOLOGY TRANSFER

- 230 products available to consumers
- More than 760 U.S. patents held
- 93 startup companies representing \$1.5 billion in venture capital investment and more than 3,000 jobs in North Carolina
- 18th in active licenses per \$100 million in research expenditures (*Association of University Technology Managers*)
- 3rd in commercialization of micro - and nanotechnology inventions (*Small Times Media*)

## CENTENNIAL CAMPUS

- National model for government, business and university partnerships and mixed-used environments
- Includes 1,075 acre Centennial Campus and the 152-acre Centennial Biomedical Campus
- Houses Colleges of Textiles, Engineering and Veterinary Medicine, as well as the Graduate School
- Technology Incubator and Office of Technology Transfer help entrepreneurs and faculty commercialize products and processes
- More than 60 corporate, nonprofit and government partners and 2,470 employees
- Home to the 600-student Centennial Campus Magnet Middle School and the William and Ida Friday Institute for Education Innovation

## ATHLETICS

- NCAA Division I University
- Member of Atlantic Coast Conference
- 23 sports represented at NC State

## ALUMNI

- More than 195,000 living NC State alumni
- 120,000 alumni living in North Carolina
- Alumni account for \$5.6 billion of income into NC economy annually (2008)



# FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED JUNE 30, 2008-2012  
(DOLLARS ARE IN MILLIONS)

	2008	2009	2010	2011	2012
<b>University Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	\$1,012.6	\$1,107.0	\$1,159.9	\$1,233.2	\$1,300.1
Restricted Nonexpendable	\$63.0	\$66.0	\$71.1	\$78.0	\$83.0
Restricted Expendable (1)	\$220.6	\$108.5	\$116.9	\$140.8	\$147.4
Unrestricted	\$143.2	\$147.5	\$166.4	\$177.8	\$214.4
Total Net Assets	\$1,439.4	\$1,429.0	\$1,514.3	\$1,629.8	\$1,744.9
<b>Gifts</b>					
Noncapital Gifts	\$52.0	\$54.9	\$44.1	\$50.6	\$57.8
Capital Gifts	\$30.0	\$4.8	\$5.3	\$5.1	\$6.3
<b>Contracts &amp; Grants</b>					
Federal Contracts & Grants	\$98.1	\$103.5	\$115.0	\$123.8	\$132.0
State and Local Contracts and Grants	\$36.6	\$36.0	\$32.6	\$38.1	\$38.8
Nongovernmental Contracts and Grants	\$48.6	\$48.7	\$51.9	\$61.6	\$75.0
Total Contracts and Grants	\$183.3	\$188.2	\$199.5	\$223.5	\$245.8
<b>Appropriations and Tuition and Fees</b>					
Federal Appropriations	\$22.2	\$23.2	\$18.5	\$16.8	\$19.4
State Appropriations for Operations	\$487.7	\$448.8	\$472.0	\$478.4	\$466.1
State Appropriations for Capital Projects	\$38.1	\$0.0	\$0.0	\$0.0	\$0.0
Tuition and Fees (Gross)	\$197.1	\$209.6	\$225.1	\$269.0	\$293.3
<b>Foundation Support</b>					
	\$66.2	\$45.2	\$36.6	\$43.9	\$49.7
<b>Endowment Investments</b>					
	\$161.2	\$129.6	\$143.1	\$161.4	\$161.4
<b>Investment Fund Return</b>					
	-5.75%	-23.42%	11.44%	14.95%	2.60%
<b>Capital Assets</b>					
Total University Capital Assets	\$1,798.0	\$1,947.7	\$2,054.8	\$2,238.2	\$2,384.5
Total University Capital Assets, Net of Accumulated Depreciation	\$1,279.3	\$1,385.6	\$1,451.7	\$1,587.2	\$1,713.8
<b>University Debt</b>					
Short-term Debt	\$75.5	\$20.0	\$0.0	\$10.0	\$50.0
Bonds Payable	\$191.1	\$253.1	\$323.1	\$311.3	\$296.1
Notes Payable	\$0.9	\$5.0	\$23.7	\$80.1	\$81.1
<b>Estimated Expenses for Full-Time Students Living on Campus - N.C. Residents</b> (dollars are in whole numbers)					
Tuition and Fees	\$5,274	\$5,286	\$5,527	\$6,529	\$7,018
Books and Supplies	\$930	\$930	\$950	\$1,000	\$1,000
Room Rent (Average)	\$4,460	\$4,924	\$4,798	\$4,976	\$5,176
Meals (Average)	\$2,910	\$3,058	\$3,168	\$3,178	\$3,360
Other Personal Expenses	\$1,230	\$1,250	\$1,450	\$1,994	\$2,083
Transportation	\$550	\$580	\$874	\$750	\$751
Total	\$15,354	\$16,028	\$16,767	\$18,427	\$19,388

1. Sources for funding Restricted Expendable Net Assets include gifts, contracts and grants, unexpended capital appropriations, endowment income, unexpended debt proceeds, required reserves, and loan funds.

# BOARD OF TRUSTEES

As of June 30, 2012



**Barbara H. Mulkey,**  
Raleigh, NC  
Chair



**Jimmy D. Clark,**  
Greensboro, NC



**Jack L. Cozort,**  
Raleigh, NC



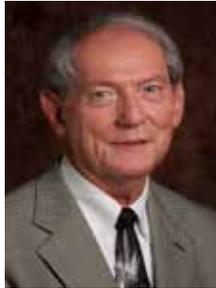
**S. Lawrence  
Davenport,**  
Greenville, NC



**Philip G. Freelon**  
Research Triangle  
Park, NC



**Benjamin P.  
Jenkins III,**  
Charlotte, NC



**Robert L.  
Mattocks II,**  
New Bern, NC



**Dr. James W.  
Owens,**  
Peoria, IL



**Randall C. Ramsey,**  
Beaufort, NC



**John P. Sall,**  
Cary, NC



**E. Norris Tolson,**  
Research Triangle  
Park, NC



**Susan Ward,**  
Raleigh, NC



**Andy Walsh,**  
Cary, NC

# EXECUTIVE AND ADMINISTRATIVE OFFICERS

## EXECUTIVE OFFICERS

W. Randolph Woodson  
*Chancellor*

Marc Hoit  
*Vice Chancellor for  
Information Technology*

Terri Lomax  
*Vice Chancellor for Research  
and Innovation*

Warwick Arden  
*Provost and  
Executive Vice Chancellor*

Kevin D. Howell  
*Asst. to the Chancellor for  
External Affairs*

Thomas H. Stafford, Jr.  
*Vice Chancellor for  
Student Affairs*

Deborah A. Yow  
*Director of Athletics*

Nevin Kessler  
*Vice Chancellor for  
University Advancement*

PJ Teal  
*Secretary of the University*

Eileen Goldgeier  
*Vice Chancellor and  
General Counsel*

Charles D. Leffler  
*Vice Chancellor for  
Finance & Business*

## DEANS

Johnny C. Wynne  
*Dean of College of  
Agriculture & Life Sciences*

Duane Larick  
*Dean of Graduate School*

Daniel L. Solomon  
*Dean of College of Physical  
& Mathematical Sciences*

Marvin J. Malecha  
*Dean of College of Design*

Jeffrey Braden  
*Dean of College of Humanities  
and Social Sciences*

A. Blanton Godfrey  
*Dean of College of Textiles*

M. Jayne Fleener  
*Dean of College of  
Education*

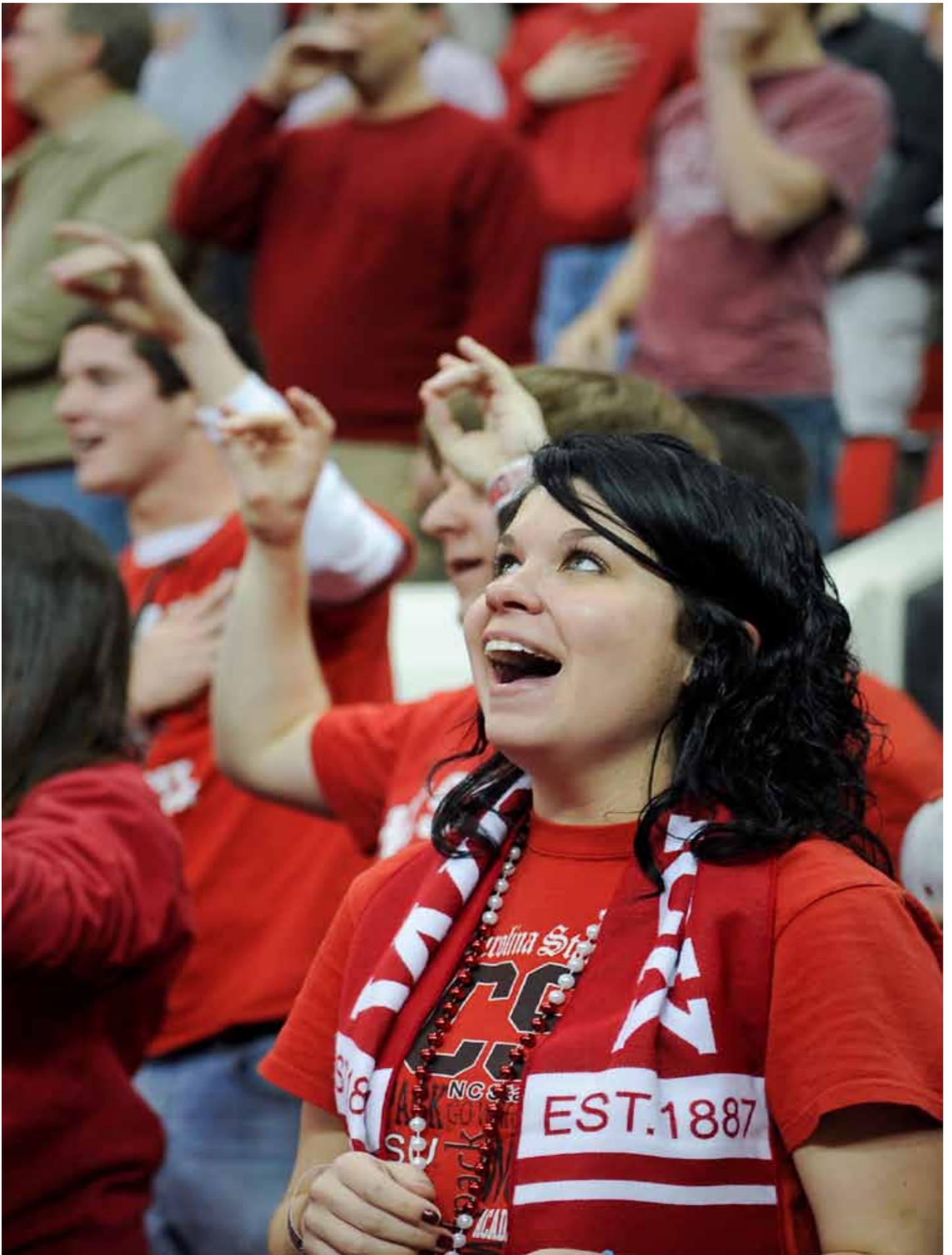
Ira R. Weiss  
*Dean of College of Management*

John Ambrose  
*Dean for Undergraduate  
Academic Programs*

Louis Martin-Vega  
*Dean of College of  
Engineering*

Robert D. Brown  
*Dean of College of  
Natural Resources*

D. Paul Lunn  
*Dean of College of  
Veterinary Medicine*



# FINANCIAL SECTION

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NORTH CAROLINA  
STATE UNIVERSITY

2012 ANNUAL  
FINANCIAL REPORT



Beth A. Wood, CPA  
State Auditor

STATE OF NORTH CAROLINA

## Office of the State Auditor

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

### INDEPENDENT AUDITOR'S REPORT

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Board of Trustees  
North Carolina State University  
Raleigh, North Carolina

We have audited the accompanying financial statements of North Carolina State University, 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 units, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 NC State Investment Fund, Inc., which represents 16 percent, 23 percent, and 3 percent, respectively, of the assets, net assets, and revenues of the University; nor the financial statements of the North Carolina State University Foundation, Inc. and the NC State Student Aid Association, Inc., the University's discretely presented component units. 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 North Carolina State University Foundation, Inc. and the NC State Student Aid Association, 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.

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 North Carolina State University and its discretely presented component units as of June 30, 2012, 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.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012 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 report on internal control and compliance will be issued under a separate cover in the Financial Statement Audit Report of North Carolina State University published by this Office.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory and supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Beth A. Wood, CPA  
State Auditor

November 9, 2012



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

Management's Discussion and Analysis of the financial report provides an overview of the accompanying basic financial statements. It includes comparative financial analysis with discussion of significant changes from the prior year. The overview also includes information on currently known facts, decisions, or conditions affecting the financial affairs of the University.

## Financial Highlights

NC State University's net assets increased by 7.1% to \$1.74 billion in fiscal year 2012. Net assets represent the University's equity, the assets less the liabilities. The primary causes of this increase included the acquisition of capital assets net of related debt of \$66.9 million and an increase of \$36.6 million in unrestricted balances.

Revenues increased by a small amount, 0.9%, to \$1.27 billion in fiscal year 2012. Revenues represent amounts received or accrued that are either operating or nonoperating on the accompanying financial statements. This small change was primarily due to increases in tuition and fees, contracts and grants and sales and services income. These revenue increases were largely offset by reductions in state aid, appropriations, student financial aid grants and investment income. State appropriations decreased by \$12.3 million and state aid from the economic recovery funds ended in 2011. However, appropriations remain the largest single factor in the University's revenues. Tuition and fees increased by \$20.9 million due to higher billing rates. Operating grants and contracts increased during the year by \$22.4 million, with most of the growth in nongovernmental and federal grants and contracts. Sales and services income rose \$13.0 million across many different types of sales activities, including athletics, dining and veterinary services.

Operating expenses in fiscal year 2012 were up by \$5.5 million or 0.5% compared to fiscal year 2011. Operating expenses represent amounts paid or accrued for operating purposes. By function, research, auxiliary enterprises, student services and depreciation/amortization showed increases with other functions showing offsetting small decreases.

## Using the Financial Statements

The University's financial statements are used to evaluate financial position as of June 30<sup>th</sup> and the results of operations for the fiscal year then ended. The *Statement of Net Assets* provides information relative to the evaluation of financial position. The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information relative to the evaluation of the results of operations. Its ending net assets agree to the total net assets on the *Statement of Net Assets*.

The financial statements also include a *Statement of Cash Flows*. This statement is used to identify the University's sources and uses of cash. The ending cash on the *Statement of Cash Flows* agrees to the total cash reported on the *Statement of Net Assets*. Also, this statement reconciles the net operating loss reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* to the net cash used by operating activities.

In using the financial statements, the *Notes to the Financial Statements* accompanying the financial statements should be read in conjunction with the financial statements. The notes provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed information on long-term liabilities, detailed information on accounts receivable, accounts payable, revenues and expenses, required information on pension plans and other post employment benefits, insurance against losses, commitments and contingencies, and accounting changes. If necessary, the disclosures include a discussion of adjustments to prior periods and events subsequent to the University's financial statement period. Overall, these disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the financial statements.



## COMPARATIVE CONDENSED FINANCIAL STATEMENT INFORMATION

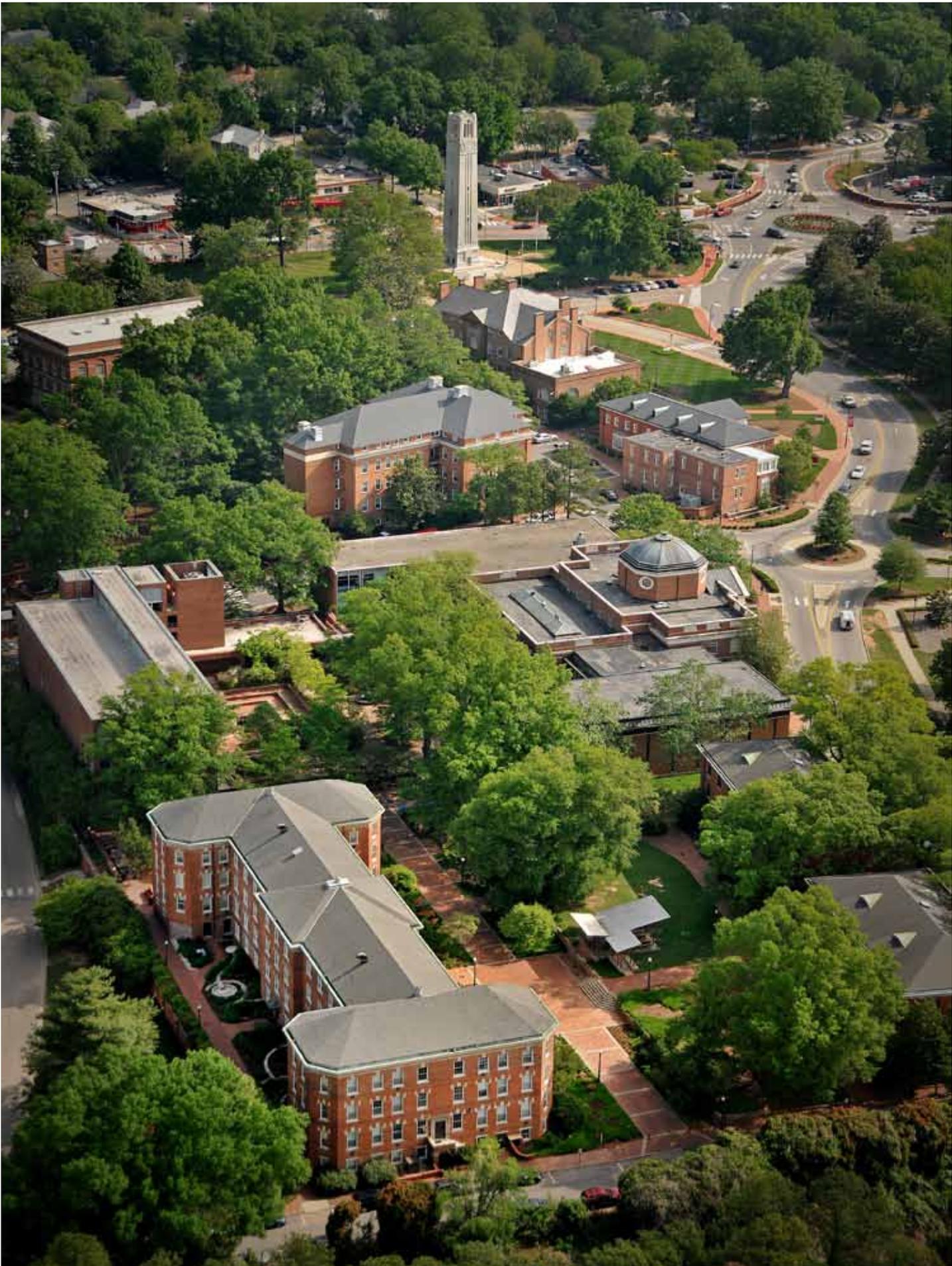
### Statement of Net Assets

The *Statement of Net Assets* provides information regarding the University's assets, liabilities, and net assets as of June 30, 2012. Asset and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay for current liabilities or current year expenditures. Liabilities classified as current are those that are due and payable in the next fiscal year. The

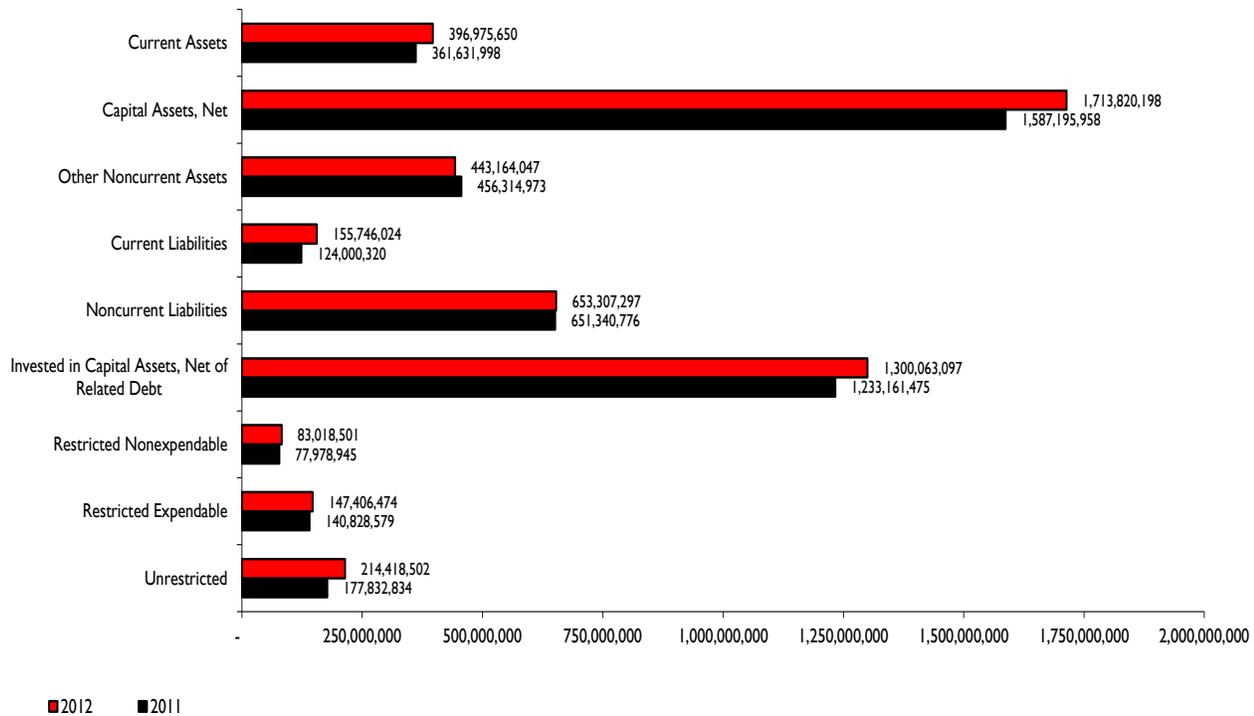
net asset balances are classified as either invested in capital assets (net of related debt), restricted or unrestricted. In addition, net assets classified as restricted are classified as either nonexpendable or expendable. Overall, the *Statement of Net Assets* provides information to evaluate the financial strength of the University and its ability to meet current and long-term obligations.

Following is a comparative analysis on the condensed balances reported in the *Statement of Net Assets* as of June 30, 2011, and June 30, 2012.

	2012	2011	Increase/ (Decrease)
<b>Assets</b>			
Current Assets	\$ 396,975,650	\$ 361,631,998	\$ 35,343,652
Capital Assets, Net	1,713,820,198	1,587,195,958	126,624,240
Other Noncurrent Assets	443,164,047	456,314,973	(13,150,926)
<b>Total Assets</b>	<b>2,553,959,895</b>	<b>2,405,142,929</b>	<b>148,816,966</b>
<b>Liabilities</b>			
Current Liabilities	155,746,024	124,000,320	31,745,704
Noncurrent Liabilities	653,307,297	651,340,776	1,966,521
<b>Total Liabilities</b>	<b>809,053,321</b>	<b>775,341,096</b>	<b>33,712,225</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,300,063,097	1,233,161,475	66,901,622
Restricted			
Nonexpendable	83,018,501	77,978,945	5,039,556
Expendable	147,406,474	140,828,579	6,577,895
Unrestricted	214,418,502	177,832,834	36,585,668
<b>Total Net Assets</b>	<b>\$ 1,744,906,574</b>	<b>\$ 1,629,801,833</b>	<b>\$ 115,104,741</b>



The following graph illustrates the assets, liabilities and net assets of the University as of June 30, 2012, as compared to June 30, 2011.



Assets totaled \$2.55 billion, an increase of \$148.8 million over the prior year. This change in assets includes capital asset growth of \$126.6 million, an increase in current assets of \$35.3 million and a decrease in other noncurrent assets of \$13.1 million.

The capital asset growth of \$126.6 million is due to construction funding from capital grants and gifts, new capital financing and spending of prior year capital improvement monies. The University received \$44.8 million in capital grants in 2012, primarily from the State's bond/certificates of participation (COPs) program, \$40.0 million in new commercial paper capital financing, and \$6.3 million in capital gifts.

Current assets increased by \$35.3 million in fiscal year 2012. This increase was primarily the result of an increase in unrestricted cash of \$25.0 million and in receivables of \$12.4 million. Unrestricted cash growth was primarily in carryforward cash of \$9.9 million, overhead cash of \$10.0 million and auxiliaries and sales and services cash, such as in housing, transportation and dining. The current receivables increase was in nongovernmental and federal contracts and grants receivables. Nongovernmental contracts and grants receivables were up \$6.9 million and federal contracts and grants receivables were up \$3.8 million in fiscal year 2012. These higher receivables were caused by an increase in the total volume of contract and grant revenues and an increase in contract and grant expenses not yet reimbursed at year end.

The \$13.1 million decrease in other noncurrent assets is in the reclassification of restricted investments, most of which were

shown as other investments in 2011. Restricted investments is a new financial statement caption for 2012. The change in the total of other investments and restricted investments for 2012 is a decrease of \$32.7 million, consisting primarily of the spending down of the proceeds of the Energy Conservation Loan from the prior year by \$23.6 million and withdrawals by foundations, partially offset by participant additions and market appreciation. This restricted investment decrease is partially offset in noncurrent assets by increases in noncurrent cash of \$10.1 million and deferred outflow of resources of \$8.5 million. Noncurrent restricted cash rose, despite the decrease in bond proceeds cash, due to increases in cash held in trust for agency funds, debt service fee collections and commercial paper issues. The asset for the deferred outflow of resources for the University's swap agreements increases and decreases based on market fluctuations.

Liabilities totaled \$809.1 million, an increase of \$33.7 million over the prior year. The increase in liabilities is attributable to an increase in current liabilities of \$31.7 million and an increase in noncurrent liabilities of \$2.0 million.

Current liabilities totaled \$155.7 million. These liabilities include accounts payable and accrued liabilities, due to other entities, deferred revenue, and the current portion of University debt. The current liabilities increase of \$31.7 million was primarily caused by \$40.0 million of new commercial paper debt offset by a \$5.0 million decrease in accounts payable and a \$4.0 million drop in deferred revenue. Construction payables decreased as several projects (the Parking Deck, Atrium and North Hall Improvements) were completed and the new



library neared completion. Also, general accounts payable decreased because budget restrictions in 2011 required the cut-off date for University payments to be several days earlier resulting in a build up of payables in the prior year. The decrease in deferred revenue was caused by unearned federal grant cash in fiscal year 2011. Several large contracts were moved to a cost reimbursement basis in 2012.

Noncurrent liabilities totaled \$653.3 million, and include accounts payable, deposits payable, funds held for other entities, funds held in trust in the investment pool, long-term debt, compensated absences and the hedging derivative liability. Multiple factors created the \$2.0 million increase in noncurrent liabilities. The largest increases were \$8.5 million in the hedging derivative liability, \$5.2 million in funds held in trust for pool participants, and \$2.8 million in funds held for others. The hedging derivative liability increases and decreases due to market fluctuations. The balances for funds held in trust for pool participants and the funds held for others depend on participant deposits and market values. These hedging liability and funds held for others increases were largely offset by a \$15.2 million drop in the noncurrent part of long-term liabilities. Most of this long-term liabilities change was in bonds payable. The University issued \$16.3 million in new 2012 Revenue Bonds but also advance refunded \$17.3 million in 2003A Bonds and called \$2.6 million in 2002B Bonds. Other reduc-

tions in bonds payable were scheduled payments of bond principal. Other noncurrent liabilities increased or decreased by small amounts.

Net assets totaled \$1.74 billion, an increase of \$115.1 million over the prior year. Invested in plant, net of related debt, grew by \$66.9 million as the University obtained new capital resources, including debt financing and capital grants and gifts, and also spent capital from prior years. Unrestricted net assets rose by \$36.6 million, a 20.6% increase, primarily caused by an increase in the budget carryforward of \$9.9 million, overhead balances up \$9.7 million and also increases in auxiliaries and sales and services balances. Restricted expendable net assets rose \$6.6 million, with debt service and research showing the largest increases. Restricted nonexpendable net assets grew by \$5.0 million, including a \$4.2 million increase in endowed professorships.

The University's current assets are more than sufficient to cover current liabilities, with a ratio of 2.5 times compared to 2.9 times in the prior year. The University's total assets are significantly more than the University's liabilities with a ratio of 3.2 times as compared to 3.1 times in the prior year. These financial ratios are indicators of NC State's financial strength and its ability to meet current and long-term obligations.





## Statement of Revenues, Expenses, and Changes in Net Assets

The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information regarding the University's activities for the year ending June 30, 2012. The activity balances are classified as operating, nonoperating, or other. Activities classified as operating include all revenues of the University except those considered nonoperating or those associated with funds received to enhance capital assets or permanent endowments. Operating expenses are all expenses except those related to interest expense on financing activities, loss on disposal of capital assets,

and investment expenses (shown as net against investment income). Activities classified as nonoperating include State appropriations, noncapital gifts and grants revenue, investment income (net of investment expenses), and gains or losses on disposal of capital assets. Activities classified as other include capital gifts or grants and additions to permanent endowments. Overall, the *Statement of Revenues, Expenses, and Changes in Net Assets* provides information to evaluate the University's management of operations and maintenance of financial strength.

Following is a comparative analysis on the condensed balances reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* for the fiscal years ended June 30, 2012, and June 30, 2011.

	2012	2011	Increase/ (Decrease)
<b>Operating Revenues</b>			
Student Tuition and Fees, Net	\$ 217,985,451	\$ 197,091,556	\$ 20,893,895
Federal Appropriations	19,356,553	16,842,963	2,513,590
Grants and Contracts	245,877,630	223,507,300	22,370,330
Sales and Services, Net	189,992,892	176,956,180	13,036,712
Other	17,149,112	15,206,546	1,942,566
<b>Total Operating Revenues</b>	<b>690,361,638</b>	<b>629,604,545</b>	<b>60,757,093</b>
<b>Operating Expenses</b>			
Salaries and Benefits	752,282,566	743,089,319	9,193,247
Supplies and Materials	114,102,969	124,591,377	(10,488,408)
Services	190,748,182	180,218,528	10,529,654
Scholarships and Fellowships	43,830,528	46,911,355	(3,080,827)
Utilities	33,938,829	37,853,283	(3,914,454)
Depreciation/Amortization	59,752,459	56,449,786	3,302,673
<b>Total Operating Expenses</b>	<b>1,194,655,533</b>	<b>1,189,113,648</b>	<b>5,541,885</b>
<b>Net Operating Loss</b>	<b>(504,293,895)</b>	<b>(559,509,103)</b>	<b>55,215,208</b>
<b>Nonoperating Revenues (Expenses)</b>			
State Appropriations	466,082,225	478,423,298	(12,341,073)
State Aid - Federal Recovery Funds		20,651,218	(20,651,218)
Noncapital Grants - Federal Student Financial Aid	25,877,792	29,675,741	(3,797,949)
Other Noncapital Grants and Gifts	77,832,067	75,777,496	2,054,571
Investment Income	5,558,144	19,971,035	(14,412,891)
Other	(11,546,720)	(11,568,535)	21,815
<b>Net Nonoperating Revenues</b>	<b>563,803,508</b>	<b>612,930,253</b>	<b>(49,126,745)</b>
<b>Gain Before Other Revenue</b>	<b>59,509,613</b>	<b>53,421,150</b>	<b>6,088,463</b>
Capital Gifts and Grants	51,048,050	56,089,827	(5,041,777)
Additions to Permanent Endowments	4,547,078	6,037,818	(1,490,740)
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 115,104,741</b>	<b>\$ 115,548,795</b>	<b>\$ (444,054)</b>



## Operating and Nonoperating Activities

The following illustrates the relationships of operating and nonoperating revenue sources and expense functions to total revenue/expenses for the fiscal year 2012 and 2011, and the consistency of relationships between the two years.

### OPERATING AND NONOPERATING REVENUES

Title	% to Total 2012	% to Total 2011
State Appropriations	37%	38%
State Aid - Federal Recovery Funds	0%	2%
Research Contracts and Grants	19%	18%
Student Tuition and Fees	17%	16%
Sales and Services	15%	14%
Noncapital Grants and Gifts	8%	8%
Federal Appropriations	2%	1%
Other	2%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### OPERATING AND NONOPERATING EXPENSES

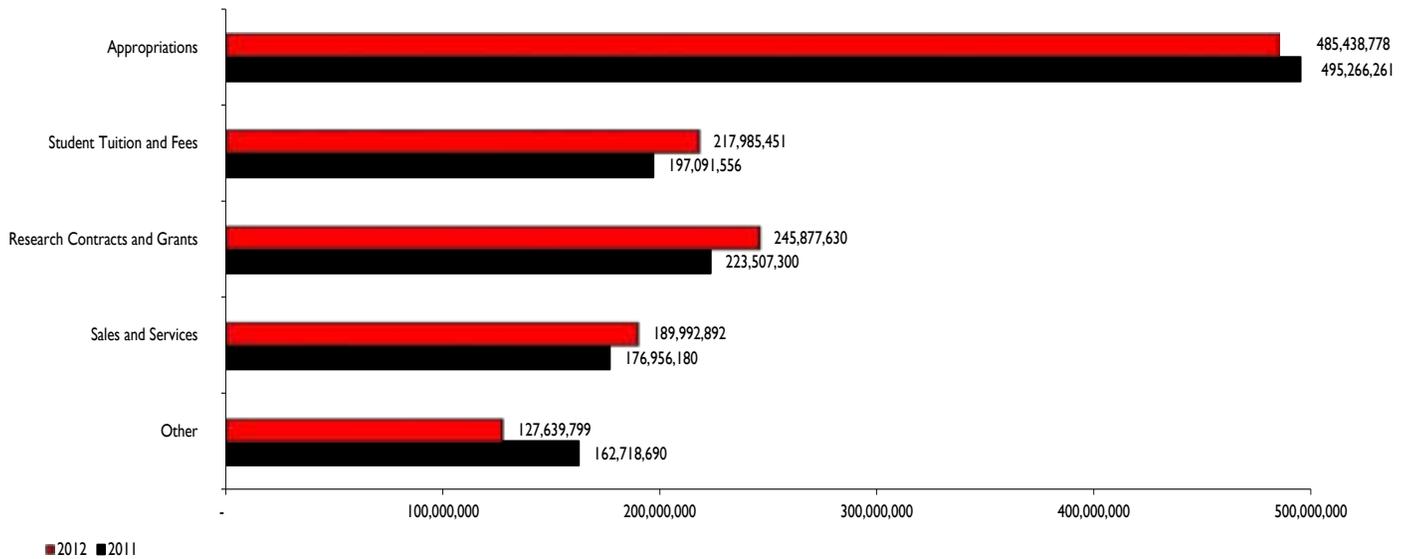
Title	% to Total 2012	% to Total 2011
Instruction	30%	30%
Research	19%	18%
Public Service	10%	10%
Auxiliary Enterprises	11%	10%
Operations & Maintenance of Plant	6%	7%
Academic Support	6%	7%
Institutional Support	6%	6%
Depreciation/Amortization	5%	5%
Student Financial Aid	4%	4%
Student Services	2%	2%
Other	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>



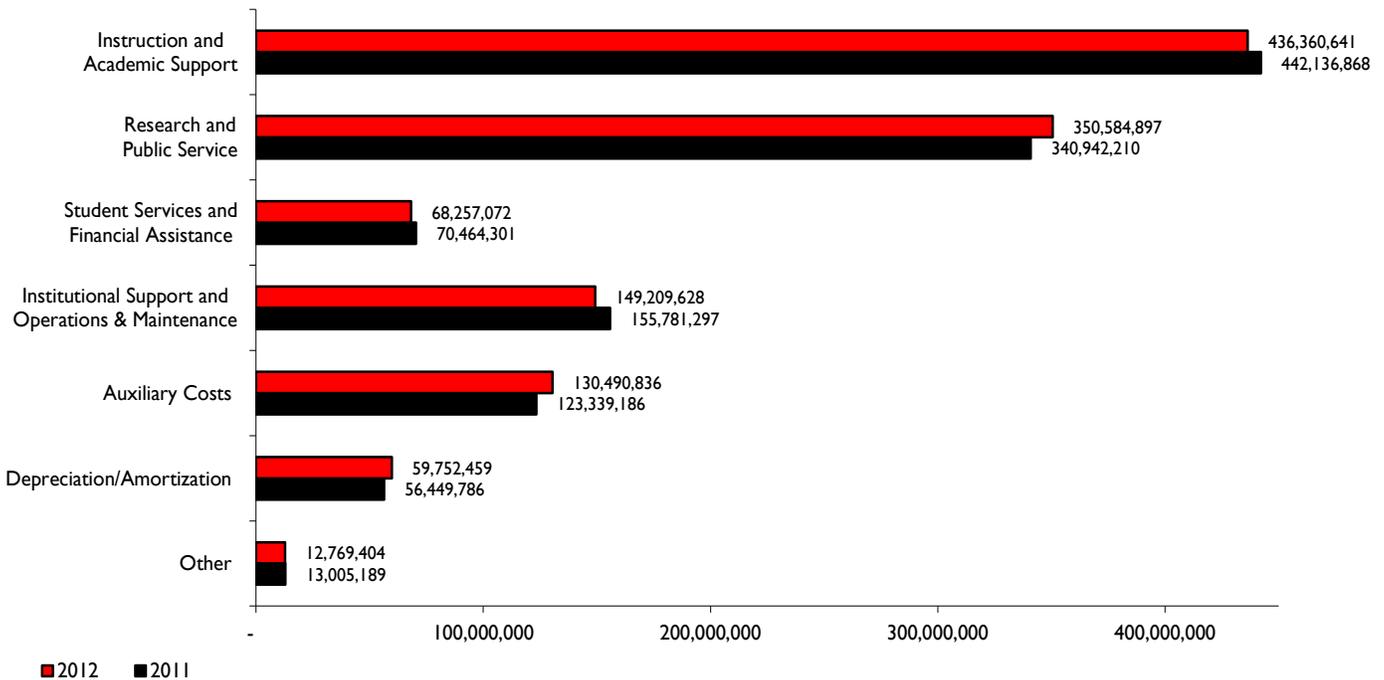


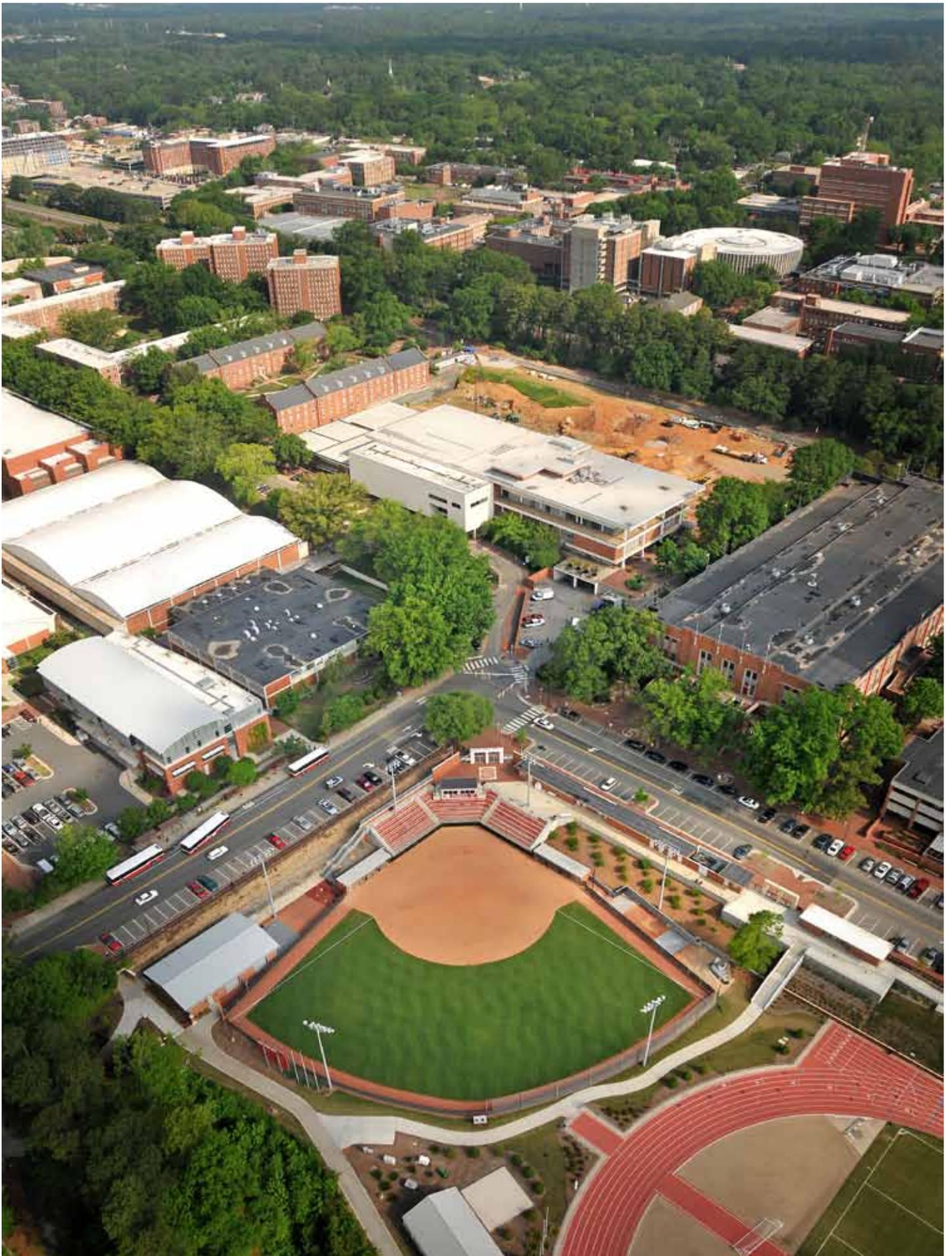
The following graphs illustrate the University's operating and nonoperating revenues/expenses by source/function.

### OPERATING AND NONOPERATING REVENUES



### OPERATING AND NONOPERATING EXPENSES





Total revenues (operating and nonoperating) increased \$11.4 million or 0.9% compared to the prior year. Student tuition and fees increased \$20.9 million as rates increased in 2012. Research contracts and grants also grew \$22.4 million or 10.0%, with nongovernmental contracts and grants showing the largest increase. Sales and services revenues were up \$13.0 million or 7.4%, led by increases in athletics, dining, and veterinary services. Also, noncapital gifts rose \$7.2 million as foundations and individuals increased support for University programs. However, as governmental budgets tightened, state appropriations fell by \$12.3 million or 2.6% from the prior year, and the University received no federal economic recovery funds from the State, compared to \$20.7 million received in 2011. Because of decreases in UNC need based grants from the State, other noncapital grants fell \$5.1 million. Federal cuts reduced federal financial aid \$3.8 million with reductions in Pell Grants, and the ending of Academic Competiveness and SMART Grants. Also, investment income fell \$14.4 million or 72.2% with decreases in unrealized gains based on market values and lower interest income.

Total expenses (operating and nonoperating) increased \$5.3 million or 0.4% compared to the prior year. Salaries and benefits increased \$9.2 million or 1.2% due to an increase in the University's required contribution to the employee retirement plan. Services increased by \$10.5 million or 5.8%, with the largest increases in research and auxiliaries. As capital assets rose, the related depreciation/amortization expense also increased by \$3.3 million or 5.9%. Offsetting these increases, the University spent less in supplies, utilities and scholarships. With the budget cuts, spending on supplies dropped \$10.5 million or 8.4%. In the prior year, the University had made large supplies purchases in information technology, database access and for the new library. Utilities dropped \$3.9 million or 10.3% due to low natural gas prices and a warm winter. Scholarships and fellowships expense decreased \$3.1 million or 6.6% because of the related cuts to federal and state scholarship grants.

## Other Activity

Other activity totaled \$55.6 million, down \$6.5 million from the prior year. Capital grants decreased by \$6.2 million, primarily in state bond/COPs aid. Because of budget limitations, the University had no new capital appropriations. Additions to permanent endowments fell by \$1.5 million to \$4.5 million but capital gifts increased \$1.2 million as the economy remained in a slow recovery.

## Capital Assets and Long-Term Debt Activities

### Capital Assets

The University capitalizes assets that have a value or cost equal to or greater than \$5,000 at the date of acquisition and an expected useful life of more than one year 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. Repairs and renovations that do not extend the life of the building beyond the expected useful life at acquisition, nor increase the future service potential of the building are expensed and not capitalized.

Machinery and equipment are depreciated over their estimated useful lives, generally 4 to 22 years beginning in the year of acquisition. Buildings and general infrastructure are depreciated over their estimated useful lives, generally 10 to 50 years for buildings and 15 to 75 years for general infrastructure beginning in the year that the construction is completed or, if purchased after construction, when acquired. Computer software is amortized over a useful life of 2 to 15 years. Land, construction in progress, and computer software in development are nondepreciable capital assets. When a construction project is completed, the capital project costs are moved from the construction in progress account to either buildings or general infrastructure as appropriate.

As shown in the following table, the University increased its net capital assets by \$126.6 million during fiscal year 2012.

	2012	2011	Increase/ (Decrease)
Land	\$ 36,587,946	\$ 36,587,946	\$
Construction in Progress	192,616,191	138,800,118	53,816,073
Computer Software in Development	8,416,887	4,944,349	3,472,538
Buildings	1,650,337,603	1,590,876,263	59,461,340
Machinery and Equipment	306,182,486	285,672,390	20,510,096
General Infrastructure	188,073,307	179,061,165	9,012,142
Computer Software	2,291,073	2,291,073	
<b>Total Capital Assets</b>	<b>2,384,505,493</b>	<b>2,238,233,304</b>	<b>146,272,189</b>
Accumulated Depreciation/Amortization	(670,685,295)	(651,037,346)	(19,647,949)
<b>Net Capital Assets</b>	<b>\$ 1,713,820,198</b>	<b>\$ 1,587,195,958</b>	<b>\$ 126,624,240</b>



In addition to costs incurred, the University had \$163.1 million in outstanding commitments for construction projects as of June 30, 2012.

An addition and major renovation to the University's Student Services Health Center was completed in August 2011 with the addition of 23,600 square feet and renovation of 42,900 square feet. Sustainable strategies incorporated in the new Student Services Health Center include rain gardens, reduced impervious surfaces, underground cistern rainwater capture, reduction of light pollution from exterior light fixtures, public showers, and bicycle racks. This project allows the University to continue to provide affordable, accessible and high quality primary health care as well as provide a comprehensive disease-prevention and health care program to those eligible in the NC State University community. The renovations allow for the expansion of several departments, including Physical Therapy, Medical Clinic, the Pharmacy, the Counseling Center, Women's Health, Health Promotion, Occupational Medicine, Student Health Administration and the Disability Services Office.

NC State University completed its first of two major "Guaranteed Energy Savings Contracts" or energy performance contracting, that address a significant backlog of building and utility renovations. These are performance-based contracts where utility savings pay for the cost of the project, if those savings are not realized then the contractor will pay the difference. The first one encompasses 13 buildings on campus that will result in an annual savings of \$1.7 million for an 11 year payback on the project. These projects will make a significant contribution to the reduction of facilities energy demand campus wide by installing more energy efficient systems and controls to reduce cost. More benefits to these types of projects include: allowing for more building and renovation activity than through normal contracting methods, significant reductions in energy which reduce GHG emissions and improved indoor air quality.

The University's busiest dining facility, The Atrium Food Court, underwent a comprehensive interior renovation to expand service capacity and allow for improved traffic flow. By enclosing 1,200 square feet of exterior space, a substantial increase in seating capacity was realized. The Atrium renovation also included a more sustainable approach to the design process and includes new lighting fixtures, a more efficient heating and cooling system that allows for better overall efficiency, and in the servery, equipment was chosen for their ENERGYSTAR ratings wherever possible to be more energy efficient. The project included creating an exciting, interactive student environment that maximizes the use of space and energy efficiency.

Major renovations of the 30,000 square foot J.W. Isenhour Tennis Center were also completed this year. This facility now includes state-of-the-art indoor and outdoor tennis courts and is now considered one of the finest tennis facilities in the nation. The outdoor stadium now has six lighted courts, chair-back seating for 1,000 spectators and an electronic scoreboard and offers unprecedented viewing options.

During the summer of 2011 Paul Derr Track also received extensive renovations. These renovations include new seat-back chairs and bleachers that significantly upgraded the seating comfort for NC State fans, a new press box, a new operations/storage building, enhanced concourses, new bathrooms and an elegant brick façade that welcomes visitors as they enter the stadium.

A new five story parking deck was completed in 2011. West Lot parking deck added 850 parking spaces in the West Parking Deck and over 200 surface parking spaces to meet the increasing demands of University growth.

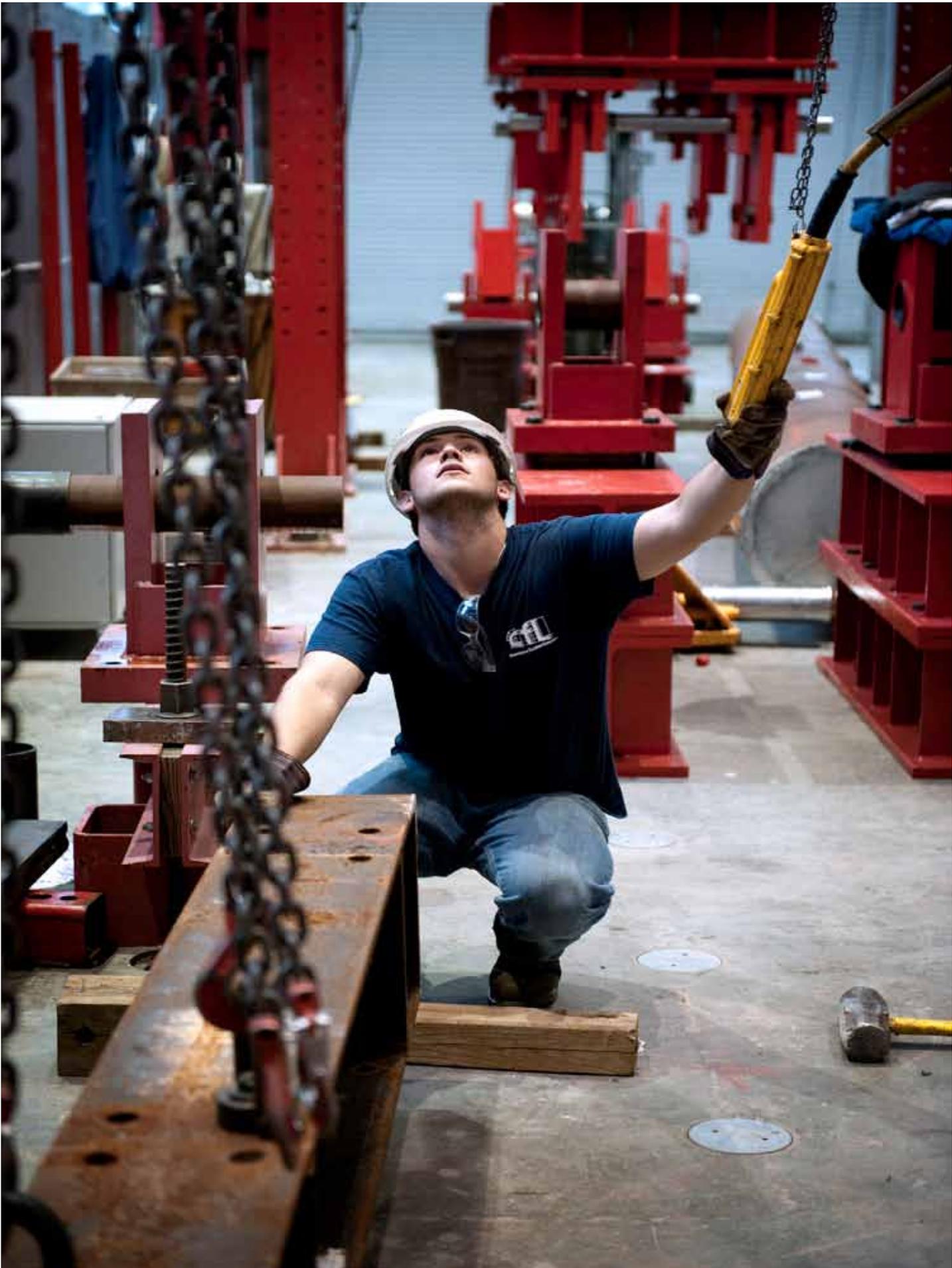
More information about the University's long-range capital plan is located at [http://www.ncsu.edu/facilities/construction\\_info/index.htm](http://www.ncsu.edu/facilities/construction_info/index.htm).

## Long-Term Debt Activities

The University incurs long-term debt to finance construction projects, to purchase equipment using lease arrangements and to provide for accumulated unused vacation benefits for employees. As shown in the following chart, the University decreased its long-term debt by \$13.6 million during fiscal year 2012.

	2012	2011	Increase/ (Decrease)
Bonds Payable	\$ 296,073,276	\$ 311,337,360	\$ (15,264,084)
Capital Leases Payable	403,257	246,764	156,493
Notes Payable	81,121,121	80,056,251	1,064,870
Compensated Absences	55,879,370	55,460,852	418,518
Total Long-term Liabilities	\$ 433,477,024	\$ 447,101,227	\$ (13,624,203)

Long-term liabilities dropped by \$13.6 million, due to decreases in bonds payable. The University issued \$16.3 million in General Revenue Refunding Bonds, Series 2012 in May 2012. The bonds were issued to advance refund \$17.3 million of outstanding Series 2003A General Revenue Bonds. Also, the \$2.6 million in outstanding Series 2002B General Revenue Bonds were called in 2012. Other decreases were scheduled principal payments. Notes payable, compensated absences and capital leases showed small increases.



## Economic Factors That Will Affect the Future

The state of North Carolina has experienced little growth in state revenues due to the national economic challenge and a statewide unemployment rate of 9.8% (July, 2012) that is above the national average. The North Carolina General Assembly passed a 2011-12 Appropriation Bill that reduced the University's state appropriated funds by \$79.3 million and provided no direct offset through a tuition increase as had been done for 2010-11. However, the University did receive \$11.1 million in state appropriated funds related to projected enrollment increases for the 2011-12 academic year. No significant additional reductions were included in the state appropriations for 2012-13, the second year of the 2011-13 biennium.

As early as Spring 2009 the University administration started to plan for an anticipated major reduction in state appropriated funds for the 2011-13 biennium. Prior to fiscal year 2009-10, the administration made the decision to reduce recurring budgets by 10% to accommodate both the state-directed 5% recurring reduction and any one-time reversions during 2009-10. While some portion of the remaining funds from the 10% reduction were reallocated in FY 2010-11 on a recurring basis to fund 25 new faculty positions, the majority of this reduction balance was available to lessen the impact of the FY 2011-12 funding loss on the core academic programs and services. The final reduction allocated to the campus exempted the student financial aid budget and protected utilities, library, and college budgets with a lower percentage reduction while administrative units received a 40-50% larger percentage reduction.

State revenues for fiscal year 2012-13 are tracking slightly behind the currently appropriated level but the state finished 2011-12 with a surplus of \$382 million. It is too early in the fiscal year to ignore the potential for additional state budget reversions or reductions, especially if the state's unemployment rate continues to grow or the national economy falters dramatically. The University administration has held sufficient unallocated resources to cover modest shortfalls in tuition collections without adversely impacting campus budgets. Enrollment remains strong although severe reductions in need-based state funded student financial aid programs could have a more long term negative impact.

In 2011 the NC State University Board of Trustees adopted a new strategic plan that specifies five major goals to promote and preserve the core mission of North Carolina's premiere Land Grant University. The plan has a strong focus on the science, technology, education, and mathematics disciplines and places a high priority on operational efficiency. To complement the strategic plan and following an intense study by a faculty dominated task force, the administration has realigned certain biological and life science disciplines, currently in the College of Agriculture and Life Sciences, to be assigned with the science disciplines in the College of Physical and Mathematical Sciences to be re-named the College of Sciences.





# UNIVERSITY FINANCIAL STATEMENTS

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NORTH CAROLINA  
STATE UNIVERSITY

2012 ANNUAL  
FINANCIAL REPORT

**NORTH CAROLINA STATE UNIVERSITY**  
**Statement of Net Assets**  
**June 30, 2012**

Exhibit A-1

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 228,164,961
Restricted Cash and Cash Equivalents	90,508,814
Restricted Short-Term Investments	1,130
Receivables, Net (Note 4)	60,013,720
Due from Primary Government	7,600,151
Due from State of North Carolina Component Units	2,195,110
Inventories	5,458,670
Notes Receivable, Net (Note 4)	<u>3,033,094</u>

Total Current Assets 396,975,650

Noncurrent Assets:

Restricted Cash and Cash Equivalents	82,700,727
Endowment Investments	161,384,862
Restricted Investments	171,755,501
Other Investments	637,114
Deferred Outflow of Resources (Note 9)	17,564,885
Notes Receivable, Net (Note 4)	9,120,958
Capital Assets - Nondepreciable (Note 5)	237,621,024
Capital Assets - Depreciable, Net (Note 5)	<u>1,476,199,174</u>

Total Noncurrent Assets 2,156,984,245

Total Assets 2,553,959,895

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	46,168,088
Due to Primary Government	6,317,550
Due to State of North Carolina Component Units	274,594
Unearned Revenue	33,413,541
Interest Payable	2,554,856
Short-Term Debt (Note 7)	50,000,000
Long-Term Liabilities - Current Portion (Note 8)	<u>17,017,395</u>

Total Current Liabilities 155,746,024

Noncurrent Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	2,196,635
Deposits Payable	748,598
Funds Held for Others	38,361,305
U. S. Government Grants Refundable	5,612,812
Funds Held in Trust for Pool Participants	172,363,433
Hedging Derivative Liability (Note 9)	17,564,885
Long-Term Liabilities (Note 8)	<u>416,459,629</u>

Total Noncurrent Liabilities 653,307,297

Total Liabilities 809,053,321

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt 1,300,063,097

Restricted for:

Nonexpendable:

Scholarships and Fellowships	10,796,289
Endowed Professorships	56,930,494
Departmental Uses	6,804,613
Loans	7,367,969
Other	1,119,136

Expendable:

Scholarships and Fellowships	23,546,286
Research	18,325,558
Endowed Professorships	40,840,295
Departmental Uses	27,399,944
Loans	1,661,360
Capital Projects	15,796,061
Debt Service	12,507,807
Other	7,329,163

Unrestricted 214,418,502

Total Net Assets \$ 1,744,906,574

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

**NORTH CAROLINA STATE UNIVERSITY**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2012**

Exhibit A-2

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 11)	\$ 217,985,451
Federal Appropriations	19,356,553
Federal Grants and Contracts	132,048,838
State and Local Grants and Contracts	38,810,878
Nongovernmental Grants and Contracts	75,017,914
Sales and Services, Net (Note 11)	189,992,892
Interest Earnings on Loans	228,393
Other Operating Revenues (Note 11)	<u>16,920,719</u>
 Total Operating Revenues	 <u>690,361,638</u>

**EXPENSES**

Operating Expenses:

Salaries and Benefits	752,282,566
Supplies and Materials	114,102,969
Services	190,748,182
Scholarships and Fellowships	43,830,528
Utilities	33,938,829
Depreciation/Amortization	<u>59,752,459</u>
 Total Operating Expenses	 <u>1,194,655,533</u>
 Operating Loss	 <u>(504,293,895)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	466,082,225
Noncapital Grants - Student Financial Aid	25,877,792
Other Noncapital Grants	20,070,688
Noncapital Gifts	57,761,379
Investment Income (Net of Investment Expense of \$567,951)	5,558,144
Interest and Fees on Debt	(10,801,650)
Federal Interest Subsidy on Debt	1,222,684
Other Nonoperating Expenses	<u>(1,967,754)</u>

Net Nonoperating Revenues	<u>563,803,508</u>
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Income Before Other Revenues and Expenses	59,509,613
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Capital Grants	44,776,733
Capital Gifts	6,271,317
Additions to Endowments	<u>4,547,078</u>

Increase in Net Assets	115,104,741
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**NET ASSETS**

Net Assets - July 1, 2011	<u>1,629,801,833</u>
Net Assets - June 30, 2012	<u>\$ 1,744,906,574</u>

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

**NORTH CAROLINA STATE UNIVERSITY**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

Exhibit A-3

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 657,283,006
Payments to Employees and Fringe Benefits	(751,451,392)
Payments to Vendors and Suppliers	(337,812,847)
Payments for Scholarships and Fellowships	(43,830,528)
Loans Issued	(2,723,721)
Collection of Loans	1,613,923
Interest Earned on Loans	222,489
Other Receipts	16,920,719
	<hr/>
Net Cash Used by Operating Activities	(459,778,351)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	466,082,225
Noncapital Grants - Student Financial Aid	25,877,792
Noncapital Grants	21,108,286
Noncapital Gifts	57,731,379
Additions to Endowments	4,547,078
William D. Ford Direct Lending Receipts	117,929,935
William D. Ford Direct Lending Disbursements	(117,922,591)
Related Activity Agency Receipts	42,073,999
Related Activity Agency Disbursements	(39,294,100)
External Participation in Investment Fund Receipts	23,625,000
External Participation in Investment Fund Disbursements	(12,078,812)
Other Receipts	1,074,581
	<hr/>
Net Cash Provided by Noncapital Financing Activities	590,754,772

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

Proceeds from Capital Debt	60,678,269
Capital Grants	45,127,319
Capital Gifts	5,320,588
Proceeds from Sale of Capital Assets	289,173
Acquisition and Construction of Capital Assets	(187,459,757)
Principal Paid on Capital Debt and Leases	(34,365,000)
Interest and Fees Paid on Capital Debt and Leases	(16,917,045)
Federal Interest Subsidy on Debt Received	1,222,684
Other Payments	(2,447,171)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(128,550,940)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	55,286,682
Investment Income	1,008,695
Purchase of Investments and Related Fees	(24,306,725)
	<hr/>
Net Cash Provided by Investing Activities	31,988,652
	<hr/>
Net Increase in Cash and Cash Equivalents	34,414,133
Cash and Cash Equivalents - July 1, 2011	366,960,369
	<hr/>
Cash and Cash Equivalents - June 30, 2012	\$ 401,374,502

**NORTH CAROLINA STATE UNIVERSITY**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

Exhibit A-3  
Page 2

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

Operating Loss	\$ (504,293,895)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	59,752,459
Allowances	1,307,324
Changes in Assets and Liabilities:	
Receivables (Net)	(13,687,155)
Due from Primary Government	455,916
Inventories	(445,770)
Notes Receivable (Net)	(1,103,357)
Accounts Payable and Accrued Liabilities	1,145,123
Due to Primary Government	449,571
Due to State of North Carolina Component Units	274,594
Unearned Revenue	(4,008,619)
Compensated Absences	418,518
Deposits Payable	(43,060)
	<hr/>
Net Cash Used by Operating Activities	<u>\$ (459,778,351)</u>

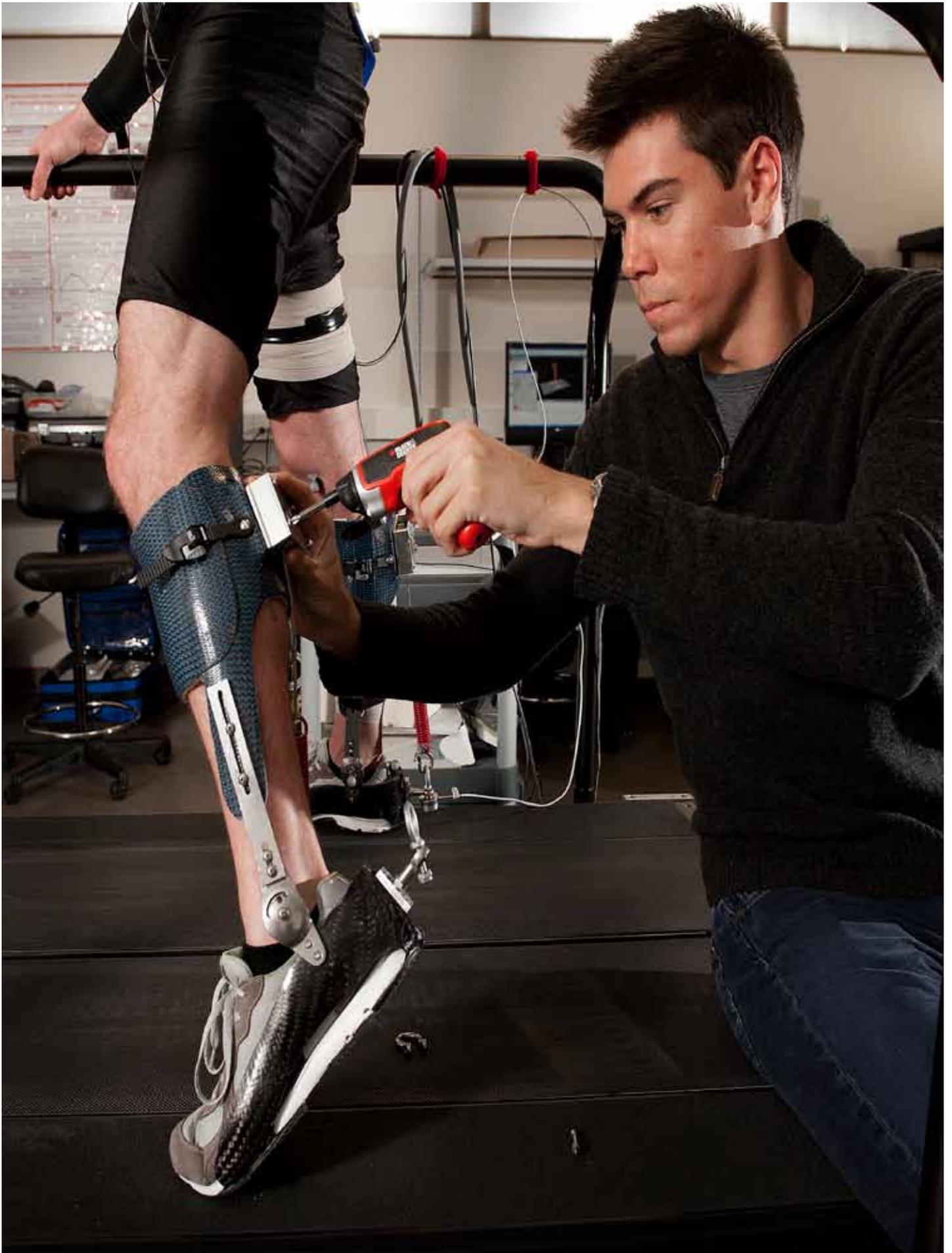
**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 228,164,961
Restricted Cash and Cash Equivalents	90,508,814
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	82,700,727
	<hr/>
Total Cash and Cash Equivalents - June 30, 2011	<u>\$ 401,374,502</u>

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

Assets Acquired through the Assumption of a Liability	\$ 156,493
Assets Acquired through a Gift	980,729
Change in Fair Value of Investments	8,090,520
Loss on Disposal of Capital Assets	(1,202,210)
Amortization of Bond Premiums/Discounts	(512,483)

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



COMPONENT  
UNIT  
FINANCIAL  
STATEMENTS

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NORTH CAROLINA  
STATE UNIVERSITY

2012 ANNUAL  
FINANCIAL REPORT

**NORTH CAROLINA STATE UNIVERSITY FOUNDATIONS**  
**Statement of Financial Position**  
**June 30, 2012**

Exhibit B-1

	North Carolina State University Foundation, Inc.	NC State Student Aid Association, Inc.
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 18,064,974	\$ 12,031,055
Investments	9,116,962	30,671,831
Investments with University Investment Pool	86,955,168	
Cash Surrender Value of Life Insurance	235,594	98,712
Real Estate Held for Resale	2,309,650	7,562,679
Receivables, Net	1,555,861	331,083
Pledges Receivable/Promises	15,631,787	25,310,337
Externally Managed Irrevocable Trust	19,696,195	
Prepaid Expenses		29,370
Notes/Loans Receivable, Net		546,350
Property and Equipment, Net	4,672,700	33,598,387
	<hr/>	<hr/>
Total Assets	158,238,891	110,179,804
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	728,614	346,295
Due to Others	1,399,424	
Deferred Revenue	3,400	3,157,509
Interest Payable		47,351
Funds Held for Others	717,307	
Interest Rate Swap Fair Value Liability		1,302,697
Split Interest Agreement Obligations	16,690,973	
Notes Payable		1,027,818
Bonds Payable		12,890,000
	<hr/>	<hr/>
Total Liabilities	19,539,718	18,771,670
<b>NET ASSETS</b>		
Unrestricted	7,625,785	26,743,792
Temporarily Restricted	50,614,377	30,138,139
Permanently Restricted	80,459,011	34,526,203
	<hr/>	<hr/>
Total Net Assets	\$ 138,699,173	\$ 91,408,134
	<hr/>	<hr/>

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

**NORTH CAROLINA STATE UNIVERSITY FOUNDATIONS**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

Exhibit B-2

	North Carolina State University Foundation, Inc.	NC State Student Aid Association, Inc.
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues and Gains:		
Contributions	\$ 6,590	\$ 9,472,413
Changes in Pledges Receivable	49	
Donated Services and Noncash Contributions	713,560	2,010,470
Student Housing Rents		1,308,697
Investment Income	51,376	516,129
Net Unrealized and Realized Gains (Losses) on Long-Term Investments	54,436	(1,079,992)
Unrealized Loss on Swap Contracts		(2,254,050)
Net Asset Reclassification - Underwater Endowments	15,596	
Executive Education, LLC income	792,286	
Other	323,854	11,705,202
	<hr/>	<hr/>
Total Unrestricted Revenues, Gains and Losses	1,957,747	21,678,869
Net Assets Released from Restrictions:		
Satisfaction of Program or Time Restrictions	10,823,033	
Facility Improvements		7,519,546
	<hr/>	<hr/>
Total Net Assets Released from Restrictions	10,823,033	7,519,546
	<hr/>	<hr/>
Total Unrestricted Revenues, Gains, Losses and Other Support	12,780,780	29,198,415
Expenses and Losses:		
University Support	7,454,180	8,385,458
University Facilities Support	3,267,913	7,519,546
Student Housing		1,723,953
Management and General	327,523	1,094,776
Fund Raising	1,900,992	2,649,963
	<hr/>	<hr/>
Total Expenses	12,950,608	21,373,696
	<hr/>	<hr/>
Increase (Decrease) in Unrestricted Net Assets	(169,828)	7,824,719
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	15,692,593	2,164,375
Change in Pledges Receivable	(5,025,188)	
Donated Services and Noncash Contributions		38,260
Investment Income	91,556	71,640
Net Unrealized and Realized Gains on Long-Term Investments	956,958	
Unrealized Gain on Swap Contracts		(30,870)
Net Asset Reclassification - Underwater Endowments	(15,596)	
Vaughn Towers Revenue		3,732,962
Other	1,999,249	(29,417)
Net Assets Released from Restrictions:		
Satisfaction of Program or Time Restrictions	(10,823,033)	
Facility Improvements		(7,519,546)
	<hr/>	<hr/>
Increase (Decrease) in Temporarily Restricted Net Assets	2,876,539	(1,572,596)
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	14,039,580	879,459
Change in Pledges Receivable	629,313	
Investment Income	114,598	
Net Unrealized and Realized Gains on Long-Term Investments	693,632	
Change in Value of Split Interest Agreements	(754,527)	
Other	120,522	
	<hr/>	<hr/>
Increase in Permanently Restricted Net Assets	14,843,118	879,459
	<hr/>	<hr/>
Increase in Net Assets	17,549,829	7,131,582
Net Assets at Beginning of Year	120,359,764	84,276,552
Restatement	789,580	
	<hr/>	<hr/>
Net Assets at End of Year	\$ 138,699,173	\$ 91,408,134

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



# INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

**A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. North Carolina State University 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 units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

**Blended Component Units** - Although legally separate, the NC State Investment Fund, Inc., (Investment Fund) and the NC State University Partnership Corporation and Affiliates (Corporation), component units of the University, are reported as if they were part of the University.

The Investment Fund is governed by a board consisting of six ex officio directors and five elected directors. The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. The Investment Fund is a governmental external investment pool. Because the elected directors of the Investment Fund are appointed by the members of the North Carolina State University Board of Trustees and the Investment Fund's primary purpose is to benefit North Carolina State University, its financial statements have been blended with those of the University.

The Corporation is governed by a Board of Directors appointed by the Chancellor of the University. The Corporation's purpose is to support and benefit the University with the aims of creating new knowledge and improving the lives of the people of North Carolina. The Corporation formed NC State University Centennial Development, LLC on January 25, 2002 to develop, construct, own, finance, manage and otherwise deal with a nonprofit hotel, golf course, conference center and

related meeting facilities on Centennial Campus as outlined in the Campus Master Plan. In addition, the Corporation formed NC State Upfit, LLC on October 27, 2006 to develop, construct, own, finance, manage and otherwise upfit facilities and other infrastructure on Centennial Campus, and it formed NC State Residence, LLC on October 27, 2006 to develop, construct, own, finance, manage and otherwise deal with a nonprofit chancellor's residence on Centennial Campus. Also, the Corporation formed NC State CBC Land I, LLC on June 1, 2007 to acquire, develop, own, lease, hold, manage, sell, and otherwise exercise all right of ownership of land and flex lab facilities on Centennial Biomedical Campus. Additionally, the Corporation formed NC State American Home, LLC on August 8, 2007 and changed its name to Bell Tower Holdings LLC on December 14, 2009. The purposes of Bell Tower Holdings LLC are to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all right of ownership of real property and enter into any related agreements for assisting with the acquisition, development, financing, construction, management and operation of real property. On March 31, 2008 the Corporation formed NC State CC Holdings I, LLC to acquire, develop, own, lease, hold, manage, sell and otherwise exercise all right of ownership of land and facilities on Centennial Campus. Because the Corporation's Board is appointed by the Chancellor and its sole purpose is to support and benefit the University, the Corporation and the LLCs are considered part of the University for financial reporting purposes.

Separate financial statements for the Investment Fund and for the Corporation and the LLCs may be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149. Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

**Discretely Presented Component Units** - The North Carolina State University Foundation, Inc. (Foundation) and NC State Student Aid Association, Inc. (Athletic Club) are legally separate not-for-profit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the University.

The Foundation and Athletic Club are legally separate, tax-exempt component units of the University. These entities act primarily as fund-raising organizations to supplement the resources that are available to the University in support of its programs. Separate Boards of Directors govern these entities independent of the University's Board of Trustees. Although the University does not control the timing or amount of receipts from these entities, the majority of resources, or incomes thereon, that these entities hold and invest, are restricted to the activities of the University by the donors. Because these restricted resources held by these entities can only be used by, or for the benefit of the University, these entities are considered component units of the University and are reported in separate financial statements because of the difference in their reporting model, as described below.

The Foundation and Athletic Club are private not-for-profit organizations that report their financial results under Financial

Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to their financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2012, the Foundation distributed \$11,425,449 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

During the year ended June 30, 2012, the Athletic Club distributed \$9,239,063 to the University for both restricted and unrestricted purposes. Complete financial statements for the Athletic Club can be obtained from the NC State Student Aid Association, PO Box 37100, Raleigh, NC 27627, or by calling (919) 865-1500.

**B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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 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, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

**D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, money market accounts, cash on deposit with fiscal agents, 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 ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Money market funds, real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated. Private equity funds consist primarily of investments that are not readily marketable. Investments in these categories, which are managed externally, are valued utilizing the most current information provided by the general partner.

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. However, real estate held as quasi-endowments or principally for other than investment purposes is reported at cost.

Restricted investments include funds of affiliated entities that are neither part of the University's reporting entity nor reported discretely but invested through the Investment Fund.

**F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

**G. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using the first-in, first-out method. Exceptions are the bookstore, which uses the retail inventory method, and physical plant, which uses the moving weighted average method.

**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 in excess of \$5,000 at the date of acquisition and an estimated useful life of more than one year 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/amortization 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 50 years for buildings, and 4 to 22 years for equipment and 2 to 15 years for computer software.

The University does not capitalize its collections. These collections adhere to the University's policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and requires proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

**I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.

**J. Funds Held in Trust for Pool Participants** - Funds held in trust for pool participants represent the external portion of the University's governmental external investment pool more fully described in Note 2.

**K. Noncurrent Long-term Liabilities** - Noncurrent long-term liabilities include principal amounts of revenue bonds payable, notes payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

Revenue bonds payable are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. Losses on refunding and issuance costs on bonds payable are not material to the accompanying financial statements and are expensed in the year incurred.

**L. Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out

(LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

**M. Net Assets** -The University's net assets are classified as follows:

**Invested in Capital Assets, Net of Related Debt** - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

**Restricted Net Assets - Nonexpendable** - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

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

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

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

**N. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges

are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as 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, the Creamery, Telecommunications, Physical Plant, and Motor Pool. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

## NOTE 2 - DEPOSITS AND INVESTMENTS

**A. Deposits** - Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$400,383,704 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 (SEC) and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2012. 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) 707-0500.

Cash on hand at June 30, 2012 was \$292,475. The carrying amount of the University's deposits not with the State Treasurer was \$698,323 and the bank balance was \$714,037. 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 follows the Cash Management Plan (Plan) approved by the North Carolina Office of the State Controller. As provided by the Plan, all funds belonging to the University are deposited with the State Treasurer pursuant to G.S. 147-77 and G.S. 147-69.1. As provided by the Plan, imprest checking accounts are established with outside banks when considered effective in meeting management objectives. All imprest checking accounts are authorized by the University Treasurer and are limited to the minimum amount needed for sanctioned purposes. In addition, pursuant to G.S. 116-36(e), the University invests certain endowment funds with outside bank accounts. The University does not have a deposit policy for custodial credit risk. As of June 30, 2012, the University's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$15,410.

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

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

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

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

Investments of the endowment funds including those invested in the Investment Fund, a University component unit, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

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

Investments are subject to the following risks:

*Interest Rate Risk:* Interest rate risk is the risk the University may face should interest rate variances affect the fair value of investments. The University 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.

**Long-Term Investment Pool** - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unit value method. Under this method, each participating fund's investment

balance is determined based on market value.. The investment strategy, including the selection of investment managers is based on the directives of the University's Endowment Board.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2012, for the Long-Term Investment Pool.

**LONG-TERM INVESTMENT POOL**

	Fair Value
<b>Investment Type</b>	<hr/>
Pooled Investments - Wells Fargo	\$ <u><u>13,014</u></u>

**Investment Fund** - The Investment Fund began operations in April 1999 and is classified as a non-rated 2a7-like governmental external investment pool that is not registered with the SEC as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Investment Fund is utilized as one of the investment managers for The Endowment Fund of North Carolina State University and the North Carolina State University Foundation, Inc., a discretely presented component unit in the accompanying financial statements (the Investment Fund's internal participants). Other affiliated organizations not included in the University's reporting entity represent the pool's external participants. The external portion of the pool is presented in the accompanying financial statements as "Funds Held in Trust for Pool Participants."

The Investment Fund is not subject to any formal oversight other than that provided by the Investment Fund Members Board or its Board of Directors. The Members Board is responsible for adopting investment objectives and policies and for monitoring policy implementation and investment performance. The Members Board has chosen not to make individual security selection decisions. The Board of Directors has the responsibility to oversee the allocation of the Investment Fund's portfolio among the asset classes, investment vehicles, and investment managers.

Bank of New York Mellon is the custodian for the pool and provides the University with quarterly statements defining income and fair value information, which is then allocated among the fund's participants. Each participant holds Master Trust Units of the Fund. The unit price fluctuates based on the investment experience of the investment pool. 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 Investment Fund may be obtained from the Foundations Accounting and Investment Office, Campus Box 7207, Raleigh, NC 27695 or by calling (919) 513-7149 or at [http://www.fis.ncsu.edu/foundations\\_accounting/investment-fund/](http://www.fis.ncsu.edu/foundations_accounting/investment-fund/).

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2012, for the Investment Fund.

### INVESTMENT FUND

Investment Type	Fair Value
UNC Investment Fund	\$ 344,233,666
Private Equity Limited Partnerships	29,951,441
Total Investment Fund	\$ 374,185,107

**UNC Investment Fund, LLC** - At June 30, 2012, the University's investments include \$344,233,666 which represents the University'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 SEC 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, 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, 2012, for the University's non-pooled investments.

### NON-POOLED INVESTMENTS

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 23,210,437	\$ 23,210,437
Other Securities		
Investments in Real Estate	23,123,492	
Domestic Stocks	152,122	
Collections and Mineral Rights	49,603	
Total Non-Pooled Investments	\$ 46,535,654	

At June 30, 2012, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure (based on Moody's and S&P ratings):

	Fair Value	AAA Aaa
Money Market Mutual Funds	\$ 23,210,437	\$ 23,210,437

**Total Investments** - The following table presents the fair value of the total investments at June 30, 2012:

Investment Type	Fair Value
Debt Securities	
Money Market Mutual Funds	\$ 23,210,437
Other Securities	
UNC Investment Fund	344,233,666
Investments in Real Estate	23,123,492
Private Equity Limited Partnerships	29,951,441
Pooled Investments-Wells Fargo	13,014
Domestic Stocks	152,122
Collections and Mineral Rights	49,603
Total Investments	<u>\$ 420,733,775</u>

Total investments include \$86,955,168 held in the "Investment Fund" for the North Carolina State University Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements.

### 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 pooled endowment funds are

determined by applying 4% (the Board approved spending rate) to the average market value of the long term investment pool (for a 20 quarter period), divided by the number of investment units in the pool to determine the "average spending amount" per unit of investment. The individual endowment fund payout or spending budget is then determined by applying the "average spending amount" to the number of investment units held by the individual endowment 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 and appreciation from restricted and unrestricted, expendable net asset endowment balances to make up the difference. At June 30, 2012, net appreciation of \$100,834,325 was available to be spent, of which \$83,104,910 was classified in net assets as restricted, expendable as it is restricted to specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net assets.

During the current fiscal year, the University experienced positive investment gains, but not sufficient to recoup prior year losses. As a result, at June 30, 2012, \$358,651 of eroded corpus has been reported against the nonexpendable endowment as compared to \$385,359 at the prior fiscal year end.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

#### Current Receivables:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Students	\$ 3,007,113	\$ 1,831,816	\$ 1,175,297
Student Sponsors	2,175,121	1,324,999	850,122
Accounts	34,108,642	2,299,941	31,808,701
Intergovernmental	25,826,556	-	25,826,556
Interest on Loans	343,901	296,528	47,373
Federal Interest Subsidy on Debt	305,671	-	305,671
<b>Total Current Receivables</b>	<b>\$ 65,767,004</b>	<b>\$ 5,753,284</b>	<b>\$ 60,013,720</b>

#### Notes Receivable:

##### Notes Receivable - Current:

Federal Loan Programs	\$ 2,782,582	\$ 15,371	\$ 2,767,211
Institutional Student Loan Programs	267,976	2,093	265,883
<b>Total Notes Receivable - Current</b>	<b>\$ 3,050,558</b>	<b>\$ 17,464</b>	<b>\$ 3,033,094</b>

##### Notes Receivable - Noncurrent:

Federal Loan Programs	\$ 9,632,578	\$ 588,876	\$ 9,043,702
Institutional Student Loan Programs	210,079	132,823	77,256
<b>Total Notes Receivable - Noncurrent</b>	<b>\$ 9,842,657</b>	<b>\$ 721,699</b>	<b>\$ 9,120,958</b>

## NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 36,587,946	\$		\$ 36,587,946
Construction in Progress	138,800,118	106,447,904	52,631,831	192,616,191
Computer Software in Development	4,944,349	3,472,538		8,416,887
<b>Total Capital Assets, Nondepreciable</b>	<b>180,332,413</b>	<b>109,920,442</b>	<b>52,631,831</b>	<b>237,621,024</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	1,590,876,263	86,631,648	27,170,308	1,650,337,603
Machinery and Equipment	285,672,390	34,935,681	14,425,585	306,182,486
General Infrastructure	179,061,165	9,012,142		188,073,307
Computer Software	2,291,073			2,291,073
<b>Total Capital Assets, Depreciable</b>	<b>2,057,900,891</b>	<b>130,579,471</b>	<b>41,595,893</b>	<b>2,146,884,469</b>
<b>Less Accumulated Depreciation/Amortization for:</b>				
Buildings	423,458,413	40,044,995	26,504,402	436,999,006
Machinery and Equipment	187,004,201	15,086,788	13,600,108	188,490,881
General Infrastructure	39,364,028	4,385,444		43,749,472
Computer Software	1,210,704	235,232		1,445,936
<b>Total Accumulated Depreciation/ Amortization</b>	<b>651,037,346</b>	<b>59,752,459</b>	<b>40,104,510</b>	<b>670,685,295</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>1,406,863,545</b>	<b>70,827,012</b>	<b>1,491,383</b>	<b>1,476,199,174</b>
<b>Capital Assets, Net</b>	<b>\$ 1,587,195,958</b>	<b>\$ 180,747,454</b>	<b>\$ 54,123,214</b>	<b>\$ 1,713,820,198</b>

## NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, were as follows:

	<u>Amount</u>
<b>Current Accounts Payable and Accrued Liabilities</b>	
Accounts Payable	\$ 27,902,043
Accrued Payroll	11,231,874
Contract Retainage	6,415,372
Intergovernmental Payables	13,694
Severance Payable	403,260
Other	<u>201,845</u>
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 46,168,088</u></b>
<b>Noncurrent Accounts Payable and Accrued Liabilities</b>	
Equipment Payable	2,066,635
Severance Payable	70,000
Other	<u>\$ 60,000</u>
<b>Total Noncurrent Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 2,196,635</u></b>

## NOTE 7 - SHORT-TERM DEBT - COMMERCIAL PAPER PROGRAM

The University has available Commercial Paper Program financing for short-term credit up to \$100,000,000 to finance capital construction projects. The University's available funds are pledged to the Commercial Paper Program financing with the anticipation of converting to general revenue bond financing in the future. As of June 30, 2012, \$50,000,000 in Tax-Exempt Commercial Paper was outstanding.

Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance			Balance
	July 1, 2011	Draws	Repayments	June 30, 2012
Commercial Paper Program	<u>\$ 10,000,000</u>	<u>\$ 40,000,000</u>	<u>\$</u>	<u>\$ 50,000,000</u>

## NOTE 8 - LONG-TERM LIABILITIES

**A. Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2012 is presented as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Revenue Bonds Payable	\$ 303,740,000	\$ 16,265,000	\$ 32,350,000	\$ 287,655,000	\$ 12,365,000
Add Premium	7,597,360	2,467,828	1,646,912	8,418,276	
<b>Total Revenue Bonds Payable</b>	<b>311,337,360</b>	<b>18,732,828</b>	<b>33,996,912</b>	<b>296,073,276</b>	<b>12,365,000</b>
Notes Payable	80,056,251	3,079,870	2,015,000	81,121,121	1,473,227
Capital Leases Payable	246,764	156,493		403,257	116,920
Compensated Absences	55,460,852	37,165,494	36,746,976	55,879,370	3,062,248
<b>Total Long-Term Liabilities</b>	<b>\$ 447,101,227</b>	<b>\$ 59,134,685</b>	<b>\$ 72,758,888</b>	<b>\$ 433,477,024</b>	<b>\$ 17,017,395</b>

Additional information regarding capital lease obligations is included in Note 10.

**B. Revenue Bonds Payable** - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2012	Principal Outstanding June 30, 2012
GENERAL REVENUE						
Housing System Projects/Doak Field Projects	2003A	3% - 5%	10/01/2013	26,735,000	20,955,000	5,780,000
Housing System Projects/Doak Field Projects	2003B	3.48% swap*	10/01/2027	45,660,000	2,475,000	43,185,000
Various Construction Projects	2005A	4.6% - 5%	10/01/2025	81,615,000	17,405,000	64,210,000
Various Construction Projects	2008A	3.862% swap*	10/01/2028	66,605,000		66,605,000
Various Construction Projects	2008B	3.5% - 5%	10/01/2020	26,955,000	11,730,000	15,225,000
Various Construction Projects	2010A	3% - 5%	10/01/2022	18,065,000	1,245,000	16,820,000
Various Construction Projects	2010B	5.079% - 6.027% **	10/01/2035	59,565,000		59,565,000
Advance Refund Series 2003A	2012	3%-5%	10/01/2018	16,265,000		16,265,000
Total Revenue Bonds Payable (principal only)				<u>\$ 341,465,000</u>	<u>\$ 53,810,000</u>	287,655,000
Plus: Unamortized Premium						<u>8,418,276</u>
Total Revenue Bonds Payable						<u>\$ 296,073,276</u>

\* For variable rate debt, interest rates in effect at June 30, 2012 are included. For variable rate debt with interest rate swaps, the synthetic fixed rates are included.

\*\* 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.

**C. Demand Bonds** - Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the University’s remarketing or paying agents.

With regards to the following demand bonds, the University has entered into take-out agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

**North Carolina State University at Raleigh Variable Rate - General Revenue Bonds, Series 2003B:** On June 20, 2003, the University issued tax-exempt variable rate revenue demand bonds in the amount of \$45,660,000 that have a final maturity date of October 1, 2027. The bonds are subject to mandatory sinking fund redemption that began on October 1, 2004. The University’s proceeds of this issuance were used to pay a portion of the costs of certain improvements on the campus of the University, to refund certain debt previously incurred for that purpose, and to pay the costs incurred in connection with the issuance of the 2003B bonds.

While bearing interest at a weekly rate, the bonds are subject to purchase on demand with seven days notice and delivery to the paying agent, The Bank of New York Mellon. Upon notice from the paying agent, the Remarketing Agent, Wells Fargo Bank, N.A., has agreed to exercise its best efforts to remarket the bonds for which a notice of purchase has been received.

Under a Standby Bond Purchase Agreement (Agreement) between the Board of Governors of the University of North Carolina and Bayerische Landesbank, a Liquidity Facility has been established for the Trustee (The Bank of New York Mellon) to draw amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase when remarketing proceeds or other funds are not available. This Agreement requires a commitment fee equal to 0.13% of the available commitment, payable quarterly in arrears, beginning on July 1, 2003 and on each October 1, January 1, April 1, and July 1 thereafter until the expiration date or the termination date of the Agreement.

Under the Agreement, any bonds purchase through the Liquidity Facility become Liquidity Provider Bonds and shall, from the date of such purchase and while they are Liquidity Provider Bonds, bear interest at the Liquidity Provider rate (the greater of the bank prime commercial lending rate and federal funds rate plus 0.5%). Upon remarketing of Liquidity Provider Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Liquidity Provider Bonds. Payment of the interest on the Liquidity Provider Bonds is due the first business day of each month in which Liquidity Provider Bonds are outstanding. At June 30, 2012, there were no Liquidity Provider Bonds held by the Liquidity Facility. The original Liquidity Facility expiration date has been extended and is scheduled to expire on November 30, 2015, unless otherwise extended based on the terms of the Agreement.

Upon expiration or termination of the Agreement, the

University is required to redeem (purchase) the Liquidity Provider Bonds held by the Liquidity Facility in 12 quarterly installments, beginning the first business day of January, April, July, or October, whichever first occurs on or following the Purchase Date along with accrued interest at the Liquidity Provider rate. In the event the entire outstanding \$43,185,000 of demand bonds was “put” and not resold, the University would be required to pay \$15,000,000 a year for three years under this agreement assuming a 3.25% interest rate.

**North Carolina State University at Raleigh Variable Rate - General Revenue Bonds, Series 2008A:** On July 10, 2008, the University issued tax-exempt variable rate revenue demand bonds in the amount of \$66,605,000 that have a final maturity date of October 1, 2028. The bonds are subject to mandatory sinking fund redemption that begins on October 1, 2014. The University’s proceeds of this issuance were used to pay a portion of the costs of certain improvements on the campus of the University, to refund certain debt previously incurred for that purpose, and to pay the costs incurred in connection with the issuance of the 2008A bonds.

While bearing interest at a weekly rate, the bonds are subject to purchase on demand with seven days notice and delivery to the paying agent, The Bank of New York Mellon. Upon notice from the paying agent, the Remarketing Agent, Citigroup Global Markets Inc., has agreed to exercise its best efforts to remarket the bonds for which a notice of purchase has been received.

Under a Standby Bond Purchase Agreement (Agreement) between the Board of Governors of the University of North Carolina and Bank of America, N.A., a Liquidity Facility has been established for the Trustee (The Bank of New York Mellon) to draw amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase when remarketing proceeds or other funds are not available. This Agreement requires a commitment fee equal to 0.3% of the available commitment, payable quarterly in arrears, beginning on October 1, 2008 and on each October 1, January 1, April 1, and July 1 thereafter until the expiration date or the termination date of the Agreement.

Under the Agreement, any bonds purchase through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Base Rate (the greater of the bank prime commercial lending rate and federal funds rate plus 3.0%) for 30 days. For the period of 31 through 60 days after purchase, the Bank Bonds bear interest at the Base Rate plus 1.0%. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is due the first business day of each month in which Bank Bonds are outstanding. At June 30, 2012, there were no Bank Bonds held by the Liquidity Facility. The original Liquidity Facility expiration date has been extended and is scheduled to expire on October 10, 2013, unless otherwise extended based on the terms of the Agreement.

After the purchase of the Bank Bonds, or expiration or termination of the Agreement, the University is required to

redeem (purchase) the Bank Bonds held by the Liquidity Facility in six semi-annual installments, beginning the first business day of the month which next occurs on or following 61 days after the Purchase Date along with accrued interest at the Bank Bond rate plus 2.0%. In the event the entire outstanding \$66,605,000 of demand bonds was “put” and not resold, the University would be required to pay \$24,000,000 a year for three years under this agreement assuming a 5.25% interest rate.

Subsequent to the reporting period, on July 6, 2012, the University substituted the Liquidity Facility. Under a Standby Bond Purchase Agreement (Agreement) between the Board of Governors of the University of North Carolina and Wells Fargo Bank, N.A., a Liquidity Facility has been established for the Trustee (The Bank of New York Mellon) to draw amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase when remarketing proceeds or other funds are not available. This Agreement requires a commitment fee equal to 0.39% of the available commitment, payable quarterly in arrears, beginning on October 1, 2012 and on each October 1, January 1, April 1, and July 1 thereafter until the expiration date or termination date of the Agreement.

Under the Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of

**D. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2012, are as follows:

such purchase and while they are Bank Bonds, bear interest at the base rate (the greater of the bank prime commercial lending rate plus 1.0%, the federal funds rate plus 2.0% or 7.0%) for 180 days. Beginning on day 181, (the amortization date) the Bank Bonds become Term Bonds and bear interest at the base rate plus 1.0%. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is due the first business day of each month in which Bank Bonds are outstanding. The initial Liquidity Facility expiration date is July 6, 2015, unless otherwise extended based on the terms of the Agreement.

After the amortization date, or expiration or termination of the Agreement, the University is required to redeem (purchase) the Term Bonds held by the Liquidity Facility in six equal semi-annual installments, rounded up to the nearest Authorized Denomination, beginning the first business day of the month immediately following the commencement of the Term Bank Bond period. In the event the entire outstanding \$66,605,000 of demand bonds was “put” and not resold, the University would be required to pay \$25,000,000 a year for three years under this agreement assuming an 8.0% interest rate.

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable			Notes Payable		
	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	
2013	\$ 12,365,000	\$ 8,836,684	\$ 2,668,483	\$ 1,473,227	\$ 3,425,500	
2014	12,965,000	8,404,501	2,668,483	1,860,775	3,353,994	
2015	12,440,000	7,889,093	2,668,483	3,270,857	3,262,618	
2016	12,965,000	7,399,743	2,609,572	2,432,294	3,156,872	
2017	13,565,000	6,910,040	2,475,731	2,714,261	3,046,724	
2018-2022	72,935,000	27,898,792	10,176,450	21,029,915	12,920,775	
2023-2027	82,730,000	18,916,302	4,426,658	34,730,388	7,058,637	
2028-2032	55,170,000	10,832,213	44,470	13,609,404	659,163	
2033-2037	12,520,000	1,545,926				
<b>Total Requirements</b>	<b>\$ 287,655,000</b>	<b>\$ 98,633,294</b>	<b>\$ 27,738,330</b>	<b>\$ 81,121,121</b>	<b>\$ 36,884,283</b>	

Interest on the variable rate 2003B general revenue bonds is calculated at 0.17% at June 30, 2012

Interest on the variable rate 2008A general revenue bonds is calculated at 0.28% at June 30, 2012

Interest rates are reset each week by the remarketing agent based upon University credit ratings and market conditions.

This schedule also includes the debt service requirements for debt associated with interest rate swaps. More detailed information about interest rate swaps is presented in Note 9 Derivative Instruments.

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

On May 9, 2012, the University issued \$16,265,000 in North Carolina State University at Raleigh General Revenue Refunding Bonds, Series 2012 with an average coupon of 4.483%. The bonds were issued to advance refund \$17,290,000 of outstanding North Carolina State University at Raleigh General Revenue Bonds, Series 2003A bonds with an average interest rate of 4.927%. The net proceeds of the refunding bonds were used to purchase U.S.

government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. This advance refunding was undertaken to reduce total debt service payment by \$1,675,686 over the next seven years and resulted in an economic loss of \$100,356. At June 30, 2012, the outstanding balance was \$17,290,000 for the defeased North Carolina State University at Raleigh General Revenue Bonds, Series 2003A bonds.

**F. 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, 2012	Compounded Interest	Principal Outstanding June 30, 2012
Energy Conservation Loan	BB&T	4.97%	06/01/2030	\$ 19,700,703	\$	\$ 707,470	\$ 20,408,173
Energy Conservation Loan	Bank of America	4.07%	08/17/2028	56,060,010		3,522,938	59,582,948
Lonnie Poole Golf Course	Suntrust	Variable	01/30/2015	5,000,000	3,870,000		1,130,000
Total Notes Payable				\$ 80,760,713	\$ 3,870,000	\$ 4,230,408	\$ 81,121,121

## NOTE 9 - DERIVATIVE INSTRUMENTS

Derivative instruments held at June 30, 2012 are as follows:

Type	Notional Amount	Change in Fair Value		Fair Value at June 30, 2012	
		Classification	Increase	Classification	Liability
<i>Hedging Derivative Instruments</i>					
<i>Cash Flow Hedges</i>					
Pay-Fixed Interest Rate Swap 2003 B Bonds	\$ 24,655,000	Deferred Outflow of Resources	\$ (3,600,057)	Hedging Derivative Liability	\$ (6,050,200)
Pay-Fixed Interest Rate Swap 2008 A Bonds	\$ 50,000,000	Deferred Outflow of Resources	(4,949,376)	Hedging Derivative Liability	(11,514,685)
			\$ (8,549,433)		\$ (17,564,885)

Hedging derivative instruments held at June 30, 2012 are as follows:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms
Pay-Fixed Interest Rate Swap	Hedge changes in cash flows on General Revenue 2003B Series Bonds	\$ 24,655,000	06/20/03	10/01/27	Pay 3.54% Receive 75% LIBOR
Pay-Fixed Interest Rate Swap	Hedge changes in cash flows on General Revenue 2008A Series Bonds	\$ 50,000,000	09/01/08	10/01/26	Pay 3.862% Receive SIFMA

As of June 30, 2012, the synthetic interest rates on the swapped portion of the 2003B and 2008A bonds were 3.53% and 3.96%, respectively. The fair value of the pay-fixed interest rate swaps was estimated using the market value method. This method calculates the market price of traded instruments.

*Future Swaps:* The University has also entered into a future dated interest rate swap agreement for \$22,382,500 to be effective March 1, 2017, on the General Revenue Series 2008A bonds.

#### *Hedging Derivative Risks*

*Credit Risk:* As of June 30, 2012, the University was not exposed to credit risk on its interest rate swaps because the swaps had negative fair values. However, should interest rates change and the fair value of the swaps becomes positive, the University would be exposed to credit risk in the amount of the derivative's positive fair value. The swap agreements require termination should the University's or the counterparty's credit rating fall below either Baa2 as issued by Moody's or BBB as issued by S&P or Fitch. Also, under the terms of the swap agreements, should one party become insolvent or otherwise default on its obligations, provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3 as determined by Moody's or A- as determined by S&P, the swap will be collateralized by the counterparty with cash, U.S. government or agency securities. If the counterparty is required to collateralize, the collateral will be posted with a third party custodian or secured party. The swap agreements entered into by the University are held with separate counterparties. All the counterparties are rated A or better.

*Interest Rate Risk:* The University is exposed to interest rate risk on its interest rate swaps. The fair values of these instruments are highly sensitive to interest rate changes. Because rates have

changed since the effective dates of the swaps, both of the swaps have a negative fair value as of June 30, 2012. The negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the University's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values are the market values as of June 30, 2012. Both of the swaps outstanding have termination dates greater than 14 years. As the yield curve rises, the value of the swaps will increase and as rates fall, the value of the swaps will decrease.

*Basis Risk:* The University is exposed to basis risk on the swaps when the variable payment received is based on an index other than Securities Industry on Financial Markets Association (SIFMA). Should the relationship between London Interbank Offering Rate (LIBOR) and SIFMA move to convergence, the expected cost savings may not be realized. The current outstanding swaps and the related bonds reset rates weekly and pay monthly. As of June 30, 2012, the SIFMA rate was 0.18%, whereas 75% of LIBOR was 0.18%.

*Termination Risk:* The University or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the University would be liable to the counterparty for that amount.

*Rollover Risk:* By definition, the University is exposed to rollover risk because the swap related to the 2008A bonds terminates October 1, 2026, two years before the related bonds mature on October 1, 2028. It is not the intent of the University, at this time, to re-hedge the bonds.

## NOTE 10 - LEASE OBLIGATIONS

A. **Capital Lease Obligations** - Capital lease obligations relating to 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, 2012:

Fiscal Year	Amount
2013	\$ 119,640
2014	119,640
2015	119,640
2016	49,850
Total Minimum Lease Payments	408,770
Amount Representing Interest (0.6078% Rate of Interest)	5,513
Present Value of Future Lease Payments	\$ 403,257

B. **Operating Lease Obligations** – The University entered into operating leases for equipment and property rental. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	\$ 5,186,942
2014	4,323,745
2015	3,968,617
2016	3,557,604
2017	3,411,340
2018-2022	15,219,981
2023-2027	15,126,510
2028-2032	756,552
Total Minimum Lease Payments	\$ 51,551,291

Machinery and equipment acquired under capital lease amounted to \$471,347 at June 30, 2012. Depreciation for the capital assets associated with capital leases is included in depreciation expense.

Rental expense for all operating leases during the year was \$7,516,151

## NOTE 11 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 293,323,432	\$ 594,020	\$ 73,699,798	\$ 1,044,163	\$ 217,985,451
Other Operating Revenues	\$ 22,194,191	\$ 5,041,785	\$	\$ 231,687	\$ 16,920,719
Sales and Services	\$ 260,007,613	\$ 54,728,284	\$ 15,254,963	\$ 31,474	\$ 189,992,892

## NOTE 12 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/Amortization	Total
Instruction	\$ 304,543,621	\$ 25,444,279	\$ 31,439,711	\$	\$ 3,592	\$	\$ 361,431,203
Research	158,227,777	18,752,576	50,026,167		846,703		227,853,223
Public Service	84,570,795	10,274,576	27,465,760		420,543		122,731,674
Academic Support	41,439,845	15,030,616	18,445,437		13,540		74,929,438
Student Services	15,052,324	1,940,478	5,495,086		222,276		22,710,164
Institutional Support	55,361,069	3,925,605	14,735,000		10,624		74,032,298
Operations and Maintenance of Plant	34,340,908	6,120,495	7,758,756		26,957,171		75,177,330
Student Financial Aid	1,347,813	126,705	241,795	43,830,528	67		45,546,908
Auxiliary Enterprises	57,398,414	32,487,639	35,140,470		5,464,313		130,490,836
Depreciation/Amortization						59,752,459	59,752,459
<b>Total Operating Expenses</b>	<b>\$ 752,282,566</b>	<b>\$ 114,102,969</b>	<b>\$ 190,748,182</b>	<b>\$ 43,830,528</b>	<b>\$ 33,938,829</b>	<b>\$ 59,752,459</b>	<b>\$ 1,194,655,533</b>

## NOTE 13 - PENSION PLANS

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

The Teachers' and State Employees' Retirement System (Plan) 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, 2012, these rates were set at 7.44% of covered payroll for employers and 6.0% of covered payroll for members.

For the current fiscal year, the University had a total payroll of \$645,199,783, of which \$298,817,058 was covered under

the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$22,231,989 and \$17,929,023, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The University made 100% of its annual required contributions for the years ended June 30, 2012, 2011, and 2010, which were \$22,231,989, \$15,004,360, and \$10,741,148, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the state of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the 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.

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, 2012, 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 \$645,199,783, of which \$224,062,364 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$15,325,866 and \$13,443,742, respectively.

**B. Deferred Compensation and Supplemental Retirement Income Plans** - Internal Revenue Code 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 \$2,898,247 for the year ended June 30, 2012.

Internal Revenue Code Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2012, were \$107,438. The voluntary contributions by employees amounted to \$4,473,621 for the year ended June 30, 2012.

Internal Revenue Code 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. The plan administrator is UNC General Administration. No costs are incurred by the University. The voluntary contributions by employees amounted to \$11,690,716 for the year ended June 30, 2012.

**C. Federal Employment Retirement** - The Federal Retirement System is a multiple-employer retirement system and is composed of three retirement programs: the Civil Service Retirement System (CSRS) for participants employed prior to January 1, 1987, the Federal Employees Retirement System for Participants (FERS) employed after January 1, 1987, and the Civil Service Retirement Offset System for reemployed CSRS employees.

North Carolina Cooperative Extension employees with federal appointments prior to January 1, 1987 participate in the Civil Service Retirement System. Currently, 50 employees participate in CSRS. Participating employees and the University are required by federal statute to contribute 7.0% of salary to CSRS. In addition, the CSRS employees may contribute to the Thrift Savings Plan (a defined contribution plan managed by the Federal Retirement Thrift Investment Board) up to the annual IRS annual elective limits with no agency matching contributions. Total employee and employer contributions for CSRS for the year ended June 30, 2012, were \$311,458 and \$337,540 respectively. Employees covered under CSRS contributed \$20,813 to the Thrift Savings Plan.

Under the Federal Employees Retirement System (FERS), employees are required to contribute 0.8% of salary and the University 11.9%. Currently, seven employees participate in FERS. In addition, the FERS employees may contribute to the Thrift Savings Plan up to the annual IRS annual elective limits with an agency matching contribution of up to 5.0% of the employee's contribution. Total employee and employer contributions for the year ended June 30, 2012, were \$5,379 and \$79,674, respectively. For employees covered under FERS, the total employee and employer contributions to the Thrift Savings Plan for the year ended June 30, 2012, were \$73,672 and \$33,231, respectively.

## NOTE 14 - 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 the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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 State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the University contributed 5.0% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were \$26,143,971, \$25,706,534, and \$23,250,220, respectively. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the state of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2012, 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. Required contribution rates for the years ended June 30, 2011, and 2010, were .52% and .52%, respectively. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were \$2,718,973, \$2,728,040, and \$2,686,692, 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 15 - RISK MANAGEMENT

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

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

The University is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. University

departments, as an individual business decision, may also purchase through the Fund primary extended coverage for buildings and contents. Coverage may also be purchased through the Fund for theft, vandalism, sprinkler leakage, or all-risk perils. University departments also have the option to purchase all-risk coverage for computers and “miscellaneous equipment” on a scheduled basis. Flood insurance may also be purchased through the Fund for qualifying assets. Receipts-supported auxiliary units insure assets for additional perils coverage, as per the options noted above, in addition to the fire and lightning perils. General-funded departments and units insure for the perils of fire and lightning with the exception of certain coastal properties which are also insured for extended coverage perils and the peril of flood.

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 procured through the State’s Agent of Record and approved by the North Carolina Department of Insurance. The University is charged a premium by the private insurance company. Coverage limit is \$1,000,000 per occurrence. The applicable deductible is \$25,000 per occurrence.

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance and the State’s Agent of Record. The types of insurance policies purchased include: medical professional liability, veterinary professional liability, fine arts property, master crime, inland marine property for musical instruments, campers accident and sickness, athletic accident, boiler and machinery, watercraft, oceanographic equipment, and nuclear energy liability.

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

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

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

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

## NOTE 16 - 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 \$163,142,377 at June 30, 2012.

The University has amended the Use Agreement for the PNC Arena with the Centennial Authority (a related party) and therein agreed to make scheduled capital contributions totaling \$6,000,000 to the Authority’s Building Enhancement Fund over a 15 year period. The total outstanding commitment on this agreement was \$4,650,000 as of June 30, 2012.

**B. Pending Litigation and Claims** – As previously reported, the Environmental Protection Agency (EPA) filed a civil action against the University pursuant to the Comprehensive Environmental Response, Compensation and Liability Act. The complaint sought relief that would cause the University to enter into remediation of a hazardous waste site known as “Lot 86.” The University is involved in ongoing discussions and negotiations with the EPA concerning the appropriate means for addressing the remediation. A Consent Decree executed by North Carolina State University and the EPA has been approved by the Court. Remedial clean-up pursuant to the Consent Decree continues. The remediation costs remaining are estimated to be approximately \$1,600,000.

As previously reported, the NC School Boards Association, et. al. filed a civil action against various state officials in their official capacity seeking a judicial determination as to whether the state constitution requires certain monetary payments collected by state agencies to be paid to the local county school funds. On July 1, 2005, the NC Supreme Court held in favor of the school boards with regard to parking fines. The matter was remanded back to the trial court for disposition in accordance with the Superior Court’s decision. On August 8, 2008, the Wake County Superior Court issued judgment that the estimated amounts collected from January 1, 1996, to June 30, 2005, by UNC Campuses belong and should have been paid to the public schools of the State by payment to the State’s Civil Penalty and Forfeiture Fund. The manner in which the judgment will be settled is uncertain and is to be determined by the North Carolina General Assembly. At issue for NC State University is approximately \$6,749,207 in transportation fines collected since January 1, 1996, to June 30, 2005. Of this amount, the university has transferred \$2,273,817 to the Office of State Budget and Management leaving approximately \$4,475,390 still

outstanding. Since July 2005, the University has been forwarding transportation fine collections, less collection costs, to the Office of State Budget and Management on a monthly basis.

As previously reported, on September 16, 2005, Ward Transformer Company, Inc. and related entities (collectively the “Ward Performing Parties”) entered into a Settlement Agreement with the United States Environmental Protection Agency (“EPA”). In the Agreement, the Ward Performing Parties agreed to fund and carry out a removal action to address PCB contamination at and in the vicinity of the 11 acre Ward Transformer facility on Mount Herman Road near the Raleigh-Durham International Airport. It is currently estimated that the removal action will involve the excavation and onsite treatment or offsite disposal of approximately 60,000 cubic yards, or about 220,000 tons, of PCB contaminated soils. Current estimates indicate that the costs may be in the range upwards of \$20 million. The Ward Performing Parties have notified NC State that they believe that the University is responsible for some of the PCB contamination because NC State allegedly had Ward repair and refurbish transformers during the 1960’s through the 1990’s. On March 24, 2010, the Court granted the University’s Motion to Dismiss based on the 11th Amendment sovereign immunity. However, this case is still open pending an appeal by the plaintiffs.

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

## NOTE 17 - RELATED PARTIES

**Foundations** - There are 10 separately incorporated nonprofit foundations associated with the University. These foundations are the North Carolina Agricultural Foundation, Inc., North Carolina State University Foundation, Inc., North Carolina Tobacco Foundation, Inc., North Carolina State University Physical and Mathematical Sciences Foundation, Inc., North Carolina Engineering Foundation, Inc., North Carolina Veterinary Medical Foundation, Inc., NC State Natural Resources Foundation, Inc., North Carolina Textile Foundation, Inc., NC State Student Aid Association, Inc., and the North Carolina State Alumni Association, Inc.

These organizations serve as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University’s overall academic environment. As described in Note 1 to the financial statements, the North Carolina State University Foundation, Inc. and the NC State Student Aid Association, Inc. are considered component units of the University for reporting purposes and their financial statements are presented separately as part of the University’s financial statements. The University’s financial statements do not include the assets, liabilities, net assets, or

operational transactions of the other foundations, except for support from each organization to the University. This support of the foundations, excluding amounts from the North Carolina State University Foundation, Inc and the NC State Student Aid Association, Inc. approximated \$29,003,848 for the year ended June 30, 2012.

**Nonprofit Corporation**-The Centennial Authority (Authority) was created by the 1995 General Assembly (Senate Bill 606) for the purpose of studying, designing, planning, constructing, owning, promoting, financing and operating a regional facility on land owned by the State. Prior to this act, the General Assembly authorized the construction by the University of a facility to be known as the “Entertainment and Sports Arena” (ESA). This facility serves as a regional sports entertainment center and is available for cultural performances, sporting events and other activities of the University or of other entities (the Centennial Center project). With the 1995 legislation, the Centennial Center project was transferred to the Authority.

The Authority entered into a Ground Lease with the State of North Carolina to lease land for the ESA for a period of 99 years at an annual rent of \$1. The University entered into a Use Agreement with the Authority. Both parties agreed that the University shall be the primary and preferred user of all areas of the ESA. The University is required to pay the greater of 10% of gross ticket revenues or \$48,595 for each men’s and \$21,254 for each women’s basketball game to compensate the Authority for facility rental and operating expenses. Rent and expense payments for miscellaneous events will be negotiated on an event by event basis based on the availability of the ESA and the anticipated attendance.

In fiscal year 2001 a naming rights agreement was executed to change the name of the ESA to the “RBC Center.” The University received \$13,184,000 over a ten-year period beginning in fiscal year 2003. In fiscal year 2012, the name “RBC Center” changed to “PNC Arena” due to the purchase of RBC Bank by PNC Bank.

In fiscal year 2008, the University entered a Capital Improvement Plan Agreement with the Authority to pay \$6,000,000 in quarterly installments over the next 15 years.

## NOTE 18 - SUBSEQUENT EVENTS

The University’s outstanding commercial paper increased to \$80,000,000 as a result of additional borrowing on July 9, 2012 and October 1, 2012. These funds provide interim funding for the expansion and renovation of the Talley Student Center and construction of Centennial Campus Housing and Dining.

## NOTE 19 - DISCRETELY PRESENTED COMPONENT UNITS

The University's discretely presented component units use the accounting and reporting standards promulgated by FASB. Selected disclosures from the discretely presented component units' audited financial statements follow:

### NORTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.

#### ENDOWMENT

The Foundation's endowment consists of approximately 510 individual funds established for a variety of purposes related to the mission of the University. The endowment includes both donor-restricted endowments and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the Foundation's signed endowment gift agreements with donors have donor-imposed restrictions which stipulate that principal shall not be used to fund spending.

#### Interpretation of relevant law:

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was adopted in North Carolina as NC General Statute 36E effective March 17, 2009. UPMIFA defines a prudence standard for management and investment of institutional funds. As a result of the Foundation's interpretation of UPMIFA, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment that are required by the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's endowment spending policy.

#### Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift value. These deficiencies generally result from unfavorable market fluctuations which produce unrealized losses to the fund. Deficiencies of this nature are reported in unrestricted net assets, and were \$164,643 as of June 30, 2012.

#### Investment return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment

assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds. The endowment assets are invested through the NCSIF in a manner that is intended to produce results that exceed a 70% S&P 500 Index/30% Barclays Aggregate Bond Index benchmark over rolling five and ten year periods while assuming a moderate level of investment risk.

#### Spending policy:

The Foundation has a policy of appropriating for programmatic spending each year 4.0% of its endowment fund's average market value over the prior twenty quarters through the fiscal year-end preceding the fiscal year in which the spending is planned. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. However, in declining market conditions many endowments are not able to fund spending at the 4% level. Unless the gift instrument specifies otherwise, up to 15% of the corpus of an endowment may be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided by UPMIFA. However, if the gift instrument does not allow spending of corpus, the Foundation does not initiate or renew spending for the individual endowments affected by declining market conditions until their market value has been recovered and exceeds their original gift value. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment. Spending budgets were calculated at \$878,955 and \$2,385,060 for fiscal years 2012 and 2013, respectively.

#### Strategies employed for achieving investment objectives:

For the long term, the primary investment objective for the NCSIF is to earn a total return (net of investment and custodial fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the NCSIF and to meet the spending needs of the University. To meet this investment objective, the NCSIF invests in various asset classes to offer diversification. The purpose of diversification is to provide reasonable assurance that no single security or class of securities or manager will have a disproportionate impact on the performance of the total fund.

NCSIF's investments are diversified both by asset class (e.g. common stocks and fixed income securities) and within asset classes (e.g., within common stocks by economic sector, geographic area, industry, quality, and size). In addition, the NCSIF seeks to diversify exposure to all asset classes through the use of multiple managers that use a variety of investment approaches.

The following represents changes in endowment net assets for the fiscal year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 2,406,928	\$ 29,340,434	\$ 65,615,893	\$ 97,363,255
Net Asset Reclassification - Underwater Endowments	15,596	(15,596)		
Endowment Net Assets after Reclassification	2,422,524	29,324,838	65,615,893	97,363,255
Total Investment Return	345,778	476,072	808,230	1,630,080
Contributions, Including Change in Accrued Pledges & Other Income	336		14,675,119	14,675,455
Appropriations of Endowment Assets for Expenditure	(95,050)	(2,729,488)		(2,824,538)
Change in Value of Split Interest Agreements & Charitable Lead Trust			(754,527)	(754,527)
Other Changes:				
Transfers			114,296	114,296
Endowment Net Assets, End of Year	\$ 2,673,588	\$ 27,071,422	\$ 80,459,011	\$ 110,204,021

The following represents endowment net asset composition by type of fund, as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated-Underwater Endowments	\$ (164,643)	\$	\$	\$ (164,643)
Board-Designated Endowment Funds	2,749,102			2,749,102
Donor Restricted Endowment Funds	89,129	27,071,422	80,459,011	107,619,562
Total Funds	\$ 2,673,588	\$ 27,071,422	\$ 80,459,011	\$ 110,204,021

## LONG-TERM INVESTMENTS

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investments at June 30, 2012 consisted of:

	Cost	Fair Value
STIF	\$ 52,630	\$ 52,630
NC State Investment Fund, Inc. (NCSIF)	82,901,141	86,955,168
Wells Fargo - Life Income Funds	6,882,241	6,952,858
Citicorp Trust Bank	367,800	432,157
Total	<u>\$ 90,203,812</u>	<u>\$ 94,392,813</u>

Investments held by the NCSIF at June 30, 2012 were made up of limited partnerships and the State Treasurer's Short Term Investment Fund (STIF). As of June 30, 2012, approximately 87% of these limited partnerships were with the UNC Management Company (UNCMC), 7% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, and 6% invested in STIF. NCSIF's net assets were valued at approximately \$397,192,000 at June 30, 2012. The Foundation's investment in the NCSIF represents approximately 21.9% of the member equity of NCSIF at June 30, 2012.

The Foundation's investments held by Wells Fargo - Life Income Funds consist of a diversified portfolio of bond and equity mutual funds.

The Foundation's investments held by Citigroup Trust Bank primarily consist of common equity securities.

## FAIR VALUE MEASUREMENT

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The fair value hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, credit risks, etc.)
- Level 3 - significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments)

To measure fair value, there are three general valuation techniques that may be used, as described below:

- A) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- B) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets itemized below are measured at fair value on a recurring basis using both market and income approaches. The market approach was used for level 2 and the income approach was used for level 3. While the NCSIF is categorized below as a Level 3 investment, as a member of the UNCMC, the NCSIF has full redemption privileges with a 60 day notice requirement.

	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets:</b>				
STIF	\$ 52,630	\$	\$	\$ 52,630
Commonfund Intermediate Term Fund		1,679,317		1,679,317
NC State Investment Fund, Inc.			86,955,168	86,955,168
Wells Fargo - Life Income Funds		6,952,858		6,952,858
Citicorp Trust Bank		432,157		432,157
Externally Managed Irrevocable Trust		19,696,195		19,696,195
Beneficial Interest in Life Insurance Policies			235,594	235,594
<b>Total Assets</b>	<b>\$ 52,630</b>	<b>\$ 28,760,527</b>	<b>\$ 87,190,762</b>	<b>\$ 116,003,919</b>

The following is a reconciliation of the assets measured at fair value on a recurring basis in which significant unobservable inputs (Level 3) were used in determining value:

	NC State Investment Fund, Inc.	Beneficial Interest in Life Insurance Policies
Beginning Balance	\$ 74,231,298	\$ 225,079
Unrealized Gain	1,866,554	10,515
Realized Gain	609,637	
Net Investment	10,247,679	
Ending Balance	<u>\$ 86,955,168</u>	<u>\$ 235,594</u>

## LIFE INCOME FUNDS

The financial statements include assets and liabilities of charitable gift annuities and unitrust agreements for which the Foundation is trustee. The grantors and/or beneficiaries retain future income interests in these assets until their death. These life income funds are recorded at fair value at the date of gift. Life income funds at June 30, 2012 have asset balances of \$7,385,005.

The liabilities for distributions to grantors and/or beneficiaries are computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries, and totaled \$4,187,353 at June 30, 2012. Payments from these funds were \$487,095 during the year ended June 30, 2012. An unrestricted reserve account has been established in the Foundation's Charitable Gift Annuity (CGA) pool to receive 5% from all new CGAs established in order to offset the liabilities for any annuities that reach exhaustion. The

goal is to build the unrestricted reserve fund to equal 5% of the total value of the Foundation's CGA pool. As of June 30, 2012, the CGA reserve balance was \$22,168.

In addition to the above life income funds, the Foundation was named the recipient of an externally managed trust in 2011 which represents irrevocable life income funds with a market value totaling \$19,696,195 and life income funds payable of \$12,503,620 as of June 30, 2012. The Foundation is not serving as trustee for these funds. These life income funds have been reflected in the financial statements at their fair value and estimated future distributions to the beneficiaries have been reflected in the financial statements computed using Internal Revenue Code annuity valuation tables, the distribution terms of the agreements, and the life expectancy of the beneficiaries.

## PLEDGES RECEIVABLE

Pledges receivable are stated at their present value, estimated by discounting the future cash flows using Federal Reserve rates of return, and are as follows:

Receivable in less than one year	\$ 5,215,013
Receivable in one to five years	8,262,202
Receivable in greater than five years	<u>3,021,366</u>
Total gross pledges receivable	16,498,581
Less allowance for uncollectible pledges	(460,427)
Less unamortized discount	<u>(406,367)</u>
Net Pledges Receivable	<u>\$ 15,631,787</u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excepting the Lonnie C. Poole, Jr. College of Management Endowment pledge which the Foundation is reasonably assured of collecting. Active past due pledges receivable are reviewed twice yearly by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

## PRIOR YEAR RESTATEMENT AND RECLASSIFICATIONS

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation with no effect on previously reported total net assets.

During fiscal year 2012, the Foundation determined that the Foundation's receivables and permanently restricted net assets were understated in the fiscal year 2011 financial statements by \$789,580 as a result of a charitable lead trust that was unrecorded by the Foundation. The Foundation has assessed and determined the impact of these items during 2011 and prior fiscal years. The cumulative amount of the increase to permanently restricted net assets for fiscal year 2010 was \$837,446, and the change in value of the charitable lead trust during fiscal year 2011 was \$47,866. The Foundation has concluded that these adjustments are such that an adjustment to net assets was required. The statement of financial position at June 30, 2011 have been restated as follows:

	2011 as previously reported	Restatement	2011 as restated
<b>Assets:</b>			
Receivable - Charitable Lead Trust	\$	\$ 789,580	\$ 789,580
Total Assets	<u>\$ 139,922,069</u>	<u>\$ 789,580</u>	<u>\$ 140,711,649</u>
<b>Net Assets</b>			
<b>Unrestricted:</b>			
Undesignated	1,608,584	(706,846)	901,738
Undesignated Nonexpendable- University Club	4,696,678		4,696,678
Undesignated - Underwater Endowments	(180,239)		(180,239)
Board-Designated - Endowments	2,582,168	(35,581)	2,546,587
Designated - Executive Education, LLC	(169,151)		(169,151)
Temporarily Restricted	46,995,411	742,427	47,737,838
Permanently Restricted	64,826,313	789,580	65,615,893
Total Net Assets	<u>\$ 120,359,764</u>	<u>\$ 789,580</u>	<u>\$ 121,149,344</u>

The statement of activities for the year ended June 30, 2011 has been restated as follows::

	2011 as previously reported	Restate- ment	2011 as restated
Change in Value of Charitable Lead Trust	\$	\$ (47,866)	\$ (47,866)
Change in Net Assets	\$ 36,959,026	\$ (47,866)	\$ 36,911,160

## NC STATE STUDENT AID ASSOCIATION, INC.

### CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances at several financial institutions located in Raleigh, North Carolina, and in several brokerage accounts located in North Carolina. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2012. At June 30, 2012, cash balances in a non-interest bearing account are insured for an unlimited amount. This temporary unlimited insurance expires on December 31, 2012. The balances in the brokerage accounts are insured at varying amounts. The Association's uninsured cash balances totaled \$8,064,983 at June 30, 2012.

### PLEDGES RECEIVABLE

The Association carries its pledges receivable at cost less a discount for pledges receivable due in more than a year and less an allowance for doubtful accounts. On a periodic basis, the Association evaluates its receivables and establishes an allowance for doubtful accounts, based on history of past write-offs and current credit conditions.

Pledges receivable at June 30, 2012 are as follows:

Pledges Receivable	\$ 32,225,773
Less Allowance for Uncollectible Pledges	(1,609,984)
Less Discount on Pledges	<u>(5,305,452)</u>
	25,310,337
Less Current Portion	<u>(6,885,061)</u>
Pledges Due After One Year	<u>\$ 18,425,276</u>

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6%.

Receivable in less than one year	\$ 7,246,059
Receivable in one to five years	17,939,683
Receivable in more than five years	<u>7,040,031</u>
	32,225,773
Less allowance for uncollectible pledges	1,609,984
Less discount on pledges	<u>5,305,452</u>
Net Pledges Receivable	<u>\$ 25,310,337</u>

At June 30, 2012, Goal Line Drive pledges totaling \$ 6,906,347 and Wolfpack Pride pledges totaling \$893,953 were pledged as collateral for the Vaughn Towers bond payable. These pledge totals are reflected at the present value of estimated future cash flows less an allowance for uncollectible pledges.

### INVESTMENTS

The Association held the following investments at June 30, 2012:

	Historical Cost	Market Value
U.S. Government Obligations	\$ 4,476,429	\$ 4,546,766
Marketable Equity Securities	14,584,545	15,534,299
Other Marketable Debt Securities	3,782,375	3,903,077
Alternative Investments	4,999,261	4,986,315
Mutual Funds	1,745,721	1,701,374
Total	<u>\$ 29,588,331</u>	<u>\$ 30,671,831</u>

Investment income consists of the following:

Interest	\$ 433,314
Dividends	505,287
Realized Gain on Sale of Investments	112,497
Unrealized Loss on Investments	(1,258,749)
Investment Expenses	<u>(284,572)</u>
Total	<u>\$ (492,223)</u>

## LONG-TERM DEBT

### Bond Indenture--Goal Line Drive

The Association, through the North Carolina Capital Facilities Finance Agency issued \$40,000,000 of bonds during 2002. The bonds were secured by the Goal Line Drive pledges, Wolfpack Pride Campaign pledges, and the Medlin property. The bonds were also secured by approximately \$2,000,000 in scoreboard revenues received from NCSU through 2010. The proceeds from these bonds were used for the Carter-Finley Stadium expansion and improvements. The bonds paid interest monthly at a variable rate equal to 0.35% plus the higher of the federal funds rate plus ½% or Bank of America's publicly announced prime rate.

The Association also paid Bank of America a letter of credit fee. This fee, paid quarterly, is 1.75% of the outstanding debt balance. The Association also annually paid \$17,000 of agency and \$5,000 of trustee fees. The Association paid a remarketing fee annually to Bank of America. This fee is 0.1% of the outstanding debt balance. The bond matured during the year ended June 30, 2012.

### Bond Indentures--Wolfpack Club Student Housing Foundation

The Housing Foundation, through the North Carolina Capital Facilities Finance Agency issued a \$23,710,000 Series 2003A bond and a \$1,235,000 Series 2003B bond in June 2003. The proceeds from these bonds were used to construct a residence hall for NCSU students and student athletes. The bonds paid interest monthly at variable rates. The Series 2003A bonds paid interest based on a variable rate established weekly by Wachovia Bank, remarketing agent. The Series 2003B bonds paid interest based on a variable rate established monthly by the remarketing agent. The Housing Foundation paid a letter of credit fee quarterly to Wachovia Bank. The fee, paid quarterly, is 1.50% of the outstanding balance. The Housing Foundation paid a remarketing fee semi-annually to Wachovia Bank. This fee is .125% of the outstanding balance. The Series 2003A bonds mature in July 2035. The Series 2003B bonds matured in July 2009.

In November 2009, the Series 2003A bond was refinanced with Branch Banking & Trust (BB&T) through a \$22,780,000 Series 2009 bond, issued through the North Carolina Capital Facilities Finance Agency. The bond paid interest monthly at a variable rate based on the monthly London Interbank Offered Rates (LIBOR). During the year ended June 30, 2012, the bond was paid in full when the residence hall was sold.

The Housing Foundation had entered into a swap contract for a majority of this debt to hedge against interest rate fluctuations. The swap was issued at market terms so that it had no value at its inception. During the year ended June 30, 2012, the swap contract was settled for a realized loss of \$2,254,050.

### Bond Indentures--Vaughn Towers

The Association, through the North Carolina Capital Facilities Finance Agency issued a \$15,855,000 Series 2004A bond and a \$17,685,000 Series 2004B bond in November 2004. The proceeds from these bonds were used to construct Vaughn Towers at Carter-Finley Stadium. The bonds pay interest monthly at variable rates. The Series 2004A bond pays interest based on a variable rate established weekly by Wells Fargo Bank (formerly Wachovia Bank), remarketing agent. The Series 2004B bond pays interest based on a variable rate established weekly by Banc of America Securities, LLC, remarketing agent. The Association must pay a 1.85% quarterly letter of credit fee. The Association pays an annual remarketing fee of 0.10% of the outstanding bonds to the remarketing agents. The Series 2004A bond matures in September 2024. The Series 2004B bond was paid in full during the year ended June 30, 2012.

The Association has entered into swap contracts for a majority of this debt to hedge against interest rate fluctuations. The swaps were issued at market terms so that they had no value at their inception. The carrying amount of the swaps have been adjusted to their fair value at June 30, 2012, which, because of changes in forecasted levels of interest rates, resulted in reporting a liability of \$1,271,854 at June 30, 2012, for the fair value of the net payments forecasted under the swap.

### Notes Payable--North End Zone

During the year ended June 30, 2008, the Association converted the bank lines of credit with Wells Fargo Bank (formerly Wachovia Bank) and Bank of America into notes payable. Certain endowment investment accounts serve as collateral on these notes. The note payable to Wells Fargo Bank has an annual principal payment requirement of \$120,960 plus interest at LIBOR (1.0692% at June 30, 2012) plus 1.5% through November 2012, at which time the remaining principal is due. The note payable to Bank of America has an annual principal payment requirement of \$130,786 plus interest at LIBOR (1.0692% at June 30, 2012) plus 1.5% through November 2012, at which time the remaining principal is due.

The Association has entered into swap contracts for a majority of this debt to hedge against interest rate fluctuations. The swaps were issued at market terms so that they had no value at their inception. The carrying amount of the swaps have been adjusted to their fair market value at June 30, 2012, which because of changes in forecasted levels of interest rates, resulted in reporting a liability of \$30,843 at June 30, 2012 for the fair value of the net payments forecasted under the swap.

The adjustments on the value of the swap contracts resulted in an unrealized loss of \$30,870 which is reported in the Statements of Activities for the year ended June 30, 2012.

Long-term debt consists of the following at June 30, 2012:

Vaughn Towers Project--Series 2004A	\$ 12,890,000
Note Payable--Wells Fargo Bank	605,806
Note Payable--Bank of America	422,012
	<u>13,917,818</u>
Less Amount Classified as Current Liability	<u>(1,027,818)</u>
 Amount Due After One Year	 <u><u>\$ 12,890,000</u></u>

Maturities of long-term debt are as follows:

<u>Year Ending June 30</u>	
2013	\$ 1,027,818
2014	
2015	
2016	
2017	
Thereafter	12,890,000
Total	<u><u>\$ 13,917,818</u></u>

#### LETTERS OF CREDIT

Pursuant to the issuance of the Vaughn Towers bonds payable, the Association obtained two irrevocable letters of credit in the total amount of \$33,976,814. The original letters of credit expired March 15, 2010, and were extended until March 15, 2013..

#### CASH REQUIRED FOR GOAL LINE DRIVE BOND MATURITIES AND FEES

The administrative agent requires that contributions and revenues received after March 2002 for the Goal Line Drive Campaign and the Pride Campaign be placed in separate bank accounts. These monies were only to be used for principal payments, interest payments, and loan fees on the Goal Line Drive Bond. During the year ended June 30, 2012, the Goal Line Drive Bond was paid in full. Subsequent to the retirement of the bond, these accounts and contributions and revenues received to these accounts thereafter is required to serve as collateral for the Vaughn Towers Bond principal payment requirements, subject to release by the lender for other purposes.

#### FAIR VALUE MEASUREMENTS

The Association follows ASC 820, *Fair Value Measurements and Disclosures*, as amended, with respect to fair value measurements of its financial assets. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012. There were no transfers or reclassifications between Level 2 or Level 3 during the year ended June 30, 2012.

Government and corporate bonds and notes, common and preferred stocks, and mutual funds are held in brokerage accounts and valued at readily available, quoted prices in principal active markets that are considered to be representative of fair value. The Association classifies these investments within Level 1 of the valuation hierarchy.

Alternative investments represent hedge fund, limited partnership and similar interests held by the Association in funds that invest in public and private securities and follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, are different for each fund. The valuation of these securities is determined by external pricing based on secondary markets. The Association believes that the carrying amount of its alternative investments is a reasonable estimate of the fair value of such investments at June 30, 2012.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## FAIR VALUE MEASUREMENTS

In accordance with ASC 820, the table below includes the major categorization for debt and equity securities on the basis of the nature and risk of the investments at June 30, 2012:

	Fair Value Measurements at Report Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Assets:</u>			
Investments:			
U.S. Government Obligations	\$ 4,546,766	\$ 4,546,766	\$
Marketable Equity Securities	15,534,299	15,534,299	
Other Marketable Debt Securities	3,903,077	3,903,077	
Alternative Interests	4,986,315		4,986,315
Mutual Funds	1,701,374	1,701,374	
Total Assets	<u>\$ 30,671,831</u>	<u>\$ 25,685,516</u>	<u>\$ 4,986,315</u>
<u>Liabilities:</u>			
Swap Contract:			
Vaughn Towers	1,271,854		1,271,854
North End Zone	30,843		30,843
Total Liabilities	<u>\$ 1,302,697</u>	<u>\$</u>	<u>\$ 1,302,697</u>

## ENDOWMENT FUND

The Association's endowment fund provides long-term scholarship support through annual earnings. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of North Carolina enacted the North Carolina (NC) Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Absent donor

stipulations to the contrary, the provisions of this state law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

For the year ended June 30, 2012, the Association has classified as permanently restricted net assets the original value of gifts donated to the permanent endowment. Gains and losses will be classified as unrestricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence described in UPMIFA.

Changes in endowment assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ (6,263,802)	\$ 57,062	\$ 33,646,744	\$ 27,440,004
Investment Return:				
Investment Income	303,140	67,226		370,366
Realized Loss on Sale of Investments	38,370			38,370
Net Depreciation on Investments	(912,319)			(912,319)
Total Investment Return	(570,809)	67,226		(503,583)
Contributions			879,459	879,459
Decrease in CSV of Life Insurance Policies	(2,919)			(2,919)
Appropriation of Endowment Assets for Expenditure	(1,268,552)	(57,062)		(1,325,614)
Endowment Net Assets, End of Year	<u>\$ (8,106,082)</u>	<u>\$ 67,226</u>	<u>\$ 34,526,203</u>	<u>\$ 26,487,347</u>

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets were \$8,038,856 as of June 30, 2012. These deficiencies resulted from unfavorable market fluctuations.

#### *Investment Return Objectives and Strategies*

The Association's investment policies include several investment objectives relative to its long-term investments, including permanent endowment funds. These objectives include (1) preservation of capital, (2) prudent investment of capital, (3) production of reasonable earnings and (4) low-risk growth in principal of invested capital. To achieve these objectives, the Association has employed the investment strategy of diversifying amongst various fund managers. The investment composition at any given time is dependent upon a number of factors, including the amount available for investment and current market conditions.

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Association has a policy of appropriating for distribution each year the net earnings from investments. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, the Association expects the current spending policy to sustain its endowment and investment return objectives.



# SUPPLEMENTARY INFORMATION SECTION

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NORTH CAROLINA  
STATE UNIVERSITY

2012 ANNUAL  
FINANCIAL REPORT

## Ratio of Net Gain in Endowment Investments

Ten Year History

For the Year Ended June 30,

(in thousands)

### University Endowment Investments - Market Value

Fiscal Year	End of Year	Beginning of Year	Yearly Change	Ratio
2002-2003	119,947	131,241	(11,294)	(8.61)
2003-2004	132,716	119,947	12,769	10.65
2004-2005	139,728	132,716	7,012	5.28
2005-2006	155,116	139,728	15,388	11.01
2006-2007	173,193	155,116	18,077	11.65
2007-2008	161,208	173,193	(11,985)	(6.92)
2008-2009	129,619	161,208	(31,589)	(19.60)
2009-2010	143,112	129,619	13,493	10.41
2010-2011	161,402	143,112	18,290	12.78
2011-2012	161,385	161,402	(17)	(0.01)

## Revenue Bond Coverage

### Ten Year History

For the Year Ended June 30,

(in thousands)

Fiscal Year	Gross Operating Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage Ratio
2002-2003	100,011	78,728	21,283	5,162	2,895	8,057	2.64
2003-2004	102,265	83,070	19,195	5,230	2,573	7,803	2.46
2004-2005	107,712	88,522	19,190	4,897	2,076	6,973	2.75
2005-2006	105,333	86,092	19,241	4,503	1,835	6,338	3.04
2006-2007	107,220	81,337	25,883	3,945	1,600	5,545	4.67
2007-2008	96,438	65,895	30,543	3,915	1,273	5,188	5.89
2008-2009	5,941	-	5,941	785	108	893	6.65
2009-2010	5,599	337	5,262	845	51	896	5.87
2010-2011	6,674	309	6,365	300	11	311	20.47
2011-2012	-	-	-	-	-	-	-

Revenue Bond Coverage calculations are for the University's Revenue Bonds secured by specific revenue streams and do not include University Bonds secured by Available Funds.

The University began using Available Funds to secure borrowings in Fiscal Year 2002. The Centennial Campus 1997A Revenue Bonds were the last bonds with a pledged source of revenues and they matured in fiscal year 2011.

## Available Funds

For the Year Ended June 30,

(in thousands)

	2008	2009	2010	2011	2012
Total Unrestricted Revenue	\$ 933,625	\$ 911,049	\$ 931,724	\$ 983,061	\$ 1,012,317
Less:					
State Appropriations	(487,744)	(448,754)	(472,039)	(478,423)	(466,082)
Tuition and Fees	(142,173)	(154,521)	(148,371)	(171,676)	(188,766)
Specific Revenue Debt					
Service Requirements	(27,417)	(3,947)	(1,223)	(613)	
Plus:					
Adjusted Beginning					
Unrestricted Net Assets	116,201	143,155	147,485	166,348	177,833
Total Available Funds	\$ 392,492	\$ 446,982	\$ 457,576	\$ 498,697	\$ 535,302

This available funds calculation has changed from the prior years' presentation. Debt service requirements subtracted is only for the specific revenue bonds which were outstanding as of the 2002 move to available funds. The last specific revenue bonds outstanding, the Centennial Campus 1997A Revenue Bonds, matured in fiscal year 2011.

## Admissions, Enrollment and Degree Statistics

### Ten Year History of Fall Enrollment

#### (Headcount)

<b>Freshman Admissions</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Applied	12,153	12,867	13,947	13,620	15,500	16,437	17,661	18,502	19,148	19,634
Accepted	7,178	7,947	8,186	9,039	9,470	9,869	10,371	10,242	10,372	10,372
Enrolled	3,628	3,851	3,847	4,253	4,559	4,791	4,669	4,637	4,558	4,564
<b>SAT Total</b>	<b>1193</b>	<b>1195</b>	<b>1193</b>	<b>1183</b>	<b>1177</b>	<b>1171</b>	<b>1176</b>	<b>1184</b>	<b>1186</b>	<b>1191</b>
SAT Verbal	578	580	580	575	569	568	569	572	575	579
SAT Math	615	615	613	608	608	603	607	612	611	612
High School GPA	4.00	4.05	4.09	4.07	4.11	4.12	4.17	4.19	4.24	4.28
High School Valedictorians	72	88	75	70	77	70	67	81	93	107
High School Salutatorians	86	72	77	67	65	67	57	81	66	81
<b>Transfer Admissions</b>										
Applied	3,308	3,149	3,819	3,478	3,990	3,976	3,766	3,869	4,157	3,807
Accepted	1,500	1,340	1,330	1,305	1,413	1,358	1,410	1,390	1,493	1,313
Enrolled	1,116	1,052	1,042	1,027	1,075	1,029	1,089	1,097	1,141	1,027
<b>Graduate Admissions</b>										
Applied	7,951	8,597	7,610	7,580	8,440	7,882	8,119	12,126	13,607	14,004
Accepted	2,343	2,797	2,875	3,050	3,166	3,330	3,533	3,800	3,811	3,865
Enrolled	1,465	1,829	1,894	1,929	1,914	2,100	2,284	2,362	2,516	2,613

#### (Percentage of Total Applications)

<b>Freshman Admissions</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Accepted	59.1%	61.8%	58.7%	66.4%	61.1%	60.0%	58.7%	55.4%	54.2%	52.8%
Enrolled	29.9%	29.9%	27.6%	31.2%	29.4%	29.1%	26.4%	25.1%	23.8%	23.2%
<b>Transfer Admissions</b>										
Accepted	45.3%	42.6%	34.8%	37.5%	35.4%	34.2%	37.4%	35.9%	35.9%	34.5%
Enrolled	33.7%	33.4%	27.3%	29.5%	26.9%	25.9%	28.9%	28.4%	27.4%	27.0%
<b>Graduate Admissions</b>										
Accepted	29.5%	32.5%	37.8%	40.2%	37.5%	42.2%	43.5%	31.3%	28.0%	27.6%
Enrolled	18.4%	21.3%	24.9%	25.4%	22.7%	26.6%	28.1%	19.5%	18.5%	18.7%

#### (Degrees Conferred)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Bachelors	3,941	4,338	4,548	4,566	4,478	4,558	4,571	4,611	4,797	5,175
Masters	1,179	1,501	1,403	1,332	1,485	1,457	1,507	1,665	1,795	2,080
Doctoral	300	322	338	343	369	411	328	457	422	395
First Professional (DVM)	75	73	76	73	75	75	74	73	77	77
Professional	-	-	1	-	-	-	-	-	-	-
<b>Total</b>	<b>5,495</b>	<b>6,234</b>	<b>6,366</b>	<b>6,314</b>	<b>6,407</b>	<b>6,501</b>	<b>6,480</b>	<b>6,806</b>	<b>7,091</b>	<b>7,727</b>

Admissions, Enrollment and Degree Statistics

Ten Year History of Fall Enrollment

(Headcount)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Undergraduate	20,146	20,314	20,302	20,546	21,438	22,070	22,874	23,392	23,636	23,770
Graduate	5,847	5,974	6,279	6,432	6,481	6,826	7,243	7,674	8,267	8,924
Lifelong Education	3,644	3,566	3,376	3,171	3,211	2,906	2,755	2,753	2,473	2,073
Full-time	22,231	22,587	22,711	23,116	24,026	24,989	25,940	26,736	27,290	27,438
Part-time	7,406	7,267	7,246	7,033	7,104	6,813	6,932	7,083	7,086	7,329
Male	16,952	16,937	17,011	17,024	17,411	17,732	18,344	18,777	19,077	19,441
Female	12,685	12,917	12,946	13,125	13,719	14,070	14,528	15,042	15,299	15,326
White	22,829	23,064	23,021	23,227	23,593	23,766	24,279	24,606	24,663	24,458
African-American	2,864	2,920	2,899	2,750	2,773	2,739	2,809	2,701	2,758	2,634
Asian	1,551	1,603	1,592	1,397	1,473	1,507	1,509	1,573	1,640	1,620
Hispanic	554	587	680	669	721	774	790	953	1,065	1,163
Other	1,839	1,680	1,765	2,106	2,570	3,016	3,485	3,986	4,250	4,892
In-state	25,787	26,012	26,012	26,139	26,831	27,293	27,850	28,484	28,613	28,336
Out-of-state	2,198	2,337	2,364	2,418	2,582	2,573	2,802	2,963	3,233	3,399
International	1,652	1,505	1,581	1,592	1,717	1,936	2,220	2,372	2,530	3,032
Total Enrollment	29,637	29,854	29,957	30,149	31,130	31,802	32,872	33,819	34,376	34,767

(Percentage of Total)

Undergraduate	68.0%	68.0%	67.8%	68.2%	68.9%	69.4%	69.6%	69.2%	68.8%	68.4%
Graduate	19.7%	20.0%	21.0%	21.3%	20.8%	21.5%	22.0%	22.7%	24.0%	25.6%
Lifelong Education	12.3%	12.0%	11.2%	10.5%	10.3%	9.1%	8.4%	8.1%	7.2%	6.0%
Full-time	75.0%	75.7%	75.8%	76.7%	77.2%	78.6%	78.9%	79.1%	79.4%	78.9%
Part-time	25.0%	24.3%	24.2%	23.3%	22.8%	21.4%	21.1%	20.9%	20.6%	21.1%
Male	57.2%	56.7%	56.8%	56.5%	55.9%	55.8%	55.8%	55.5%	55.5%	55.9%
Female	42.8%	43.3%	43.2%	43.5%	44.1%	44.2%	44.2%	44.5%	44.5%	44.1%
White	77.0%	77.2%	76.8%	77.1%	75.8%	74.7%	73.9%	72.8%	71.7%	70.3%
African-American	9.7%	9.8%	9.7%	9.1%	8.9%	8.6%	8.5%	8.0%	8.0%	7.6%
Asian	5.2%	5.4%	5.3%	4.6%	4.7%	4.7%	4.6%	4.7%	4.8%	4.7%
Hispanic	1.9%	2.0%	2.3%	2.2%	2.3%	2.4%	2.4%	2.8%	3.1%	3.3%
Other	6.2%	5.6%	5.9%	7.0%	8.3%	9.6%	10.6%	11.7%	12.4%	14.1%
In-state	87.0%	87.1%	86.8%	86.7%	86.2%	85.8%	84.7%	84.2%	83.2%	81.5%
Out-of-state	7.4%	7.9%	7.9%	8.0%	8.3%	8.1%	8.5%	8.8%	9.4%	9.8%
International	5.6%	5.0%	5.3%	5.3%	5.5%	6.1%	6.8%	7.0%	7.4%	8.7%

Admissions, Enrollment and Degree Statistics

Enrollment by County  
Student Enrollment, Fall Semester 2011

Residence	Total	Residence	Total	Residence	Total	Residence	Total
Alamance	353	Cumberland	591	Johnston	699	Randolph	242
Alexander	43	Currituck	47	Jones	19	Richmond	55
Alleghany	12	Dare	96	Lee	184	Robeson	129
Anson	30	Davidson	270	Lenoir	104	Rockingham	147
Ashe	27	Davie	102	Lincoln	144	Rowan	216
Avery	20	Duplin	71	McDowell	32	Rutherford	63
Beaufort	77	Durham	953	Macon	24	Sampson	127
Bertie	46	Edgecombe	104	Madison	25	Scotland	44
Bladen	55	Forsyth	775	Martin	46	Stanly	103
Brunswick	143	Franklin	189	Mecklenburg	1,704	Stokes	53
Buncombe	444	Gaston	307	Mitchell	21	Surry	147
Burke	148	Gates	32	Montgomery	45	Swain	10
Cabarrus	424	Graham	12	Moore	298	Transylvania	34
Caldwell	107	Granville	163	Nash	362	Tyrrell	6
Camden	39	Greene	26	New Hanover	607	Union	557
Carteret	230	Guilford	1,453	Northhampton	43	Vance	113
Caswell	49	Halifax	121	Onslow	247	Wake	10,003
Catawba	302	Harnett	224	Orange	674	Warren	37
Chatham	202	Haywood	89	Pamlico	28	Washington	23
Cherokee	28	Henderson	139	Pasquotank	55	Watauga	96
Chowan	45	Hertford	33	Pender	119	Wayne	288
Clay	10	Hoke	52	Perquimans	20	Wilkes	80
Cleveland	141	Hyde	5	Person	80	Wilson	201
Columbus	77	Iredell	396	Pitt	346	Yadkin	61
Craven	209	Jackson	29	Polk	21	Yancey	14
						Total	28,336

## Admissions, Enrollment and Degree Statistics

### Five Year Comparison of Enrollment by Level and College

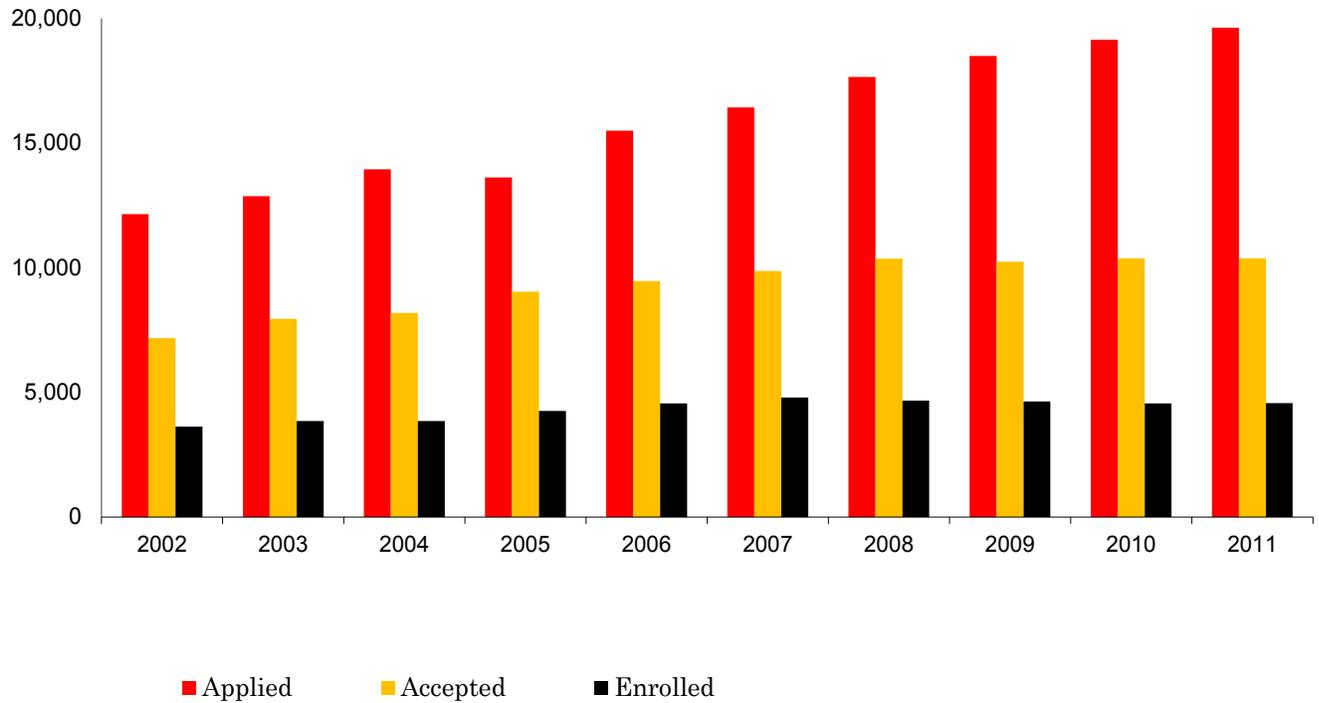
#### Student Enrollment, Fall Semester

	2007	2008	2009	2010	2011
Undergraduate					
Provost's Office	0	35	31	31	81
Agriculture and Life Sciences	4,104	4,305	4,557	4,669	4,544
Design	484	498	502	535	584
Education	751	804	852	853	880
Engineering	5,773	5,927	6,046	6,016	5,961
Natural Resources	1,077	1,123	1,203	1,285	1,321
Humanities and Social Sciences	3,828	3,946	4,062	4,197	4,147
Management	2,397	2,558	2,584	2,510	2,557
Physical and Mathematical Sciences	920	869	849	871	898
Textiles	866	883	938	916	926
University Undesignated (1)	1,496	1,531	1,417	1,418	1,528
Agriculture Institute	374	395	351	335	343
Lifelong Education	2,075	1,867	1,863	1,610	1,406
<b>Total Undergraduate</b>	<b>24,145</b>	<b>24,741</b>	<b>25,255</b>	<b>25,246</b>	<b>25,176</b>
<b>Total FTE Undergraduate</b>	<b>21,181</b>	<b>21,824</b>	<b>22,715</b>	<b>22,759</b>	<b>22,669</b>
Graduate					
Provost's Office	23	35	73	71	201
Agriculture and Life Sciences	845	892	908	970	1,039
Design	217	238	257	270	263
Education	947	987	1,110	1,244	1,254
Engineering	2,060	2,224	2,322	2,491	2,804
Graduate School	2	0	0	0	0
Natural Resources	209	240	256	342	459
Humanities and Social Sciences	761	795	886	931	900
Management	543	551	612	631	648
Physical and Mathematical Sciences	685	723	690	732	785
Textiles	142	160	157	189	179
Veterinary Medicine	392	398	403	396	392
Lifelong Education	831	888	890	863	667
<b>Total Graduate</b>	<b>7,657</b>	<b>8,131</b>	<b>8,564</b>	<b>9,130</b>	<b>9,591</b>
<b>Total FTE Graduate</b>	<b>5,253</b>	<b>5,350</b>	<b>5,881</b>	<b>6,214</b>	<b>6,312</b>
<b>Total Headcount</b>	<b>31,802</b>	<b>32,872</b>	<b>33,819</b>	<b>34,376</b>	<b>34,767</b>
<b>Total FTE Enrollment</b>	<b>26,434</b>	<b>27,174</b>	<b>28,596</b>	<b>28,973</b>	<b>28,981</b>
<b>Percentage of Students (FTE) from Outside State</b>	<b>14.1%</b>	<b>15.1%</b>	<b>15.6%</b>	<b>15.8%</b>	<b>18.3%</b>

(1) Includes First Year College.

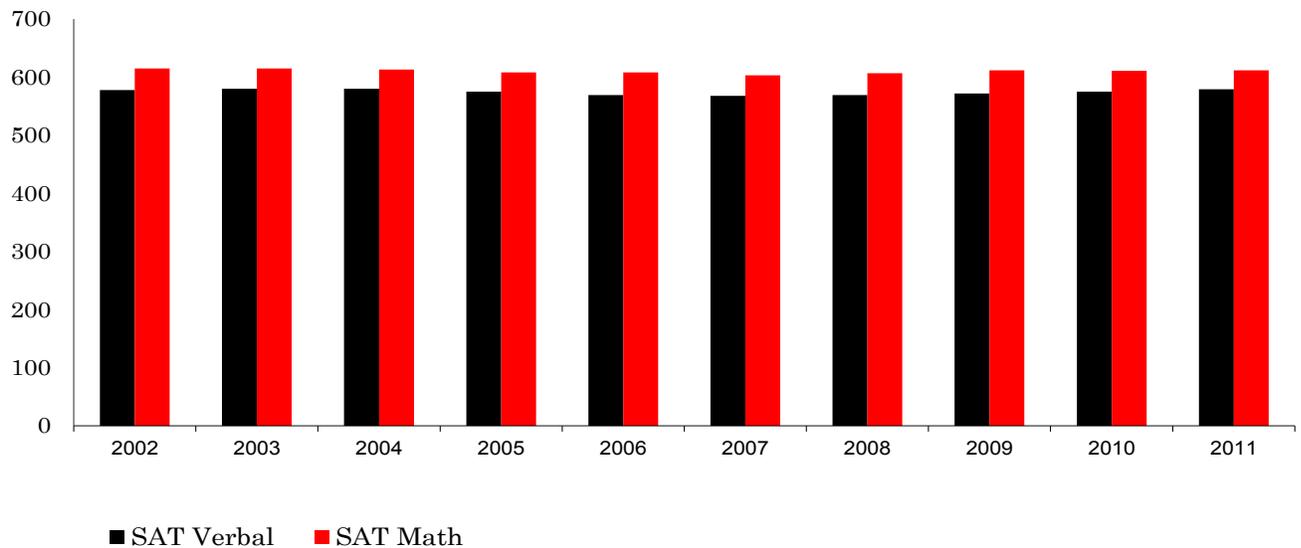
Fall Enrollment

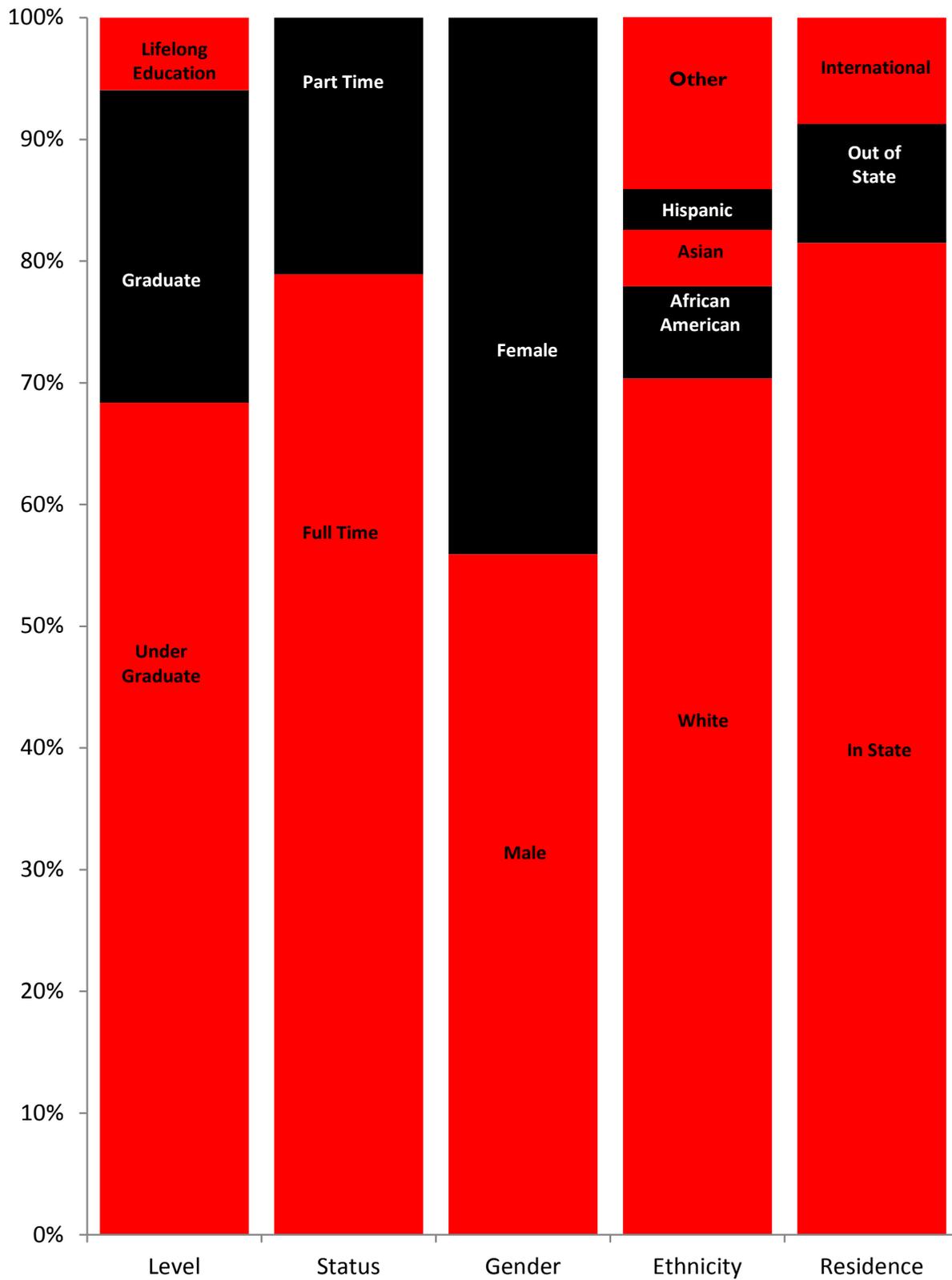
Freshman Admissions by Year



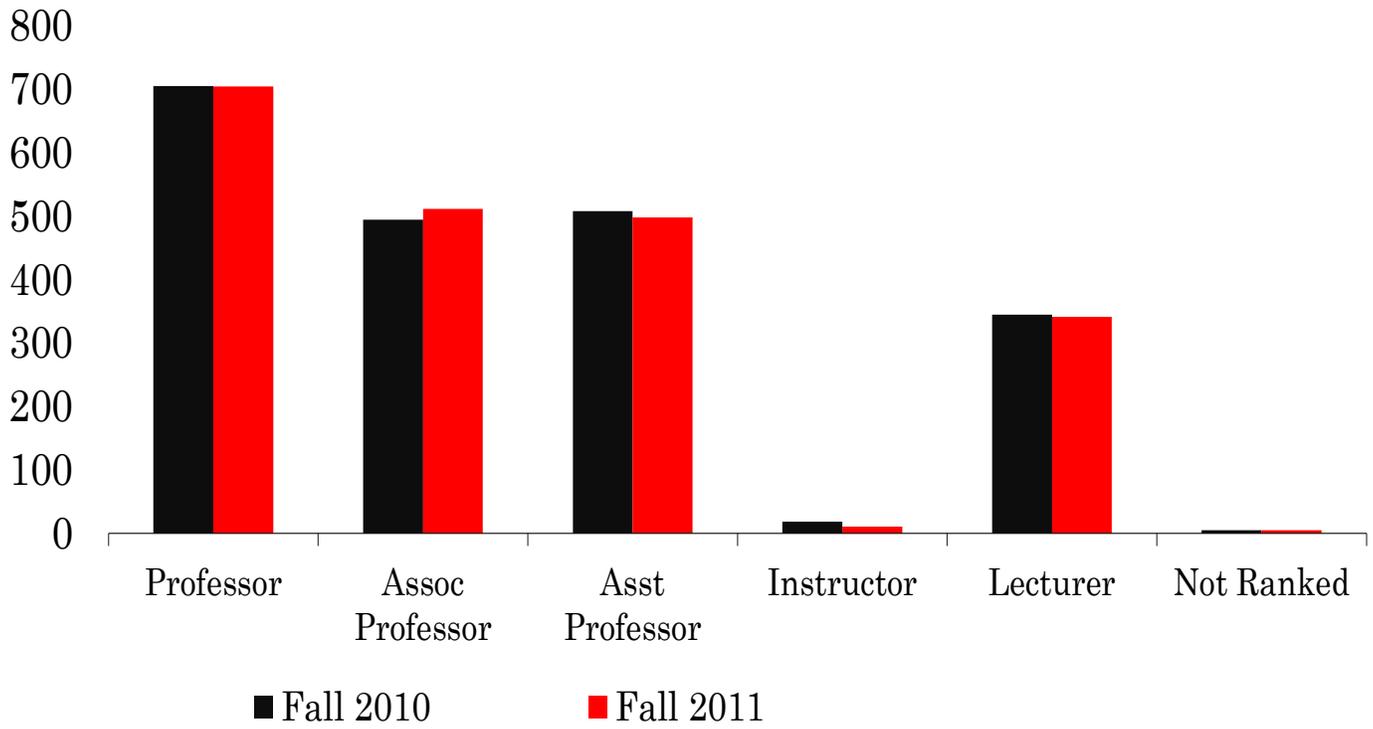
SAT Scores

Freshman Admissions by Year

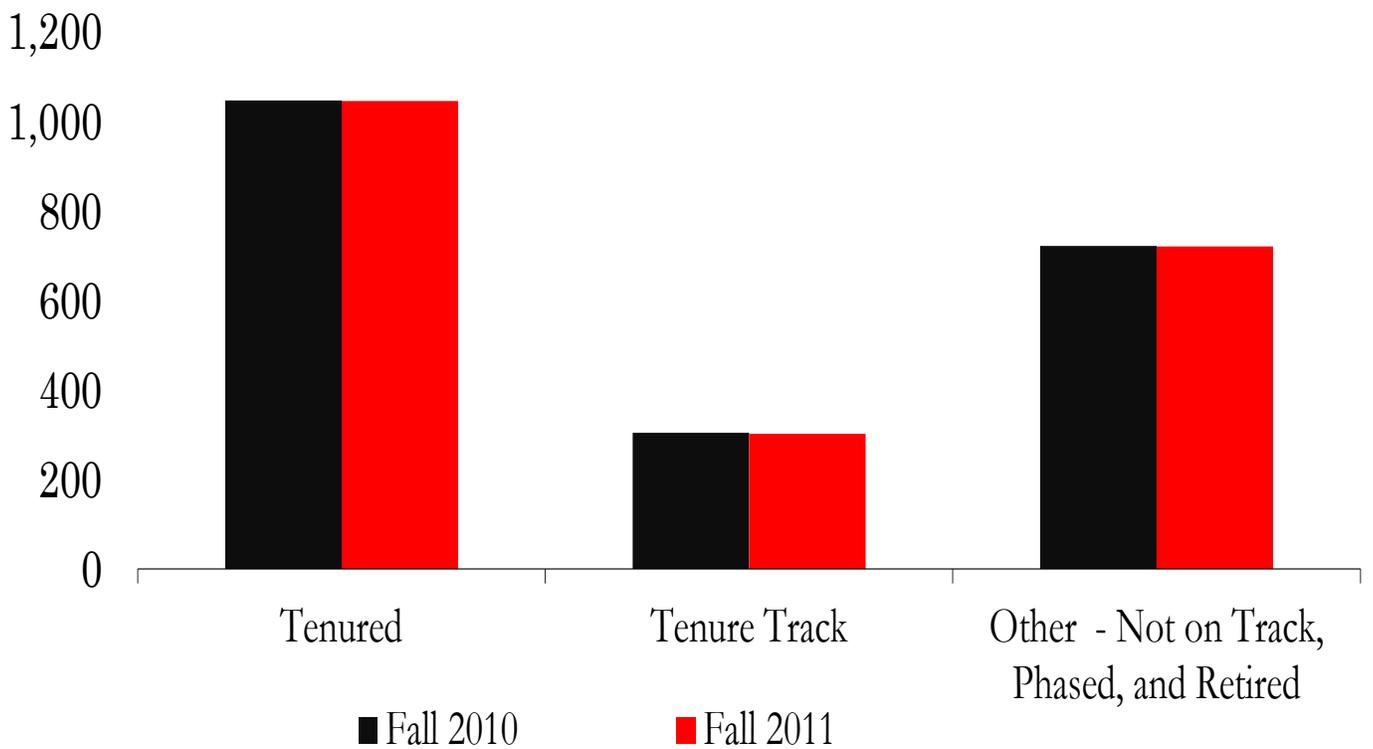


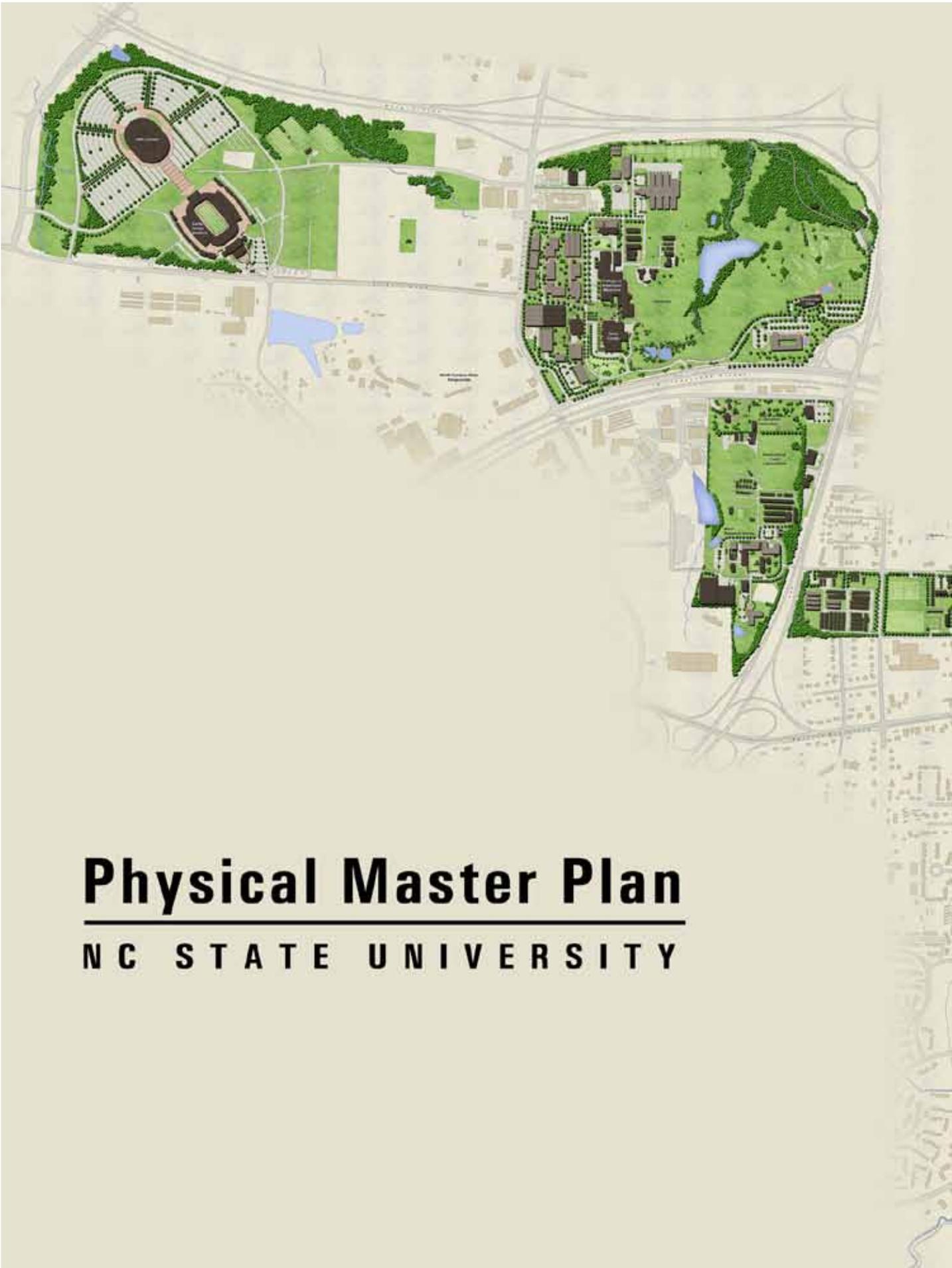


Faculty by Rank



Full Time Faculty by Tenure





# Physical Master Plan

NC STATE UNIVERSITY



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