



NC STATE UNIVERSITY

Annual Financial Report 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

- 03 Mission Statement
- 04 Message from the Chancellor
- 05 Letter of Transmittal
- 06 NC State Pride Points
- 09 Financial Highlights
- 10 NC State University Board of Trustees
- 11 Executive and Administrative Officers

Financial SECTION

- 14 Report of the Independent Auditor
- 19 Management's Discussion and Analysis
- 42 Statement of Net Position
- 44 Statement of Revenues, Expenses, and Changes in Net Position
- 45 Statement of Cash Flows
- 50 Component Units Statement of Financial Position
- 51 Component Units Statement of Activities
- 52 Required Supplementary Information
- 55 Index to the Notes to the Financial Statements
- 56 Notes to the Financial Statements

Supplementary Information Section

- 87 Ratio of Net Gain in Endowment Investments
- 88 Revenue Bond Coverage
- 89 Admissions, Enrollment and Degree Statistics
- 95 Faculty Statistics
- 96 Campus Maps

Prepared by the University Controller's Office
For the Fiscal Year Ended June 30, 2015

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



MISSION STATEMENT

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.

FROM THE CHANCELLOR



The past year at NC State has been marked by significant achievement, growth, and national recognition. The university remains committed to building on its legacy as a leading research-intensive land grant institution, and even when faced with inevitable challenges, we have found ways to rise above them and thrive. NC State enters the new year poised to accomplish great things, continuing our forward momentum.

The tremendous work taking place at NC State has garnered national attention. In addition to being recognized for world-class research and education, our university continues to be ranked as a best value school by *US News & World Report*, *Kiplinger*, *Money*, and the *Princeton Review*. This commitment to providing an affordable, top-tier education has maintained NC State's status as The People's University.

Major investments on campus are now having real impacts on the NC State experience. The multi-year project to renovate Talley Student Union is now complete, offering students unique spaces for study and collaboration and centralizing key student services in one location. Centennial Campus celebrated its 30th anniversary this year, and received the Association of Public and Land Grant Universities' "Place" Award for redefining what a university research park should be.

It has also been an exceptional year for gifts and research partnerships. Giving once again broke institutional records, with gifts and pledges from more than 24,000 donors totaling a record \$208.5 million. More than half of the funds raised was earmarked for the university's endowment, supporting the university's long-term success. A \$16 million gift from the Randall B. Terry Foundation will fund research and teaching in the College of Veterinary Medicine, and a recent award for work in Digital Humanities marked the largest National Endowment for the Humanities grant in NC State history.

Four years into NC State's Strategic plan, it is clear that our work is paying off. The year's accomplishments and partnerships are testaments to our success in enhancing scholarship and research through investment in faculty and infrastructure. NC State has not only maintained its reputation as a leading education and research university, but has set new standards of excellence and is leading the way in innovative and collaborative work.

As we reflect on the challenges and progress of the past year, we must also look at NC State's potential for future achievement. As we move forward, we will build on our foundation as a leader in research and education.

A handwritten signature in black ink that reads "Randy Woodson". The signature is fluid and cursive, written in a professional style.

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 North Carolina State University's 2015 Annual Financial Report. The report was prepared by Finance and Administration staff in accordance with generally accepted accounting principles for public colleges and universities as defined by the Governmental Accounting Standards Board. The report contains detailed information about the university's financial activities; including key financial data for the past five years, complete financial statements with management analysis, a report from the Office of the State Auditor, and recent achievements. Supplemental information includes trend data relating to admissions, enrollment, and degree; faculty; endowment investments; and debt coverage. To the best of our knowledge, the information enclosed is accurate in all material respects and reported in a manner fairly representing the university's financial position. The Office of Finance and Administration maintains an effective system of internal controls to ensure that assets are safeguarded and transactions are properly executed and recorded.

Financial Report Highlights

- The university's financial assets were \$2.97 billion with net position of \$1.92 billion.
- Net position grew by \$100.9 million. This growth nearly offset the GASB 68 pension-related restatement decrease of \$102.0 million, resulting in net position remaining at \$1.92 million, the same as the 2014 net position before restatement.
- Revenues and expenses (operating and non-operating) were \$1.42 billion and \$1.35 billion, respectively.
- Revenues exceeded expenses by \$70.8 million (net income) before capital revenues of \$18.5 million and additions to endowments of \$11.5 million.
- Revenues increased by \$49.9 million, or 3.6%, primarily due to increases in contracts and grants, student tuition and fees and sales and services income.
- State noncapital appropriations increased \$8.5 million, and capital appropriations decreased \$12.2 million.
- Operating expenses increased by \$47.8 million or 3.7%, with instruction, research and the new pension expense showing the largest increases.

NC State is a responsible fiscal steward and provides an excellent return on investment for the state of North Carolina in research, innovative technologies, skilled graduates, and more. Every year, NC State adds \$6.5 billion to the statewide economy, equivalent to creating more than 90,000 new jobs. NC State is leading efforts to curb nuclear proliferation, develop a smart electric grid, create self-powered health monitors, help farmers confront climate change and build a new American manufacturing sector. We continue to forge powerful partnerships with government, industry, nonprofits and academia to make our world a better place.

Sincerely,

A handwritten signature in black ink that reads "Mary Peloquin-Dodd". The signature is written in a cursive, flowing style.

Mary Peloquin-Dodd
Interim Vice Chancellor for Finance and Administration
NC State University

NC STATE PRIDE POINTS

Essential Facts and Figures

NC State is one of the nation's preeminent research institutions, attracting top faculty and students from around the world. Fueled by strong partnerships in both the public and private sectors, NC State's culture of collaboration inspires faculty and students to confront society's toughest challenges. For students, every day brings new opportunities to put learning into action and to master the skills they'll need to succeed in life. The result is a vibrant community, creating economic, societal and intellectual prosperity.

- 33,989 students and 2,23 faculty; student-faculty ration 16:1
- 12 colleges representing all major academic fields
- 600+ student organizations
- Educating more North Carolinians than any other University
- \$1.48 billion budget projected for fiscal year 2016
- \$308 million in sponsored research awards for fiscal year 2015
- \$984 million endowment
- Cooperative Extension provides service to citizens in all 100 North Carolina counties and the Eastern Band of Cherokee Indians

Academic Excellence

At the core of our success is a focus on academic excellence. The quality of NC State's students, faculty and staff is exceptional, making the University a national leader in teaching, research and outreach that makes a difference.

- Recent freshman classes boast highest high-school GPAs and SAT scores in University history
- 23 faculty are members of the National Academies
- NC State graduates rank among top 20 most desirable by job recruiters (Wall Street Journal)
- 100+ student national scholars and fellows over the last five years, including two Goldwater Scholars, six Fulbright Scholarships and nine National Science Foundation graduate research fellows in 2014-2015 academic year
- Chancellor's Faculty Excellence Program has hired 41 world-leading educators and researchers in 20 interdisciplinary clusters

Ranked Among the Best

The value of an NC State education sets us apart from other universities. We are consistently recognized as a best value for our combination of outstanding academic quality and affordability.

- #1 best value among North Carolina universities (SmartAsset.com)
- #3rd-ranked veterinary school in the country (U.S. News & World Report)
- #4 best value among U.S. public universities (Princeton Review)
- #8 return on investment nationally for degrees in science technologies (U.S. Department of Education College Scorecard)
- #9 online MBA nationally (U.S. News & World Report)
- #20 online MBA worldwide (Princeton Review)
- 11 graduate programs among the top 30 in their field nationally (U.S. News & World Report)

Driving Economic Prosperity

As a major public research university, NC State has the expertise to advance practical knowledge, transfer technology to the private sector and find solutions to the world's most pressing problems. Our high level of research support attracts top faculty, creates unsurpassed learning opportunities for students, draws industry partners and creates tremendous economic benefit for North Carolina.

- One of only two universities in the nation leading two active National Science Foundation Engineering Research Centers
- NC State and its students, alumni and associated startups generated \$6.5 billion of North Carolina income in fiscal year 2013
- 850+ U.S. patents and 1,500+ worldwide, yielding 400+ consumer products
- No. 6 nationwide in commercialization agreements based on university research; No. 1 among universities without a medical school NC State's Industry Expansion Solutions has created \$3.4 billion in economic benefit for the state's manufacturers since 2000
- 100+ startups and spin-off companies based on NC State research, attracting a total of \$1.6 billion in venture capital

Record Levels of Outside Support

- Top-25 fundraiser among public colleges and universities (Chronicle of Philanthropy)
- 133 percent growth in gifts and pledges since 2010
- Fiscal year 2015 gifts and pledges totaled \$208.5 million, a university record
- \$8 million gift recently endowed the Moise A. Khayrallah Center for Lebanese Diaspora Studies, NC State's first endowed center
- \$4 million gift recently endowed the Stephen P. Zelnak Jr. Dean's Chair in the Poole College of Management, NC State's first endowed dean's chair

Interdisciplinary Partnerships That Make a Difference

- Eastman Chemical, LexisNexis and ABB are among our on-campus partners benefiting from next-door proximity to NC State faculty, staff and students
- NC State's Supply Chain Resource Cooperative, Entrepreneurship Initiative and Nonwovens Institute combine academic scholarship with real-world experience to create knowledge, teach students and benefit partners
- NC State's expertise in clean energy, biomanufacturing and nonwoven textiles stimulates formation of industry clusters, drawing companies and jobs to North Carolina

NC State's Centennial Campus

- A public-private research campus where 70+ corporate, government and nonprofit partners work alongside 70+ NC State research and academic units
- Home to the College of Engineering, the College of Textiles, the College of Veterinary Medicine and the Institute for Emerging Issues, a think tank focused on tackling big issues that affect North Carolina's prosperity
- Office of Technology Transfer: Helping faculty and entrepreneurs commercialize discoveries made at NC State
- Technology Incubator: Supporting high-tech startups by facilitating unparalleled access to world-leading researchers
- James B. Hunt Jr. Library: Winner of the prestigious Stanford Prize for Innovation in Research Libraries, and one of the most technologically advanced learning and collaboration spaces in the world

A National Leader in Attracting Sponsored Research

- One of only two Universities in the nation leading two National Science Foundation Engineering Research Centers:
 - *The FREEDM Systems Center, researching smart-grid technology
 - *The ASSIST Center, developing wearable, self-powered health monitors
- Recently named to lead three federally funded collaborative institutes:
 - *\$140 million PowerAmerica initiative, developing an advanced power electronics manufacturing sector for the Department of Energy
 - *\$60 million Laboratory for Analytic Sciences, studying data analytics for the National Security Agency
 - *\$25 million Consortium for Nonproliferation Enabling Capabilities, combating the spread of nuclear weapons for the National Nuclear Security Administration

Recent Accolades and Achievements

- An interdisciplinary team of Ph.D. students — drawn from communication, genetics, entomology, public administration, public policy, computer science and conservation biology — won first place in the International Genetically Engineered Machine competition for designing a Web-based decision-making tool to help researchers innovate responsibly and ethically
- The Ghana International Design Studio, a study-abroad program administered by NC State's College of Design, won a Student Award of Honor from the American Society of Landscape Architects in the Community Service category.
- The U.S. Department of Agriculture selected NC State to lead the Southeast Regional Climate Hub, which provides tools and strategies to help agricultural producers cope with the challenges of a changing climate.
- NC State's athletics program ranked 27th in the national Directors' Cup competitive standings for 2014-2015, up 62 spots from 2009-2010.
- The football team won the St. Petersburg Bitcoin Bowl with a 34-27 victory over the University of Central Florida.
- Ruben Carbonell, professor of chemical engineering, and J. Michael Ramsey, professor of biomedical engineering, have been elected to the National Academy of Engineering.
- Joseph DeSimone, the William R. Kenan Jr. Distinguished Professor of Chemical and Biomolecular Engineering, has been elected to the Institute of Medicine. This is the third time DeSimone has been named a member of a U.S. National Academy; he was elected to the National Academy of Engineering in 2005 and the National Academy of Sciences in 2012. Fewer than 20 people have ever been elected to all three U.S. National Academies, and DeSimone is the first professor in the state of North Carolina to achieve this singular recognition.
- DeSimone also received the inaugural Kabiller Prize in Nanoscience and Nanomedicine from Northwestern University's International Institute for Nanotechnology.
- Jay Baliga, Distinguished University Professor of electrical and computer engineering and director of NC State's Power Semiconductor Research Center, is a 2015 winner of the Global Energy Prize.
- MIT Technology Review has named Zhen Gu, an assistant professor in NC State's and UNC-Chapel Hill's joint biomedical engineering program, as one of their "Innovators Under 35" for his work on developing novel drug-delivery systems for treating cancer and diabetes.



FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED JUNE 30, 2011-2015
(DOLLARS ARE IN MILLIONS)

	2011	2012	2013	2014	2015
University Net Position					
Invested in Capital Assets, Net of Related Debt	\$1,233.2	\$1,300.1	\$1,221.3	\$1,326.7	\$1,382.7
Restricted Nonexpendable	\$78.0	\$83.0	\$86.1	\$94.9	\$106.6
Restricted Expendable (1)	\$140.8	\$147.4	\$285.8	\$241.3	\$211.5
Unrestricted (2)	\$177.8	\$214.4	\$230.8	\$256.2	\$217.1
Total Net Position	\$1,629.8	\$1,744.9	\$1,824.0	\$1,919.1	\$1,917.9
Gifts					
Noncapital Gifts	\$50.6	\$57.8	\$59.4	\$66.3	\$68.2
Capital Gifts	\$5.1	\$6.3	\$5.1	\$2.8	\$16.2
Contracts & Grants					
Federal Contracts & Grants	\$123.8	\$132.0	\$136.0	\$140.7	\$146.7
State and Local Contracts and Grants	\$38.1	\$38.8	\$35.5	\$35.3	\$39.4
Nongovernmental Contracts and Grants	\$61.6	\$75.0	\$72.5	\$71.8	\$83.0
Total Contracts and Grants	\$223.5	\$245.8	\$244.0	\$247.8	\$269.1
Appropriations and Tuition and Fees					
Federal Appropriations	\$16.8	\$19.4	\$18.7	\$19.8	\$16.9
State Appropriations for Operations	\$478.4	\$466.1	\$484.0	\$473.0	\$481.5
State Appropriations for Capital Projects	\$0.0	\$0.0	\$2.1	\$12.2	\$0.0
Tuition and Fees (Gross)	\$269.0	\$293.3	\$321.5	\$336.0	\$360.3
Foundation Support	\$43.9	\$49.7	\$53.9	\$56.9	\$72.9
Endowment Investments	\$161.4	\$161.4	\$177.4	\$205.0	\$230.1
Investment Fund Return	14.95%	2.60%	11.9%	15.7%	9.0%
Capital Assets					
Total University Capital Assets	\$2,238.2	\$2,384.5	\$2,584.9	\$2,732.0	\$2,819.8
Total University Capital Assets, Net of Accumulated Depreciation	\$1,587.2	\$1,713.8	\$1,857.6	\$1,948.8	\$1,977.2
University Debt					
Short-term Debt	\$10.0	\$50.0	\$0.0	\$10.0	\$10.0
Bonds Payable	\$311.3	\$296.1	\$528.7	\$513.6	\$499.0
Notes Payable	\$80.1	\$81.1	\$79.5	\$80.6	\$76.2
Estimated Expenses for Full-Time Students Living on Campus - N.C. Residents (dollars are in whole numbers)					
Tuition and Fees	\$6,529	\$7,018	\$7,788	\$8,206	\$8,296
Books and Supplies	\$1,000	\$1,000	\$1,000	\$1,058	\$1,076
Room Rent (Average)	\$4,976	\$5,176	\$5,434	\$6,034	\$6,244
Meals (Average)	\$3,178	\$3,360	\$2,980	\$3,400	\$3,786
Other Personal Expenses	\$1,994	\$2,083	\$2,668	\$2,700	\$2,690
Transportation	\$750	\$751	\$774	\$786	\$798
Total	\$18,427	\$19,388	\$20,644	\$22,184	\$22,890

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.
2. 2014 Unrestricted Net Position does not include the restatement for GASB 68 Pension Liability Reporting implemented in Fiscal Year 2015.

BOARD OF TRUSTEES

As of June 30, 2015



Benjamin P. Jenkins III,
Charlotte, NC
Chair



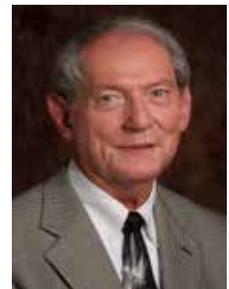
Thomas E. Cabaniss,
Richmond, VA



Jimmy D. Clark,
Greensboro, NC



Gayle S. Lanier,
Raleigh, NC



Robert L. Mattocks II,
New Bern, NC



Barbara H. Mulkey,
Raleigh, NC



Wendell H. Murphy,
Rose Hill, NC



Dr. James W. Owens,
Peoria, IL



Dr. Ronald W. Prestage,
Camden, SC



Randall C. Ramsey,
Beaufort, NC



John P. Sall,
Cary, NC



Susan Ward,
Raleigh, NC



Russell W. Mau,
Student Body
President

EXECUTIVE AND ADMINISTRATIVE OFFICERS

EXECUTIVE OFFICERS

W. Randolph Woodson
Chancellor

Marc Hoit
Vice Chancellor for Information
Technology

Mladen Vouk
Interim Vice Chancellor for Re-
search, Innovation and Economic
Development

Warwick Arden
Provost and Executive Vice Chan-
cellor

Kevin D. Howell
Assistant to the Chancellor for Exter-
nal Affairs

Michael D. Mullen
Vice Chancellor and Dean for the
Division of Academic and Student
Affairs

Deborah A. Yow
Director of Athletics

Brian C. Sischo
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 and Administration

DEANS

Richard Linton
Dean of College of
Agriculture and Life Sciences

Maureen Grasso
Dean of the Graduate School

Daniel L. Solomon
Dean of College of Sciences

Marvin J. Malecha
Dean of College of Design

Jeffrey Braden
Dean of College of Humanities
and Social Sciences

David Hinks
Interim Dean of College of Textiles

M. Jayne Fleener
Dean of College of Education

Ira R. Weiss
Dean of Poole College of Manage-
ment

Michael D. Mullen
Vice Chancellor and Dean for the
Division of Academic and Student
Affairs

Louis Martin-Vega
Dean of College of
Engineering

Mary Watzin
Dean of College of
Natural Resources

D. Paul Lunn
Dean of College of
Veterinary Medicine



FINANCIAL SECTION

NORTH CAROLINA
STATE UNIVERSITY

2015 ANNUAL
FINANCIAL REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North Carolina State University
Raleigh, North Carolina

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the NC State Investment Fund, Inc., which represent 19 percent, 11 percent, and 2 percent, respectively, of the assets, net position, and revenues of the University; nor the financial statements of the North Carolina State University Foundation, Inc., the NC State Student Aid Association, Inc., or The North Carolina Agricultural Foundation, Inc., the University's discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the North Carolina State University Foundation, Inc., the NC State Student Aid Association, Inc., or The North Carolina Agricultural Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Carolina State University, and its discretely presented component units, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during the year ended June 30, 2015, North Carolina State University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

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

Other Information

The introductory and supplementary sections are presented for purposes of additional analysis and are not required as part of the basic financial statements. This information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The introductory and supplementary sections have 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance. The report on internal control and compliance has been issued under a separate cover in the Financial Statement Audit Report of North Carolina State University published by this office.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 5, 2015

[This Page Left Blank Intentionally]



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 position totaled \$1.92 billion at June 30, 2015. Along with all the other component entities of the State of North Carolina, NC State University implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*, this fiscal year. With the new reporting change, the University was allocated its proportionate share of the Teachers' and State Employees' Retirement System's (TSERS) net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$102.0 million. Decisions regarding the allocations are made by the administrators of the pension plan, not by NC State University's management.

Net position represents the University's equity. It is the residual of all the other elements of the statement of financial position, the assets and deferred outflows of resources less liabilities and deferred inflows of resources. The growth in net position of \$100.9 million in fiscal year 2015 came very close to offsetting the pension-related restatement hit of \$102.0 million, resulting in just a \$1.2 million decrease in net position as compared to the 2014 net position before restatement. Using the restated 2014 net position balances, net investment in capital assets grew \$56.0 million or 4.2%, the largest increase in net position. Capital projects net position decreased by \$38.4 million or 54.2%, as debt proceeds have been expended for these investment in plant projects. Unrestricted net position increased by \$51.9 million or 31.4%, as unrestricted funds absorbed the major part of the pension-related 2014 net position restatement.

Revenues increased by \$49.9 million or 3.6%, to \$1.42 billion in fiscal year 2015. Revenues represent amounts received or accrued that are either operating or

nonoperating on the accompanying financial statements. Increases in research contracts and grants, tuition and fees, and sales and services were the primary factors in the revenue growth.

Operating expenses were up \$47.8 million or 3.7% compared to fiscal year 2014. Operating expenses represent amounts paid or accrued for operating purposes. Instruction, research and the new pension expense had the largest increases. The pension expense reflects the change in net pension liability that is recognized immediately on the implementation of the new standard and the amortization of deferred inflows/outflows of resources related to pensions over time.

Using the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, (GASB), which establishes standards for external financial reporting 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.

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*. Also, NC State blends two component units as if they were part of the University, and three entities are reported as discretely presented component units based on the nature and significance of their relationship to the University. Note 1A provides detailed information on the University's financial reporting entity.

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

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 Position*. Also, this statement reconciles the net operating loss reported in the *Statement of Revenues, Expenses, and Changes in Net Position* 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 postemployment 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 Position

The *Statement of Net Position* provides information regarding the University's assets, deferred outflows and inflows of resources, liabilities, and net position as of June 30, 2015. 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

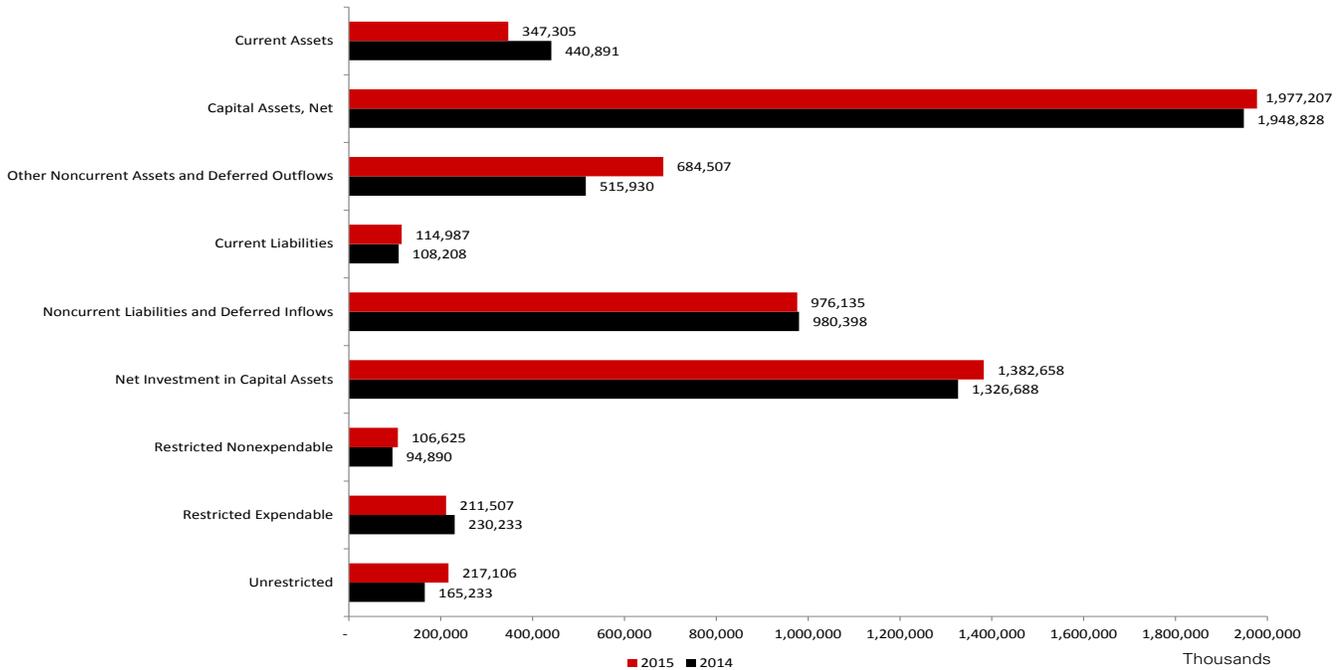
fiscal year. The net position balances are classified as either net investment in capital assets, restricted or unrestricted. In addition, net position balances classified as restricted are classified as either nonexpendable or expendable. Overall, the *Statement of Net Position* provides information 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 Position* as of June 30, 2014, and June 30, 2015.

	2015	2014 (As Restated)	Increase/ (Decrease)
Assets			
Current Assets	\$ 347,304,826	\$ 440,890,682	\$ (93,585,856)
Capital Assets, Net	1,977,206,868	1,948,828,394	28,378,474
Other Noncurrent Assets	641,909,587	477,432,595	164,476,992
Total Assets	2,966,421,281	2,867,151,671	99,269,610
Deferred Outflows of Resources			
Accumulated Decrease in Fair Value of Hedging Derivatives	11,808,389	11,972,586	(164,197)
Deferred Outflows Related to Pensions	30,789,269	26,525,091	4,264,178
Total Deferred Outflows of Resources	42,597,658	38,497,677	4,099,981
Liabilities			
Current Liabilities	114,987,149	108,207,622	6,779,527
Noncurrent Liabilities	885,263,688	980,398,490	(95,134,802)
Total Liabilities	1,000,250,837	1,088,606,112	(88,355,275)
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	90,871,239	0	90,871,239
Net Position			
Net Investment in Capital Assets	1,382,657,675	1,326,687,511	55,970,164
Restricted			
Nonexpendable	106,625,333	94,889,611	11,735,722
Expendable	211,507,389	230,232,639	(18,725,250)
Unrestricted	217,106,466	165,233,475	51,872,991
Total Net Position	\$ 1,917,896,863	\$ 1,817,043,236	\$ 100,853,627



The following graph illustrates the assets, deferred outflows, liabilities, deferred inflows and net position of the University as of June 30, 2015, as compared to June 30, 2014 (*in thousands*).



Assets totaled \$2.97 billion, an increase of \$99.3 million over the prior year. This change in assets includes capital asset growth of \$28.4 million, an increase in other noncurrent assets of \$164.5 million and a decrease in current assets of \$93.6 million.

The capital asset growth of \$28.4 million is due to construction funding from capital grants and gifts and the spending of proceeds from prior year capital financing. The major source for the capital growth was spending down of the 2013 bond proceeds for capital projects, primarily in finishing the major part of the Talley Student Union renovation and expansion. The University received \$16.2 million in capital gifts in 2015, mostly from the NC State Student Aid Association, Inc. gift of the Close-King Indoor Practice Facility. However, the University received no capital appropriations in fiscal year 2015 so this funding was down \$12.2 million.

The \$164.5 million increase in other noncurrent assets is made up of increases in investments and a partially offsetting decrease in noncurrent restricted cash. In July 2014 the University established the NC State Intermediate Term Fund, a part of the NC State Investment Fund, Inc. \$150.0 million in University cash and \$23.8 million in foundation cash held in trust by the University was invested in this new Intermediate Term Fund in 2015. For this reason, other investments grew \$148.0 million, noncurrent restricted investments grew \$26.6 million and endowment investments were up \$25.1 million. This investment growth also included smaller amounts for realized and unrealized gains and new gifts. Noncurrent restricted cash decreased \$35.1 million, primarily due to the spending down of the proceeds from the University's

Series 2013A and Series 2013B bond issuances.

Current assets decreased by \$93.6 million in fiscal year 2015. This decrease is again related to the new ITF investments. The University moved \$150.0 million from the State Treasurer Short-Term Investment Fund (STIF), which is reported as cash, to invest in the University's own Intermediate Fund to provide higher cash returns on its assets. This decrease to cash was partially offset by growth in other deposits such as overhead and auxiliaries. Other current asset accounts showed small increases or decreases.

The deferred outflow of resources for the University's swap agreements and the new deferred outflows for pensions are shown in a separate section of the financial statements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented in fiscal year 2013, established deferred sections of the financial statements. The \$4.1 million increase in deferred outflows is almost entirely the new GASB 68 deferred outflows for pensions account. This account reflects the University's allocated portion of deferred outflows for the TSERS cost-sharing pension plan. Amounts in this account are amortized over time as pension expense.

Liabilities totaled \$1.00 billion, a decrease of \$88.4 million over the restated prior year. The decrease in liabilities is attributable to an increase in current liabilities of \$6.8 million and a decrease in noncurrent liabilities of \$95.1 million.

Current liabilities totaled \$115.0 million. These liabilities include accounts payable and accrued liabilities, due to



other entities, unearned revenue, and the current portion of University debt. The current liabilities increase of \$6.8 million was primarily caused by a \$7.3 million increase in amounts due to primary government. Payroll-related retirement benefit liabilities were paid to the State Treasurer before June 30 in 2014 and after year end in 2015. Unearned revenue also increased by \$2.7 million, with increases in advance payments for housing and dining and tuition and conference fees. However, accounts payable dropped by \$3.7 million, as construction payables and retainage payables decreased with the completion of construction contracts and less new construction in 2015.

Noncurrent liabilities totaled \$885.3 million, and include 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. The primary factor in the \$95.1 million decrease in noncurrent liabilities was the \$117.1 million decrease in long-term liabilities, which includes a \$103.4 million decrease in the net pension liability (as compared to the restated 2014 balance). Also, the noncurrent portion of bonds payable decreased \$15.1 million with the normal payment of debt principal. The drop in long-term liabilities was partially offset with \$27.5 million growth in funds held in trust for investment pool participants. This growth was caused by new ITF investment by external participants and changes in participant deposits and market values of the investments held. The related funds held for others was down \$5.1 million, as foundations reduced their cash holdings to invest in the new ITF program. The hedging derivative liability increases and decreases due to market and showed a small decrease of \$0.2 million in fiscal year 2015. Other noncurrent liabilities increased or decreased by small amounts.

Deferred inflows for pensions is new for fiscal year 2015. This \$90.9 million deferred inflows of resources is another allocation of TSER's cost-sharing pension plan balances required by GASB Statement 68, *Accounting and Financial Reporting for Pensions*. These deferred inflows for pensions are amortized over time as pension expense.

Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* provides information regarding the University's activities for the year ending June 30, 2015. 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

Net position totaled \$1.92 billion, an increase of \$100.9 million over the restated prior year. Note that the restatement for the pension-related entries reduced 2014 net position by \$102.0 million. The restatement reduced unrestricted net position by \$91.0 million, Expendable research net position by \$9.0 million and departmental uses by \$2.0 million.

Using the restated 2014 net position balances, net investment in capital assets rose \$56.0 million to \$1.38 billion as capital projects were completed and equipment was capitalized during the fiscal year. Unrestricted net position also increased by \$51.9 million, with major factors being tuition and fees and sales and services revenues. Restricted nonexpendable net position rose \$11.7 million primarily from increases in endowed professorships. However, restricted expendable net position fell by \$18.7 million, as increases in endowed professorships, research and departmental uses could not offset the \$38.4 million drop in the capital projects net position. Again, this large decrease is related to the spending down of the 2013 bond proceeds and the corresponding increase in net investment in capital assets.

The University's current assets are more than sufficient to cover current liabilities, with a ratio of 3.0 times compared to 4.1 times in the prior year. The University's total assets are significantly more than the University's liabilities with a ratio of 3.0 times as compared to 2.6 times in the prior year (as restated). These financial ratios are indicators of NC State's financial strength and its ability to meet current and long-term obligations.

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 Position* 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 Position* for the fiscal years ended June 30, 2015, and June 30, 2014.

	2015	2014	Increase/ (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	\$ 270,139,559	\$ 254,088,086	\$ 16,051,473
Federal Appropriations	16,930,633	19,849,729	(2,919,096)
Grants and Contracts	269,113,771	247,930,883	21,182,888
Sales and Services, Net	224,940,804	212,574,989	12,365,815
Other	18,427,520	18,287,529	139,991
Total Operating Revenues	799,552,287	752,731,216	46,821,071
Operating Expenses			
Salaries and Benefits	829,085,258	813,311,685	15,773,573
Supplies and Materials	118,371,721	112,422,816	5,948,905
Services	223,104,891	200,405,753	22,699,138
Scholarships and Fellowships	45,376,020	45,125,241	250,779
Utilities	35,750,321	36,820,865	(1,070,544)
Depreciation/Amortization	82,078,817	77,866,410	4,212,407
Total Operating Expenses	1,333,767,028	1,285,952,770	47,814,258
Net Operating Loss	(534,214,741)	(533,221,554)	993,187
Nonoperating Revenues (Expenses)			
State Appropriations	481,548,424	473,005,231	8,543,193
Noncapital Grants - Student Financial Aid	48,061,723	48,015,586	46,137
Other Noncapital Grants and Gifts	68,457,698	67,380,735	1,076,963
Investment Income	19,742,861	26,327,347	(6,584,486)
Other	(12,785,462)	(9,506,065)	3,279,397
Net Nonoperating Revenues	605,025,244	605,222,834	(197,590)
Gain Before Other Revenues	70,810,503	72,001,280	(1,190,777)
Capital Appropriations, Gifts, and Grants	18,518,437	17,002,639	1,515,798
Additions to Permanent Endowments	11,524,687	6,056,243	5,468,444
Increase in Net Position	100,853,627	95,060,162	\$ 5,793,465
Beginning Net Position	1,817,043,236	1,824,011,810	(6,968,574)
Restatement		(102,028,736)	102,028,736
Ending Net Position	\$ 1,917,896,863	\$ 1,817,043,236	100,853,627



Operating and Nonoperating Activities

The following illustrates the relationships of operating and nonoperating revenue sources and expense functions to total revenues/expenses for the fiscal year 2015 and 2014, and the consistency of relationships between the two years.

OPERATING AND NONOPERATING REVENUES

Title	% to Total 2015	% to Total 2014
State Appropriations	34%	35%
Research Contracts and Grants	19%	18%
Student Tuition and Fees	19%	19%
Sales and Services	16%	16%
Noncapital Grants and Gifts	8%	8%
Federal Appropriations	1%	1%
Other	3%	3%
Total	100%	100%

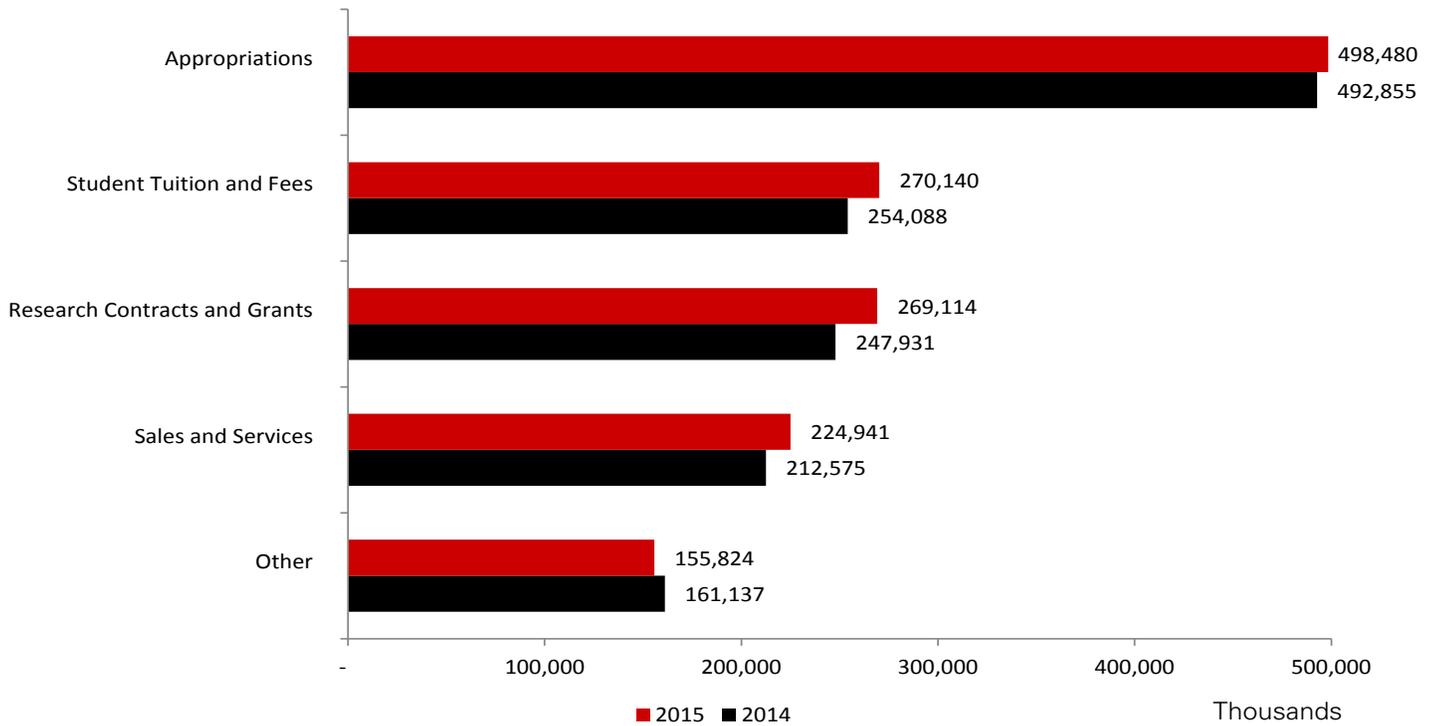
OPERATING AND NONOPERATING EXPENSES

Title	% to Total 2015	% to Total 2014
Instruction	30%	30%
Research	19%	18%
Public Service	9%	9%
Auxiliary Enterprises	11%	12%
Operations & Maintenance of Plant	6%	6%
Academic Support	6%	6%
Institutional Support	6%	6%
Depreciation/Amortization	6%	6%
Student Financial Aid	3%	4%
Student Services	2%	2%
Pension Expense	1%	0%
Other	1%	1%
Total	100%	100%

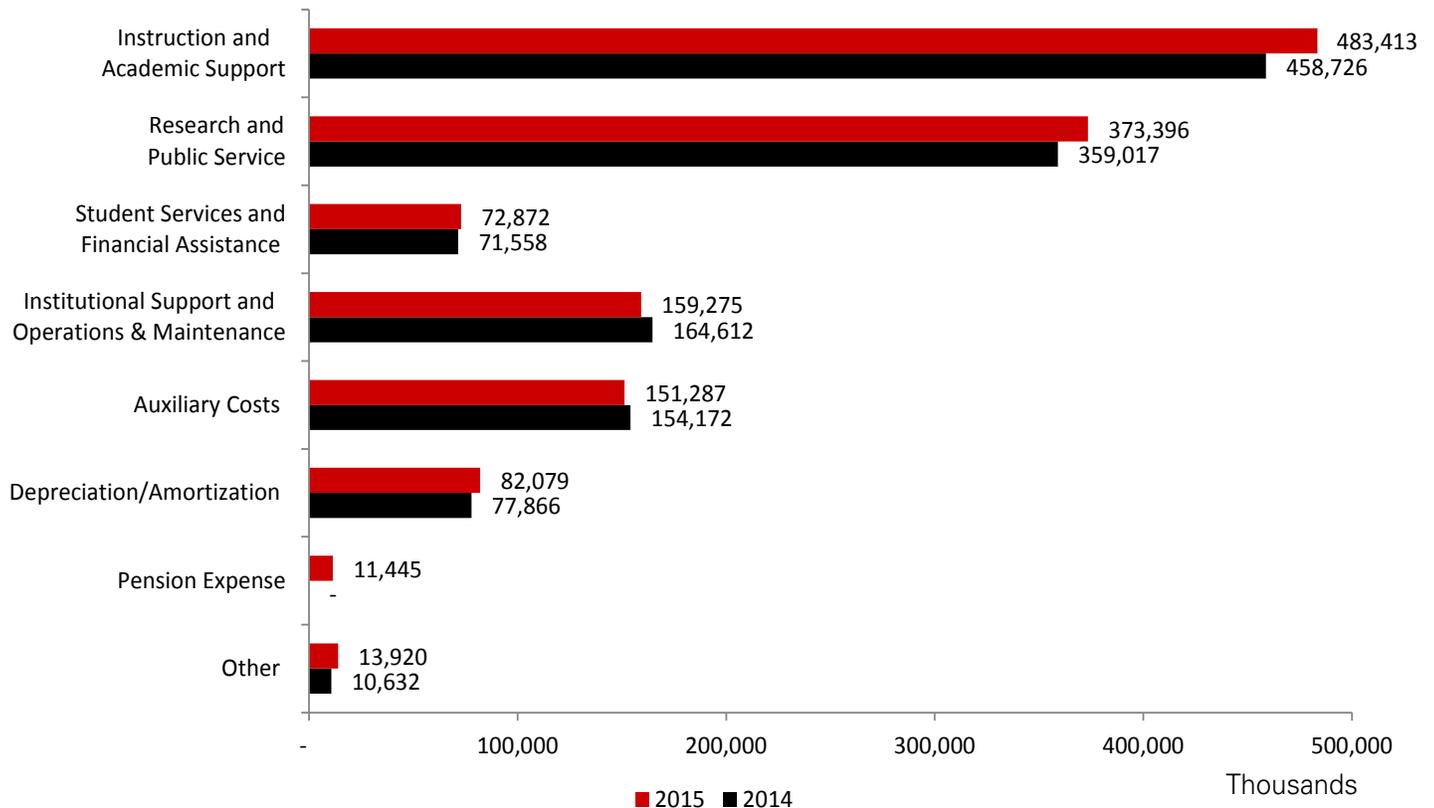


The following graphs illustrate the University's operating and nonoperating revenues/expenses by source/function (*in thousands*).

OPERATING AND NONOPERATING REVENUES



OPERATING AND NONOPERATING EXPENSES





Total revenues (operating and nonoperating) increased \$49.9 million or 3.6% compared to the prior year. Research contracts and grants rose by \$21.2 million, with increases in nongovernmental, federal and state research. Student tuition and fees increased \$16.1 million. This increase was primarily due to increases in enrollment for nonresident students and tuition increases for nonresident students and resident graduate students. Sales and services revenues were also up \$12.4 million or 5.8%, with increases in various services including housing, athletics, veterinary services and dining. New housing buildings, the new football bowl series and a new dining plan were factors in these increases. State appropriations were up \$8.5 million but federal appropriations for agricultural activities were down \$2.9 million. Also, investment income decreased \$6.6 million. Although dividends and interest income was up \$3.9 million with the new ITF investments, unrealized gains were down \$9.9 million due to market fluctuations.

Total expenses (operating and nonoperating) increased \$51.1 million or 3.9% compared to the prior year. The largest increase was in services expenses, \$22.7 million or 11.3%, which was driven by increases in subcontract services for research grants. Salaries and benefits increased \$15.8 million or 1.9% in 2015, caused by a \$1,000 legislative salary increase for all full-time SPA employees and five days of bonus leave. Raises for EPA employees were not a set amount but the legislature provided a pool for funding the university system EPA salary increases. The largest salary increase was in instruction. The pension expense of \$11.4 million also added to the salaries total but other pension related entries reduced salaries in other functions. Supplies and materials rose by \$5.9 million, with increases in instruction, research and student services being partially offset by a decrease in auxiliary enterprises. Auxiliary supplies spending had been high in the prior year as new housing and dining facilities were established. As capital assets rose, the related depreciation/amortization expense also increased by \$4.2 million or 5.4%. Other nonoperating expenses increased by \$3.3 million, primarily caused by

an decrease in capitalized interest moving less interest expenses to capital assets. Scholarships and fellowship remained consistent, growing by just \$0.3 million.

Other Activity

Other activity totaled \$30.0 million, up \$7.0 million from the prior year. Capital gifts increased by \$13.4 million with the NC State Student Aid Association, Inc. gift of the Close-King Indoor Practice Facility. However, the legislature did not provide any capital appropriations for fiscal year 2015 so this funding decreased \$12.2 million. Additions to endowments increased \$5.5 million, primarily with funding for professorships and scholarships.

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 \$28.4 million during fiscal year 2015.

	2015	2014	Increase/(Decrease)
Land	\$ 39,333,484	\$ 38,811,135	\$ 522,349
Construction in Progress	54,956,500	128,566,044	(73,609,544)
Computer Software in Development	659,874	873,929	(214,055)
Buildings	2,158,952,416	2,013,740,521	145,211,895
Machinery and Equipment	342,643,333	332,699,146	9,944,187
General Infrastructure	205,771,161	202,218,931	3,552,230
Computer Software	17,514,419	15,100,783	2,413,636
Total Capital Assets	2,819,831,187	2,732,010,489	87,820,698
Accumulated Depreciation/Amortization	(842,624,319)	(783,182,095)	59,442,224
Net Capital Assets	\$ 1,977,206,868	\$ 1,948,828,394	\$ 28,378,474



In addition to costs incurred, the University had \$39.2 million in outstanding commitments for construction projects as of June 30, 2015.

During fiscal year 2015, NC State continued to build new facilities and work on renovations to modernize campus. Funding for these improvements came from funds provided by University debt financing, gifts and state bonds and certificates of participation. Following are some of the major construction projects that were completed or were in progress as of June 30, 2015.

The University has spent five years remodeling Talley Student Union, and with the second phase of construction finished, Talley opened its doors to the public in May 2015. Striving to be the hub and heart of the University, the newly renovated student union added an additional 170,000 plus in gross square feet to bring the total gross square footage of the new student union to 292,000.

Talley Student Union aims to be the foundation for student life at N.C. State, providing a variety of extracurricular opportunities, employment and academic resources. With nine different student departments housed in Talley Student Union, students can make a difference on campus with the assistance of the James H. Woodward Student Involvement Center that supports over 600 student organizations.

Seeking to provide more space and venues for students, faculty, staff and the Wolfpack community, Talley has added multiple spaces to encourage collaboration, foster learning and provide a welcoming atmosphere. With vibrant art, natural light, comfortable furniture and amazing views, Talley Student Union's goal is to provide a place to help build and strengthen the campus community. Featuring a 1,200 seat ballroom, and multiple other flexible meeting areas equipped with furniture and technology, Talley Student Union has space to encourage and foster collaboration and innovation. The Stewart Theatre, which hosts student performances and outside acts also was renovated with a new entrance, updated audio, sound and lighting systems, to go along with new seating and staging. Wolfpack Outfitters, a new two-story, 40,000 square foot expanded book store, offers a wider range of N.C. State apparel and merchandise.

Striving to be as sustainable as possible, Talley Student Union has applied for LEED Silver certification. One of

the most significant improvements to the Talley Student Union is its use of a high efficiency mechanical system which was designed through a virtual design process to more accurately assess the energy needs of a building of its size. Building features that contribute to the building's efficiency are the reflective roofing, high performance glass including ceramic frit screening to reduce heat gain, glass fins and sun shades. Rain water from the roof will be captured in a cistern located underground and that water will be used for site irrigation offsetting the need for potable water. Several raingardens located on the north lawn will slow water shed and filter it back into the natural water table.

The new Talley Student Union has four quick-service restaurants, a convenience store, gourmet bakery and ice cream shop. This coupled with Starbucks and 1887 Bistro opening in the Fall of 2015 mean that Talley Student Union will have multiple dining options for the campus community as well as employee dozens of students.

Other capital improvement projects completed this year are several major energy efficiency improvements to buildings. These include major renovations/replacements of HVAC (Heating, Ventilating, and Air Conditioning) to Partners I, Research Building II and Research Building III, Watauga, Jordan and Biltmore Halls, Pulp & Paper Labs and Jordan Hall Addition. These renovations along with others to the College of Veterinary Medicine 3rd Floor, C-Wing, Laboratory and additions of a 2,000 ton chiller and 3,000 ton cooling unit to the Centennial Campus Central Utility Plant (CCUP) continue N.C. State's initiative to become more energy efficient.



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 during fiscal year 2015.

Long-term liabilities fell by \$116.9 million, primarily due to the new pension liability and the restatement for the pension liability in 2014. Also, bonds payable and notes payable decreased due to regular principal payments. Compensated absences increased \$5.8 million with the five days of bonus leave provided by the legislature.

	2015	2014 (As Restated)	Increase/ (Decrease)
Bonds Payable	\$ 499,043,276	\$ 513,605,465	\$ (14,562,189)
Net Pension Liability	25,160,037	128,553,827	(103,393,790)
Notes Payable	76,194,309	80,591,566	(4,397,257)
Capital Leases Payable	210,875	566,674	(355,799)
Compensated Absences	68,534,279	62,743,620	5,790,659
Total Long-term Liabilities	\$ 669,142,776	\$ 786,061,152	(116,918,376)

Economic Factors That Will Affect the Future

The State of North Carolina continues to experience moderate, steady economic growth. Employment growth is improving as employment markets continue to stabilize. The state's economic growth is projected to keep pace with that of the nation as a whole. The state's unemployment rate decreased to 5.9% as of July 2015. The main drivers of revenue, employment and personal income, remain stable. Employment gains continue to improve prospects for better income growth over the next few years. The state ended FY 14-15 with an excess of \$400 million (2%) of revenue over projected receipts.

The University's projected enrollment growth through 2020 flattens and somewhat stabilizes undergraduate and master's degree enrollment with a focus on growing doctoral enrollment, especially in the STEM (Science, Technology, Engineering, Mathematics) disciplines. The quality of the undergraduate student body continues to increase. Retention and graduation rates continue to improve with graduating student debt at a very modest level among major public research universities. The University continues to be rated as one of the country's best values in higher education.



UNIVERSITY FINANCIAL STATEMENTS

NORTH CAROLINA
STATE UNIVERSITY

2015 ANNUAL
FINANCIAL REPORT

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 155,902,386
Restricted Cash and Cash Equivalents	99,856,277
Receivables, Net (Note 4)	66,660,912
Due from Primary Government	12,123,436
Due from State of North Carolina Component Units	2,815,483
Inventories	6,731,138
Notes Receivable, Net (Note 4)	<u>3,215,194</u>

Total Current Assets	<u>347,304,826</u>
----------------------	--------------------

Noncurrent Assets:

Restricted Cash and Cash Equivalents	60,078,628
Endowment Investments	230,099,050
Restricted Investments	194,631,411
Other Investments	147,978,066
Notes Receivable, Net (Note 4)	9,122,432
Capital Assets - Nondepreciable (Note 5)	94,949,858
Capital Assets - Depreciable, Net (Note 5)	<u>1,882,257,010</u>

Total Noncurrent Assets	<u>2,619,116,455</u>
-------------------------	----------------------

Total Assets	<u>2,966,421,281</u>
--------------	----------------------

DEFERRED OUTFLOWS OF RESOURCES

Accumulated Decrease in Fair Value of Hedging Derivatives (Note 9)	11,808,389
Deferred Outflows Related to Pensions (Note 13)	<u>30,789,269</u>

Total Deferred Outflows of Resources	<u>42,597,658</u>
--------------------------------------	-------------------

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	35,831,675
Due to Primary Government	7,569,603
Due to State of North Carolina Component Units	750,464
Unearned Revenue	36,647,718
Interest Payable	4,458,644
Short-Term Debt (Note 7)	10,000,000
Long-Term Liabilities - Current Portion (Note 8)	<u>19,729,045</u>

Total Current Liabilities	<u>114,987,149</u>
---------------------------	--------------------

Noncurrent Liabilities:

Deposits Payable	1,458,018
Funds Held for Others	21,416,665
U.S. Government Grants Refundable	5,605,086
Funds Held in Trust for Pool Participants	195,561,799
Hedging Derivative Liability (Note 9)	11,808,389
Long-Term Liabilities, Net (Note 8)	<u>649,413,731</u>

Total Noncurrent Liabilities	<u>885,263,688</u>
------------------------------	--------------------

Total Liabilities	<u>1,000,250,837</u>
-------------------	----------------------

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension (Note 13)	<u>90,871,239</u>
---	-------------------

Total Deferred Inflows of Resources	<u>90,871,239</u>
-------------------------------------	-------------------

NET POSITION

Net Investment in Capital Assets	1,382,657,675
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	11,241,525
Endowed Professorships	78,841,616
Departmental Uses	8,854,725
Loans	7,687,467
Expendable:	
Scholarships and Fellowships	29,505,649
Research	12,231,865
Endowed Professorships	72,056,527
Departmental Uses	45,146,181
Loans	1,108,746
Capital Projects	32,523,251
Debt Service	18,935,170
Unrestricted	<u>217,106,466</u>
Total Net Position	<u>\$ 1,917,896,863</u>

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 Position
For the Fiscal Year Ended June 30, 2015

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 11)	\$ 270,139,559
Federal Appropriations	16,930,633
Federal Grants and Contracts	146,679,009
State and Local Grants and Contracts	39,416,414
Nongovernmental Grants and Contracts	83,018,348
Sales and Services, Net (Note 11)	224,940,804
Interest Earnings on Loans	258,181
Other Operating Revenues Net, (Note 11)	18,169,339

Total Operating Revenues	<u>799,552,287</u>
--------------------------	--------------------

EXPENSES

Operating Expenses:

Salaries and Benefits	829,085,258
Supplies and Materials	118,371,721
Services	223,104,891
Scholarships and Fellowships	45,376,020
Utilities	35,750,321
Depreciation/Amortization	82,078,817

Total Operating Expenses	<u>1,333,767,028</u>
--------------------------	----------------------

Operating Loss	<u>(534,214,741)</u>
----------------	----------------------

NONOPERATING REVENUES (EXPENSES)

State Appropriations	481,548,424
Noncapital Grants - Student Financial Aid	48,061,723
Noncapital Grants	279,362
Noncapital Gifts	68,178,336
Investment Income (Net of Investment Expense of \$914,006)	19,742,861
Interest and Fees on Debt	(11,929,054)
Federal Interest Subsidy on Debt	1,134,661
Other Nonoperating Expenses	(1,991,069)

Net Nonoperating Revenues	<u>605,025,244</u>
---------------------------	--------------------

Income Before Other Revenues	70,810,503
------------------------------	------------

Capital Grants	2,341,619
Capital Gifts	16,176,818
Additions to Endowments	11,524,687

Increase in Net Position	100,853,627
--------------------------	-------------

NET POSITION

Net Position - July 1, 2014, as Restated (Note 19)	<u>1,817,043,236</u>
--	----------------------

Net Position - June 30, 2015	<u>\$ 1,917,896,863</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, 2015

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 778,745,766
Payments to Employees and Fringe Benefits	(839,235,711)
Payments to Vendors and Suppliers	(369,119,871)
Payments for Scholarships and Fellowships	(45,376,020)
Loans Issued	(2,130,699)
Collection of Loans	2,269,287
Interest Earned on Loans	255,382
Other Receipts	18,492,095
	<hr/>
Net Cash Used by Operating Activities	(456,099,771)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	481,548,424
Noncapital Grants - Student Financial Aid	48,061,723
Noncapital Grants	209,940
Noncapital Gifts	67,972,336
Additions to Endowments	11,524,687
William D. Ford Direct Lending Receipts	113,129,614
William D. Ford Direct Lending Disbursements	(113,015,334)
Related Activity Agency Receipts	35,958,958
Related Activity Agency Disbursements	(41,025,617)
External Participation in Investment Fund Receipts	58,295,000
External Participation in Investment Fund Disbursements	(19,269,304)
Other Receipts	2,508,650
	<hr/>
Net Cash Provided by Noncapital Financing Activities	645,899,077

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Grants	3,570,334
Capital Gifts	1,469,571
Proceeds from Sale of Capital Assets	435,738
Acquisition and Construction of Capital Assets	(108,296,165)
Principal Paid on Capital Debt and Leases	(17,688,056)
Interest and Fees Paid on Capital Debt and Leases	(11,748,387)
Federal Interest Subsidy on Debt Received	1,134,661
Other Payments	(734,027)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(131,856,331)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	26,607,715
Investment Income	3,365,608
Purchase of Investments and Related Fees	(221,221,097)
	<hr/>
Net Cash Used by Investing Activities	(191,247,774)

Net Decrease in Cash and Cash Equivalents	(133,304,799)
Cash and Cash Equivalents - July 1, 2014	449,142,090
	<hr/>

Cash and Cash Equivalents - June 30, 2015	\$ 315,837,291
	<hr/> <hr/>

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

Operating Loss	\$ (534,214,741)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	82,078,817
Allowances, Write-Offs, and Amortizations	67,823
Pension Expense	11,444,678
Changes in Assets and Liabilities and Deferred Outflows of Resources:	
Receivables, Net	(766,253)
Due from Primary Government	(3,928,333)
Inventories	(1,296,711)
Notes Receivable, Net	132,112
Accounts Payable and Accrued Liabilities	2,553,844
Due to Primary Government	7,322,425
Due to State of North Carolina Component Units	280,700
Unearned Revenue	2,741,266
Deferred Outflows for Contributions Subsequent to the Measurement Date	(28,231,407)
Compensated Absences	5,790,658
Deposits Payable	(74,649)
	<hr/>
Net Cash Used by Operating Activities	<u>\$ (456,099,771)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 155,902,386
Restricted Cash and Cash Equivalents	99,856,277
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>60,078,628</u>
Total Cash and Cash Equivalents - June 30, 2015	<u>\$ 315,837,291</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	\$ 14,913,247
Change in Fair Value of Investments	12,931,569
Loss on Disposal of Capital Assets	(4,832,000)
Amortization of Bond Premiums	(1,627,189)

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

[This Page Left Blank Intentionally]



COMPONENT
UNIT
FINANCIAL
STATEMENTS

NORTH CAROLINA
STATE UNIVERSITY

2015 ANNUAL
FINANCIAL REPORT

NORTH CAROLINA STATE UNIVERSITY FOUNDATIONS
Statement of Financial Position
June 30, 2015

Exhibit B-1

	North Carolina State University Foundation, Inc.	NC State Student Aid Association, Inc.	The North Carolina Agricultural Foundation, Inc.
ASSETS			
Cash and Cash Equivalents	\$ 17,058,804	\$ 16,880,248	\$ 17,053,654
Investments	19,827,889	33,831,054	10,849,303
Investments with University Investment Pool	218,596,123		79,178,229
Cash Surrender Value of Life Insurance		117,302	73,495
Assets Held in Charitable Trusts and Annuities	23,961,117	1,445,179	
Donated Property and Land	1,509,587		33,090,480
Land and Property Held for Others	1,159,023		
Real Estate Held for Resale		7,362,679	
Receivables, Net	654,347	612,752	12,699
Pledges Receivable/Promises	68,693,917	22,301,726	9,516,939
Prepaid Expenses		137,116	
Notes/Loans Receivable, Net		200,000	5,099,447
Property and Equipment, Net	6,761,879	30,713,274	70,908
Other Assets	441,446		
Total Assets	358,664,132	113,601,330	154,945,154
LIABILITIES			
Accounts Payable and Accrued Expenses	407,664	655,338	359,904
Unearned Revenue		2,233,099	130,889
Interest Payable		10,503	
Due to Others	1,397,743		128,748
Funds Held for Others	925,409		54,252
Split Interest Agreement Obligations	15,580,865	1,587,693	2,277,196
Long-Term Debt		24,774,732	
Total Liabilities	18,311,681	29,261,365	2,950,989
NET ASSETS			
Unrestricted	13,069,320	30,159,938	2,952,236
Temporarily Restricted	106,341,472	18,428,823	72,786,016
Permanently Restricted	220,941,659	35,751,204	76,255,913
Total Net Assets	\$ 340,352,451	\$ 84,339,965	\$ 151,994,165

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, 2015

Exhibit B-2

	North Carolina State University Foundation, Inc.	NC State Student Aid Association, Inc.	The North Carolina Agricultural Foundation, Inc.
CHANGES IN UNRESTRICTED NET ASSETS			
Revenues and Gains:			
Contributions	\$ 26,583	\$ 10,823,531	\$ 1,796,265
Donated Services and Noncash Contributions	1,147,000	512,422	1,590,000
Clubs Income		220,574	
Leasehold Improvements	2,109,284		
Investment Income	173,824	642,627	423,376
Net Unrealized and Realized Gains on Long-Term Investments	861,898	336,607	(28,064)
Disposal of Other Assets			28,038
Executive Education, LLC Income	1,446,878		
Other	738,957	1,244,246	407,260
Total Unrestricted Revenues and Gains	6,504,424	13,780,007	4,216,875
Net Assets Released from Restrictions:			
Satisfaction of Program or Time Restrictions	14,765,929		11,446,784
Facility Improvements		20,044,206	
Total Net Assets Released from Restrictions	14,765,929	20,044,206	11,446,784
Total Unrestricted Revenues, Gains, and Other Support	21,270,353	33,824,213	15,663,659
Expenses and Losses:			
University Support	14,826,914	10,332,848	11,995,449
University Facilities Support	777,913	20,044,206	135,077
Management and General	626,413	1,244,116	348,350
Fund Raising	2,603,857	2,605,133	2,584,232
Total Expenses	18,835,097	34,226,303	15,063,108
Loss on Sale of Assets		9,500	
Total Expenses and Losses	18,835,097	34,235,803	15,063,108
Increase (Decrease) in Unrestricted Net Assets	2,435,256	(411,590)	600,551
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Contributions	15,617,051	3,757,226	9,025,826
Change in Pledges Receivable	(3,883,398)		1,234,944
Donated Services and Noncash Contributions		8,713	51,000
Grant Revenues			85,242
Investment Income	143,159	50,321	170,528
Net Unrealized and Realized Gains (Losses) on Long-Term Investments	16,535,399	(3,271)	5,023,353
Vaughn Towers Revenue		2,804,204	
Disposal of Other Assets		405,548	535,632
Other	789,629		79,007
Net Assets Released from Restrictions:			
Satisfaction of Program or Time Restrictions	(14,765,929)		(11,446,784)
Facility Improvements		(20,044,206)	
Increase (Decrease) in Temporarily Restricted Net Assets	14,435,911	(13,021,465)	4,758,748
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS			
Contributions	11,035,857	91,395	3,241,354
Change in Pledges Receivable	3,764,840		(2,742,540)
Investment Income	104,457		76,101
Net Unrealized and Realized Gains on Long-Term Investments	(887,670)		79,267
Change in Value of Split Interest Agreements	3,558,173	(306,159)	(111,290)
Other	1,305,966		1,094,574
Increase (Decrease) in Permanently Restricted Net Assets	18,881,623	(214,764)	1,637,466
Increase (Decrease) in Net Assets	35,752,790	(13,647,819)	6,996,765
Net Assets at Beginning of Year	304,599,661	97,987,784	144,997,400
Net Assets at End of Year	\$ 340,352,451	\$ 84,339,965	\$ 151,994,165

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

NORTH CAROLINA STATE UNIVERSITY
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Reirement System
Last Two Fiscal Years

Exhibit C-1

	2014	2013
(1) Proportionate Share Percentage of Collective Net Pension Liability	2.15%	2.12%
(2) Proportionate Share of TSERS Collective Net Pension Liability	\$ 25,160,037	\$ 128,553,827
(3) Covered-Employee Payroll	\$ 305,353,765	\$ 306,165,883
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	8.24%	41.99%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

NORTH CAROLINA STATE UNIVERSITY
Required Supplementary Information
Schedule of University Contributions
Teachers' and State Employees' Reirement System
Last Ten Fiscal Years

Exhibit C-2

	2015	2014	2013	2012	2011
(1) Contractually Required Contribution	\$ 28,231,407	\$ 26,535,242	\$ 25,503,618	\$ 22,231,989	\$ 15,004,360
(2) Contributions in Relation to the Contractually Determined Contribution	28,231,407	\$ 26,535,242	\$ 25,503,618	\$ 22,231,989	\$ 15,004,360
(3) Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered-Employee Payroll	\$ 308,539,969	\$ 305,353,765	\$ 306,165,883	\$ 298,817,058	\$ 304,348,067
(5) Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	2010	2009	2008	2007	2006
(1) Contractually Required Contribution	\$ 10,741,148	\$ 10,536,565	\$ 9,039,835	\$ 7,478,544	\$ 6,008,263
(2) Contributions in Relation to the Contractually Determined Contribution	10,741,148	\$ 10,536,565	\$ 9,039,835	\$ 7,478,544	\$ 6,008,263
(3) Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered-Employee Payroll	\$ 300,872,483	\$ 313,588,252	\$ 296,388,035	\$ 281,148,259	\$ 260,182,189
(5) Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

NORTH CAROLINA STATE UNIVERSITY
Notes to Required Supplementary Information
Schedule of University Contributions
Teachers' and State Employees' Reirement System

For the Fiscal Year Ended June 30, 2015

Changes of Benefit Terms:

Cost of Living Increase

2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

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

[This Page Left Blank Intentionally]



INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

56	Note 1	Significant Accounting Policies
60	Note 2	Deposits and Investments
64	Note 3	Endowment Investments
64	Note 4	Receivables
65	Note 5	Capital Assets
66	Note 6	Accounts Payable and Accrued Liabilities
66	Note 7	Short-Term Debt
67	Note 8	Long-Term Liabilities
70	Note 9	Derivative Instruments
72	Note 10	Lease Obligations
72	Note 11	Revenues
73	Note 12	Operating Expenses by Function
73	Note 13	Pension Plans
76	Note 14	Other Postemployment Benefits
77	Note 15	Risk Management
78	Note 16	Commitments and Contingencies
79	Note 17	Related Parties
80	Note 18	Blended Component Units
82	Note 19	Net Position Restatement
82	Note 20	Subsequent Events
82	Note 21	Discretely Presented Component Units

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 (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. See below for further discussion of the University's component units.

Blended Component Units - Although legally separate, the NC State Investment Fund, Inc. (Investment Fund) and the NC State University Partnership Corporation (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 five member Board of Directors appointed based on their positions held with North Carolina State University. Additional members of the board may be appointed by the Chancellor of North Carolina State 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 construct, own, and operate a golf course

located on the North Carolina State University Centennial Campus. 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. 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. Leaders in Innovation and Nonwovens Commercialization, LLC (LINC), was established on July 9, 2012 to foster economic development and creation of new knowledge by facilitating commercialization of technologies developed at the Nonwovens Institute at NC State University. Because the Corporation's Board consists of University employees and members 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 nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding blended component units is provided in Note 18.

Discretely Presented Component Units - The North Carolina State University Foundation, Inc. (Foundation), NC State Student Aid Association, Inc. (Athletic Club), and The North Carolina Agricultural Foundation, Inc. (Agricultural Foundation) are legally separate nonprofit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the University.

The Foundation, Athletic Club, and Agricultural Foundation 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 income 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, Athletic Club, and Agricultural Foundation are private nonprofit 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, 2015, the Foundation distributed \$12,962,458 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, 2015, the Athletic Club distributed \$27,096,296 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.

During the year ended June 30, 2015, the Agricultural Foundation distributed \$12,395,339 to the University for both restricted and unrestricted purposes. Complete financial statements for the Agricultural Foundation can be obtained from the Foundations Accounting and Investments Office, Campus Box 7207, Raleigh, NC 27695, or by calling (919) 513-7149.

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

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

C. Basis of Accounting - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when

earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. Investments - Investments 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. The fair value for investments in the UNC Investment Fund was based on amounts reported to the University by UNC Management Company, Inc.'s custodian, Bank of New York Mellon. University management reviews the values provided by the custodian. 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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. Inventories - Inventories, 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 of \$5,000 or greater 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.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-50 Years
Machinery & Equipment	4-22 Years
General Infrastructure	15-75 Years
Computer Software	2-15 Years

The University does not capitalize its Arts and Design or Historic 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, net pension liability, 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.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 13 for further information regarding the University's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

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

subject to conversion to sick leave.

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

M. Net Position - The University's net position is classified as follows:

Net Investment in Capital Assets - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

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

N. Scholarship Discounts - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student

financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

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

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

P. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as 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, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$312,272,884 which represents the University's equity position in the State Treasurer's STIF. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Cash on hand at June 30, 2015 was \$448,457. The carrying amount of the University's deposits not with the State Treasurer was \$3,115,950 and the bank balance was \$3,379,913. 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, 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, 2015, the University's bank balance exposed to custodial credit

risk (amounts that are uninsured and uncollateralized) was \$2,192,139.

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

Additionally, the University has also been delegated authority by the President of The University of North Carolina pursuant to G.S. 116-36.1 and Section 600.2.4.1 of the Policy Manual of the University of North Carolina to invest its trust funds in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 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; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

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

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

Investments of the 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.

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 Securities and Exchange Commission (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 Endowment Fund of North Carolina State University, The North Carolina Agricultural Foundation, Inc., and the North Carolina State University Foundation, Inc. represent the Investment Fund's internal participants. The North Carolina Agricultural Foundation, Inc. and the North Carolina State University Foundation, Inc. are discretely presented component units in the accompanying financial statements. Other affiliated organizations not included in the University's reporting entity represent the Investment Fund's external participants. The external portion of the Investment Fund is presented in the accompanying financial statements as "Funds Held in Trust for Pool Participants." The Investment Fund includes the Long-Term Investment Pool (LTIP) and the newly created Intermediate Term Fund (ITF) which was established on July 3, 2014 for the collective investment of the participants' excess operating funds.

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. Authority to manage the ITF in accordance with the investment policy has been granted jointly to the University's Vice Chancellor and Associate Vice Chancellor for Finance and Administration.

Bank of New York Mellon is the custodian for the Investment Fund 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 Investment Fund. The unit price fluctuates based on the investment experience of the investment pool. There are no involuntary participants in the Investment Fund. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Investment Fund'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://foundationsaccounting.ofa.ncsu.edu/investment-fund>.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2015, for the Investment Fund.

INVESTMENT FUND

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities			
Collective Investment Funds	\$ 41,691,268	\$ 41,691,268	
Debt Mutual Funds	171,132,559	171,132,559	
Total Debt Securities	212,823,827	<u>\$ 41,691,268</u>	<u>\$ 171,132,559</u>
Other Securities			
UNC Investment Fund	605,537,568		
Private Equity Limited Partnerships	28,039,030		
Total Investment Fund	<u>\$ 846,400,425</u>		

At June 30, 2015, investments in the Investment Fund had the following credit quality distribution for securities with credit exposure (based on S&P rating):

	Fair Value/Cost	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and Below	Unrated
Collective Investment Funds	\$ 41,691,268	\$ 7,687,684	\$ 262,575	\$ 477,347	\$ 542,086	\$ 632,471	\$ 32,089,105
Debt Mutual Funds	171,132,559			102,024,400	33,778,720		35,329,439
Totals	<u>\$ 212,823,827</u>	<u>\$ 7,687,684</u>	<u>\$ 262,575</u>	<u>\$ 102,501,747</u>	<u>\$ 34,320,806</u>	<u>\$ 632,471</u>	<u>\$ 67,418,544</u>

UNC Investment Fund, LLC - At June 30, 2015, the University's investments include \$605,537,568 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 Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. 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, 2015, for the University's non-pooled investments.

NON-POOLED INVESTMENTS

Investment Type	Fair Value/Cost	Investment Maturities (in Years) Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 810,329	\$ <u>810,329</u>
Other Securities		
Investments in Real Estate	23,196,938	
Domestic Stocks	25,584	
Collections and Mineral Rights	<u>49,603</u>	
Total Non-Pooled Investments	\$ <u>24,082,454</u>	

At June 30, 2015, 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	\$ 810,329	\$ <u>810,329</u>

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

Investment Type	Fair Value/Cost
Debt Securities	
Collective Investment Funds	\$ 41,691,268
Debt Mutual Funds	171,132,559
Money Market Mutual Funds	810,329
Other Securities	
UNC Investment Fund	605,537,568
Investments in Real Estate	23,196,938
Private Equity Limited Partnerships	28,039,030
Domestic Stocks	25,584
Collections and Mineral Rights	<u>49,603</u>
Total Investments	\$ <u>870,482,879</u>

Total investments include \$297,774,352 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural 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 position endowment balances to make up the difference. At June 30, 2015, net appreciation of \$149,022,369 was available to be spent, of which \$132,768,928 was restricted to specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

NOTE 4

Receivables

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,077,608	\$ 1,368,014	\$ 709,594
Student Sponsors	1,959,920		1,959,920
Accounts	29,122,296	1,519,159	27,603,137
Intergovernmental	36,035,360		36,035,360
Interest on Loans	428,508	381,278	47,230
Federal Interest Subsidy on Debt	305,671		305,671
Total Current Receivables	\$ 69,929,363	\$ 3,268,451	\$ 66,660,912
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 2,919,015	\$ 11,583	\$ 2,907,432
Institutional Student Loan Programs	311,194	3,432	307,762
Total Notes Receivable - Current	\$ 3,230,209	\$ 15,015	\$ 3,215,194
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 9,467,625	\$ 631,934	\$ 8,835,691
Institutional Student Loan Programs	421,948	135,207	286,741
Total Notes Receivable - Noncurrent	\$ 9,889,573	\$ 767,141	\$ 9,122,432

NOTE 5**Capital Assets**

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

	Balance		Balance	
	July 1, 2014	Increases	Decreases	June 30, 2015
Capital Assets, Nondepreciable:				
Land	\$ 38,811,135	\$ 522,349	\$ 0	\$ 39,333,484
Construction in Progress	128,566,044	36,946,412	110,555,956	54,956,500
Computer Software in Development	873,929	2,199,581	2,413,636	659,874
Total Capital Assets, Nondepreciable	168,251,108	39,668,342	112,969,592	94,949,858
Capital Assets, Depreciable:				
Buildings	2,013,740,521	154,848,096	9,636,201	2,158,952,416
Machinery and Equipment	332,699,146	28,212,317	18,268,130	342,643,333
General Infrastructure	202,218,931	3,552,230		205,771,161
Computer Software	15,100,783	2,413,636		17,514,419
Total Capital Assets, Depreciable	2,563,759,381	189,026,279	27,904,331	2,724,881,329
Less Accumulated Depreciation/Amortization for:				
Buildings	525,665,767	54,863,892	7,875,759	572,653,900
Machinery and Equipment	199,556,378	19,107,478	14,760,834	203,903,022
General Infrastructure	53,395,609	5,060,436		58,456,045
Computer Software	4,564,341	3,047,011		7,611,352
Total Accumulated Depreciation/Amortization	783,182,095	82,078,817	22,636,593	842,624,319
Total Capital Assets, Depreciable, Net	1,780,577,286	106,947,462	5,267,738	1,882,257,010
Capital Assets, Net	\$ 1,948,828,394	\$ 146,615,804	\$ 118,237,330	\$ 1,977,206,868

During the year ended June 30, 2015, the University incurred \$22,486,019 in interest costs related to the acquisition and construction of capital assets. Of this total, \$12,615,847 was charged in interest expense, and \$9,870,172 was capitalized.

Note 6

Accounts Payable and Accrued Liabilities

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

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 17,041,224
Accounts Payable-Capital	6,684,777
Accrued Payroll	8,146,926
Contract Retainage	2,342,470
Intergovernmental Payables	1,347,575
Other	<u>268,703</u>
Total Current Accounts Payable and Accrued Liabilities	<u><u>\$ 35,831,675</u></u>

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, 2015, \$10,000,000 in Tax-Exempt Commercial Paper was outstanding.

Short-term debt activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Draws	Repayments	Balance June 30, 2015
Commercial Paper Program	<u>\$ 10,000,000</u>	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>	<u>\$ 10,000,000</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, 2015, is presented as follows:

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Revenue Bonds Payable	\$ 488,490,000	\$ 0	\$ 12,935,000	\$ 475,555,000	\$ 13,465,000
Plus: Unamortized Premium	25,115,465		1,627,189	23,488,276	
Total Revenue Bonds Payable, Net	513,605,465	0	14,562,189	499,043,276	13,465,000
Net Pension Liability	128,553,827		103,393,790	25,160,037	
Notes Payable	80,591,566		4,397,257	76,194,309	2,432,294
Capital Leases Payable	566,674		355,799	210,875	117,874
Compensated Absences	62,743,620	50,357,182	44,566,523	68,534,279	3,713,877
Total Long-Term Liabilities	\$ 786,061,152	\$ 50,357,182	\$ 167,275,558	\$ 669,142,776	\$ 19,729,045

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

Additional information regarding the net pension liability is included in Note 13.

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2015	Principal Outstanding June 30, 2015
GENERAL REVENUE						
Housing System Projects/Doak Field Projects	2003B	3.48% swap*	10/01/2027	\$ 45,660,000	\$ 3,035,000	\$ 42,625,000
Various Construction Projects	2005A	5%	10/01/2015	81,615,000	77,115,000	4,500,000
Various Construction Projects	2008A	3.84% swap*	10/01/2028	66,605,000	270,000	66,335,000
Various Construction Projects	2008B	4% - 4.25%	10/01/2020	26,955,000	23,640,000	3,315,000
Various Construction Projects	2010A	4% - 5%	10/01/2022	18,065,000	5,245,000	12,820,000
Various Construction Projects	2010B	5.079% - 6.027%**	10/01/2035	59,565,000		59,565,000
Advance Refund Series 2003A	2012	4% - 5%	10/01/2018	16,265,000	3,005,000	13,260,000
Adv Refund 2005A/Wolf Ridge Housing	2013A	2%-5%	10/01/2042	132,440,000		132,440,000
Adv Refund 2005A/Talley Student Center	2013B	0.649%-4%	10/01/2041	141,650,000	955,000	140,695,000
Total Revenue Bonds Payable (principal only)				\$ 588,820,000	\$ 113,265,000	475,555,000
Plus: Unamortized Premium						23,488,276
Total Revenue Bonds Payable, Net						\$ 499,043,276

* For variable rate debt, interest rates in effect at June 30, 2015, 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 32% 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 two 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 regard 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 purchased 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, 2015, 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 outstanding \$42,625,000 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 began 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 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 the termination date of the Agreement.

Under the Agreement, any bonds purchased 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 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. At June 30, 2015, there were no Bank Bonds held by the Liquidity Facility. 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 Bank Bonds held by the Liquidity Facility in six semiannual installments, rounded 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 outstanding \$66,335,000 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.

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2015, are as follows:

Fiscal Year	Annual Requirements					
	Revenue Bonds Payable			Notes Payable		
	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	
2016	\$ 13,465,000	\$ 16,088,649	\$ 2,673,629	\$ 2,432,294	\$ 3,179,257	
2017	13,985,000	15,664,193	2,535,790	4,392,308	3,048,590	
2018	14,510,000	15,286,884	2,392,452	3,241,090	2,919,981	
2019	14,140,000	14,905,022	2,243,426	3,699,075	2,772,449	
2020	14,685,000	14,623,750	2,088,334	4,196,628	2,604,889	
2021 - 2025	82,700,000	69,190,792	7,422,983	28,964,324	9,751,198	
2026 - 2030	102,240,000	59,304,849	825,145	29,268,590	2,590,059	
2031 - 2035	80,390,000	37,845,328				
2036 - 2040	81,720,000	21,193,498				
2041 - 2045	57,720,000	4,030,600				
Total Requirements	\$ 475,555,000	\$ 268,133,565	\$ 20,181,759	\$ 76,194,309	\$ 26,866,423	

Interest on the variable rate 2003B general revenue bonds is calculated at 0.08% at June 30, 2015

Interest on the variable rate 2008A general revenue bonds is calculated at 0.05% at June 30, 2015

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:

not included in the University's financial statements. At June 30, 2015, the outstanding balance of prior year defeased bonds was \$47,465,000.

Prior Year Defeasances- During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are

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, 2015	Compounded Interest	Principal Outstanding June 30, 2015
Energy Conservation Loan	BB&T	4.97%	06/01/2030	\$ 19,700,703	\$ 1,624,552	\$ 707,470	\$ 18,783,621
Energy Conservation Loan	Bank of America	4.07%	08/17/2028	56,060,010	3,850,307	3,522,938	55,732,641
Lonnie Poole Golf Course	Suntrust	Variable	01/30/2015	5,000,000	5,000,000		
Carol Johnson Poole Clubhouse	Suntrust	Variable	07/30/2016	3,049,447	1,371,400		1,678,047
Total Notes Payable				\$ 83,810,160	\$ 11,846,259	\$ 4,230,408	\$ 76,194,309

Note 9

Derivative Instruments

Derivative instruments held at June 30, 2015, are as follows:

Type	Notional Amount	Change in Fair Value		Fair Value at June 30, 2015	
		Classification	Increase (Decrease)	Classification	Liability
Hedging Derivative Instruments					
Cash Flow Hedges					
Pay-Fixed Interest Rate Swap 2003B Bonds	\$ 24,655,000	Deferred Outflow of Resources	\$ (290,417)	Hedging Derivative Liability	\$ (4,225,794)
Pay-Fixed Interest Rate Swap 2008A Bonds	\$ 50,000,000	Deferred Outflow of Resources	454,614	Hedging Derivative Liability	(7,582,595)
Total Derivative Instruments			\$ 164,197		\$ (11,808,389)

Hedging derivative instruments held at June 30, 2015, 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, 2015, the synthetic fixed interest rates on the swapped portion of the 2003B and 2008A bonds were 3.48% and 3.84% 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: At June 30, 2015, 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 swap 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, then 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, 2015. 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, 2015. Both of the swaps outstanding have termination dates greater than 11 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 and 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, 2015, the SIFMA rate was 0.07% whereas 75% of LIBOR was 0.14%

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, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 117,874
2017	51,370
2018	40,002
2019	<u>5,252</u>
Total Minimum Lease Payments	214,498
Amount Representing Interest (1.05 - 1.4% Rate of Interest)	<u>3,623</u>
Present Value of Future Lease Payments	<u><u>\$ 210,875</u></u>

Machinery and equipment acquired under capital lease amounted to \$758,886 at June 30, 2015.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$490,707 at June 30, 2015.

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, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 8,032,730
2017	4,765,881
2018	4,311,426
2019	3,958,514
2020	3,489,983
2021-2025	15,630,376
2026-2030	<u>9,075,045</u>
Total Minimum Lease Payments	<u><u>\$ 49,263,955</u></u>

Rental expense for all operating leases during the year was \$8,608,533.

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	<u>\$ 360,316,471</u>	<u>\$ 698,728</u>	<u>\$ 89,542,061</u>	<u>\$ (63,877)</u>	<u>\$ 270,139,559</u>
Sales and Services	<u>\$ 308,353,078</u>	<u>\$ 62,591,652</u>	<u>\$ 20,537,603</u>	<u>\$ 283,019</u>	<u>\$ 224,940,804</u>
Other Operating Revenue	<u>\$ 23,729,614</u>	<u>\$ 5,559,135</u>	<u>\$ 0</u>	<u>\$ 1,140</u>	<u>\$ 18,169,339</u>

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	\$ 342,058,328	\$ 24,652,614	\$ 35,442,828	\$ 0	\$ 5,988	\$ 0	402,159,758
Research	167,236,099	19,471,853	65,037,239		970,086		252,715,277
Public Service	79,657,899	11,350,844	29,331,849		340,329		120,680,921
Academic Support	42,374,175	18,061,134	20,796,545		21,920		81,253,774
Student Services	16,611,385	1,488,982	6,459,059		211,240		24,770,666
Institutional Support	63,551,177	3,446,787	15,170,656				82,168,620
Operations and Maintenance of Plant	34,249,912	7,469,339	8,297,560		27,089,598		77,106,409
Student Financial Aid	1,453,199	49,894	1,221,959	45,376,020			48,101,072
Auxiliary Enterprises	70,448,406	32,380,274	41,347,196		7,111,160		151,287,036
Depreciation/Amortization						82,078,817	82,078,817
Pension Expense	11,444,678						11,444,678
Total Operating Expenses	\$ 829,085,258	\$ 118,371,721	\$ 223,104,891	\$ 45,376,020	\$ 35,750,321	\$ 82,078,817	\$ 1,333,767,028

NOTE 13

Pension Plans

A. Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or

at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The University's contributions to the pension plan were \$28,231,407, and employee contributions were \$18,512,398 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of

resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

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

Net Pension Liability: At June 30, 2015, the University reported a liability of \$25,160,037 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the University's proportion was 2.15%, which was an increase of .03% from its proportion measured as of June 30, 2013.

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

Valuation Date	12/31/2013
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.

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

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

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

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

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

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

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

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
180,616,197	25,160,037	(106,100,042)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the University recognized pension expense of \$11,444,678. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0	\$ 5,864,669
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments (See Note Below)		85,006,570
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	2,557,862	
Contributions Subsequent to the Measurement Date	28,231,407	
Total	\$ 30,789,269	\$ 90,871,239

\$28,231,407 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2016	\$ (22,124,164)
2017	(22,124,164)
2018	(22,124,164)
2019	(21,940,885)
Total	\$ (88,313,377)

B. Defined Contribution Plan - The Optional Retirement Program (Program) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the TSERS. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under the Program and approves the form and contents of the contracts and trust agreements.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

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 (TSERS) or the Optional Retirement Program (ORP). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of TSERS and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2015, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$712,127,268, of which \$266,792,165 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$18,248,584 and \$16,007,530, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. The University had forfeitures reflected in pension expense for the current fiscal year of \$936,539.

employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the University contributed 5.49% of the covered payroll under TSERS and ORP to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.40% and 5.30%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$31,585,734, \$29,986,156, and \$28,822,840, respectively. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the University made a statutory contribution of .41% of covered payroll under TSERS and ORP to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, was .44% in both years. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$2,358,862, \$2,443,316, and \$2,392,840, 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.

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$1,000,000 per occurrence. The applicable deductible is \$25,000 per occurrence.

4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the

University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

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

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance 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.

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 \$39,234,287 at June 30, 2015.

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 \$3,400,000 as of June 30, 2015.

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 \$70,000,000 (the University would be responsible for a portion of this amount). 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. In January 2013, the EPA indicated its desire to pursue a global settlement involving all parties for all past and future remediation costs, and indicated that parties not participating in the global settlement negotiations will face enforcement action by the EPA. As the University would not have a sovereign immunity defense available in an enforcement action brought by the EPA, on March 5, 2013, the University communicated its intent to participate in future global settlement negotiations with the EPA. Such negotiations have not yet begun and it is too early to determine the potential costs to the University.

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 non-profit 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 College of Sciences Foundation, Inc., NC State 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 Agricultural Foundation, Inc., 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 position, 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 Agricultural Foundation, Inc., the North Carolina State University Foundation, Inc. and the NC State Student Aid Association, Inc. approximated \$20,468,864 for the year ended June 30, 2015.

Reynolds Coliseum - The NC State Student Aid Association has agreed to fund \$20,000,000 of the \$35,000,000 project to renovate the University's Reynolds Coliseum.

Close-King Indoor Practice Facility - The NC State Student Aid Association funded the new \$14,000,000 Close-King Indoor Practice Facility adjacent to Carter-Finley Stadium.

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 \$51,597 for each men's and \$22,559 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 2012, the name of the ESA was changed to "PNC Arena."

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

NOTE 18**Blended Component Units**

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

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

	North Carolina State University	NC State Investment Fund, Inc	NC State University Partnership Corporation	Eliminations	Total
ASSETS					
Current Assets	\$ 342,082,405	\$ 2,081,998	\$ 3,140,423	\$ 0	\$ 347,304,826
Capital Assets	1,956,600,257		20,606,611		1,977,206,868
Other Noncurrent Assets	119,345,968	548,626,074	1	(26,062,455)	641,909,587
Total Assets	2,418,028,630	550,708,072	23,747,034	(26,062,455)	2,966,421,281
Total Deferred Outflows of Resources	42,597,658				42,597,658
LIABILITIES					
Current Liabilities	113,944,306	339,745	703,098		114,987,149
Noncurrent Liabilities	854,596,557		4,604,676	26,062,455	885,263,688
Total Liabilities	968,540,863	339,745	5,307,774	26,062,455	1,000,250,837
Total Deferred Inflows of Resources	90,871,239				90,871,239
NET POSITION					
Net Investment in Capital Assets	1,366,524,369		16,133,306		1,382,657,675
Restricted-Nonexpendable	(443,742,994)	2 550,368,327			106,625,333
Restricted-Expendable	211,507,389				211,507,389
Unrestricted	214,800,512		2,305,954		217,106,466
Total Net Position	\$ 1,349,089,276	\$ 550,368,327	\$ 18,439,260	\$ 0	\$ 1,917,896,863

1. Total investments in the NC State Investment Fund., Inc. audit report included \$297,774,352 held in the Investment Fund for the North Carolina State University Foundation, Inc. and The North Carolina Agricultural Foundation, Inc. This amount is excluded from the University prepared financial statements and included in the accompanying component unit financial statements. See Note 2 to the financial statements. It will therefore be excluded from the Condensed Statement of Net Position and the Condensed Statement of Revenues, Expenses, and Changes in Net Position.

2. Restricted Nonexpendable assets are held in the NC State Investment Fund, Inc. while the associated liabilities are held in North Carolina State University statements resulting in a negative net position before blending.

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

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Elimination	Total
OPERATING REVENUES					
Operating Revenues	\$ 796,412,698	\$ 0	\$ 8,435,456	\$ (5,295,867)	\$ 799,552,287
OPERATING EXPENSES					
Operating Expenses	1,249,770,081	1,620,520	7,228,475	(6,930,865)	1,251,688,211
Depreciation/Amortization	81,583,301		495,516		82,078,817
Total Operating Expenses	1,331,353,382	1,620,520	7,723,991	(6,930,865)	1,333,767,028
Operating Income (Loss)	(534,940,684)	(1,620,520)	711,465	1,634,998	(534,214,741)
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	481,548,424				481,548,424
Noncapital Grants	48,341,085				48,341,085
Noncapital Gifts	68,178,336				68,178,336
Investment Income	(179,174,947)	198,917,808			19,742,861
Other Nonoperating Expenses	(12,741,630)		(43,832)		(12,785,462)
Net Nonoperating Revenues (Expenses)	406,151,268	198,917,808	(43,832)		605,025,244
Capital Grants	2,341,619				2,341,619
Capital Gifts	14,952,031		2,859,785	(1,634,998)	16,176,818
Additions to Endowments	8,524,687	3,000,000			11,524,687
Increase (Decrease) in Net Position	(102,971,079)	200,297,288	3,527,418		100,853,627
NET POSITION					
Net Position, July 1, 2014 (As Restated)	1,452,060,355	350,071,039	14,911,842		1,817,043,236
Net Position, June 30, 2015	\$ 1,349,089,276	\$ 550,368,327	\$ 18,439,260		\$ 1,917,896,863

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

	North Carolina State University	NC State Investment Fund, Inc.	NC State University Partnership Corporation	Total
Net Cash Provided (Used) by Operating Activities	\$ (457,282,059)	\$ 0	\$ 1,182,288	\$ (456,099,771)
Net Cash Provided by Noncapital Financing Activities	645,899,077			645,899,077
Net Cash Used by Capital and Related Financing Activities	(131,226,370)		(629,961)	(131,856,331)
Net Cash Provided (Used) by Investing Activities	(192,035,530)	787,756		(191,247,774)
Net Increase (Decrease) in Cash and Cash Equivalents	(134,644,882)	787,756	552,327	(133,304,799)
Cash and Cash Equivalents, July 1, 2014	445,444,108	1,294,242	2,403,740	449,142,090
Cash and Cash Equivalents, June 30, 2015	\$ 310,799,226	\$ 2,081,998	\$ 2,956,067	\$ 315,837,291

NOTE 19

Net Position Restatement

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

	Amount
July 1, 2014 Net Position as Previously Reported	\$ 1,919,071,972
Restatement:	
Record the University's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements	(102,028,736)
July 1, 2014 Net Position as Restated	<u>\$ 1,817,043,236</u>

NOTE 20

Subsequent Events

On August 4, 2015, the University issued an additional \$10,000,000 in Commercial Paper, bringing total outstanding to \$20,000,000. These funds provide interim funding for the Reynolds Coliseum Renovation and the Carmichael Locker Room Renovation.

NOTE 21

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 statement follow:

NORTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.

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, 2015, consisted of:

	Cost	Fair Value
STIF	\$ 503,377	\$ 503,377
NC State Investment Fund, Inc.		
Long Term Investment Pool (LTIP)	162,477,187	215,143,988
SRI Fund	9,638,358	10,270,416
Wells Fargo - Life Income Funds	6,378,921	6,794,168
Total	<u>\$ 178,997,843</u>	<u>\$ 232,711,949</u>

Investments held by the LTIP at June 30, 2015 were made up of limited partnerships, an investment with a Blackrock Liquid Policy Portfolio ("LPP"), a bundle of exchange-traded funds, and the STIF. As of June 30, 2015, approximately 89.4% of these limited partnerships were with the UNC Management Company, 4.1% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 6.2% was invested in the LPP, and 0.3% was invested in the STIF. The LTIP's net assets were valued at approximately \$676,716,000 at June 30, 2015. The Foundation's investment in the LTIP represents approximately 31.8% of the member equity of the LTIP at June 30, 2015.

The SRI Fund assets are invested in a socially responsible manner through a diversified portfolio of managers that consider environmental, social, and governance issues. As of June 30, 2015, approximately 43.3% of total assets were invested with RBC SRI Wealth Management Group (RBC), 48.4% with Generation IM Global Equity A Fund, 8.2% with Calvert Bond Portfolio Fund and 0.1% in the STIF.

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

Life Income Funds

The consolidated 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, 2015 have asset balances of \$6,794,168.

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 \$3,597,145 at June 30, 2015. Payments from these funds were \$483,858 during the year ended June 30, 2015. 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, 2015, the CGA reserve balance was \$5,903.

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 \$20,682,509 and life income funds payable of \$11,983,720 as of June 30, 2015. The Foundation is not serving as trustee for these funds. These life income funds have been reflected in the accompanying consolidated financial statements at their fair value. Estimated future distributions to the beneficiaries have been reflected in the accompanying consolidated financial statements and were computed using Internal Revenue Code annuity valu-

ation 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	\$ 7,763,142
Receivable in One to Five Years	62,334,633
Receivable in Greater than Five Years	<u>1,157,120</u>
Total Gross Pledges Receivable	71,254,895
Less Allowance for Uncollectible Pledges	472,000
Less Unamortized Discount	<u>2,088,978</u>
Net Pledges Receivable	<u><u>\$ 68,693,917</u></u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding three large pledges for which signed memorandums of understanding exist and therefore the Foundation is reasonably assured of collecting. Such pledges represented approximately \$61.8 million of total pledges receivable at year ended June 30, 2015. Active past due pledges receivable are reviewed semi-annually by the Advancement Services office in order to determine if it is appropriate to write off such pledges.

NC STATE STUDENT AID ASSOCIATION, INC.

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, 2015, are as follows:

Pledges Receivable	\$ 29,442,655
Less Allowance for Uncollectible Pledges	1,472,133
Less Discount on Pledges	<u>5,668,796</u>
	22,301,726
Less Current Portion	<u>5,417,630</u>
Pledges Due After One Year	<u><u>\$ 16,884,096</u></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	\$ 5,702,769
Receivable in One to Five Years	13,938,071
Receivable in More than Five Years	<u>9,801,815</u>
Total Gross Pledges Receivable	29,442,655
Less Allowance for Uncollectible Pledges	1,472,133
Less Discount on Pledges	<u>5,668,796</u>
Net Pledges Receivable	<u><u>\$ 22,301,726</u></u>

Under the Vaughn Towers Management and Use Agreement dated March 2013, Goal Line Drive and Wolfpack Pride campaign pledge revenues totaling \$7,206,915 were committed to be paid to NCSU to retire certain facility debt and other obligations related to NCSU's athletic facilities. Payments in the amount of \$1,441,383 are due annually over five years through May 2017. The remaining commitment at June 30, 2015 was \$2,882,766.

Investments

The Association held the following investments at June 30, 2015:

	Historical Cost	Market Value
Marketable Equity Securities	\$ 13,300,613	\$ 16,756,668
Other Marketable Debt Securities	6,030,279	6,029,452
U.S. Government Obligations	4,551,714	4,551,138
Alternative Investments	3,975,859	5,677,530
Mutual Funds	759,073	816,266
Total	<u><u>\$ 28,617,538</u></u>	<u><u>\$ 33,831,054</u></u>

Investment income (loss) consists of the following:

Interest	\$ 287,244
Dividends	694,500
Realized Gain on Sale of Investments	896,697
Unrealized Loss on Investments	(563,361)
Investment Expenses	<u>(288,796)</u>
Total	<u><u>\$ 1,026,284</u></u>

Long-Term Debt

Bond Indentures--Vaughn Towers

In March 2013, the Association refinanced bonds originally issued in 2004 to finance the construction of the Vaughn Towers press box at Carter-Finley Stadium. The refinancing was with Branch Banking & Trust Company (BB&T) through a \$12,660,000 Series 2013 bond, issued through the North Carolina Capital Facilities Finance Agency. The bond pays interest monthly at a variable rate based on the monthly London Interbank Offered Rates (LIBOR). The variable rate was 1.195% at June 30, 2015. Principal payments of \$1,055,000 are due annually until the bond matures in September 2024. The outstanding bond principal was \$10,550,000 at June 30, 2015.

Note Payable--Wolves Den

In June 2015, the Association entered into a note agreement in the amount of \$450,000 with Branch Banking and Trust Company (BB&T) in order to finance the renovation of a portion of Vaughn Towers into a new premium seating option at Carter-Finley Stadium, referred to as the Wolves Den. Annual principal payments of \$112,500 are payable beginning in January 2016 until the note matures in January 2019. Interest is payable annually at a rate equal to the One Month LIBOR (0.184% at June 30, 2015) plus 1.15% per annum. The outstanding balance of the note payable was \$450,000 at June 30, 2015.

Note Payable--North End Zone

In November 2012, the Association refinanced the existing notes payable originally issued to finance the stadium expansion of the North End Zone area of Carter-Finley Stadium to one note payable to Branch Banking and Trust Company (BB&T). Annual principal payments of \$256,750 are payable until the note matures in November 2016. Interest is payable monthly at a rate equal to the One Month LIBOR (0.184% at June 30, 2015) plus 1.15% per annum. The Association must maintain a cash flow coverage ratio of 1.00 times debt service. The outstanding note balance was \$513,500 at June 30, 2015.

Notes Payable--Indoor Practice Facility

In May 2014, the Association entered into multiple note agreements with Branch Banking and Trust Company (BB&T) in order to finance the construction of a new Indoor Practice Facility for the football program at NCSU. The total financing available through the notes payable is \$14,000,000. The notes mature at various times through May 2026 and bear interest at fixed rates (ranging from 1.84% to 2.75%) and variable rates (One Month LIBOR plus 0.9%). The Association must maintain a debt service coverage ratio of 1.00 to 1.00, maintain unrestricted liquid assets of \$4,000,000 until such point that the credit available and outstanding total to less than \$10,000,000, and meet certain pledge targets. The notes payable are collateralized by pledges and cash received from the related capital campaign. The total outstanding balance of the notes payable was \$13,261,232 at June 30, 2015.

Long-term debt consists of the following at June 30, 2015

Vaughn Towers Project-Series 2013 Bond	\$	10,550,000
Note Payable-BB&T (Wolves Den)		450,000
Note Payable-BB&T (North End Zone)		513,500
Notes Payable-BB&T (Indoor Practice Facility)		13,261,232
		<u>24,774,732</u>
Less Amount Classified as Current Liability		3,424,250
Amount Due After One Year	\$	<u><u>21,350,482</u></u>

Maturities of long-term debt are as follows:

Year Ending		
June 30		
2016	\$	3,424,250
2017		2,550,373
2018		2,293,623
2019		2,293,623
2020		2,181,123
Thereafter		12,031,740
Total	\$	<u><u>24,774,732</u></u>

THE NORTH CAROLINA AGRICULTURAL FOUNDATION, INC.

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, 2015, consisted of :

	Cost	Fair Value
STIF	\$ 1,167,820	\$ 1,167,820
NC State Investment Fund, Inc.		
Long Term Investment Pool (LTIP)	46,916,170	66,200,323
Wells Fargo - Life Income Funds	4,533,656	4,854,182
Total	<u>\$ 52,617,646</u>	<u>\$ 72,222,325</u>

Investments held by the LTIP at June 30, 2015 were made up of limited partnerships, an investment with a Blackrock Liquid Policy Portfolio ("LPP"), a bundle of exchange-traded funds, and the STIF. As of June 30, 2015, approximately 89.4% of these limited partnerships were with the UNC Management Company (UNCMC), 4.1% were committed to or in other private equity investments with JP Morgan, Blackrock, and SEI, 6.2% was invested in the LPP, and 0.3% was invested in the STIF. The LTIP's net assets were valued at approximately \$676,716,000 at June 30, 2015. The Foundation's investment in LTIP represents approximately 9.78% of the member's equity of the LTIP at June 30, 2015.

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

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	\$ 3,780,661
Receivable in One to Five Years	5,312,911
Receivable in Greater than Five Years	<u>1,005,541</u>
Total Gross Pledges Receivable	10,099,113
Less Allowance for Uncollectible Pledges	305,000
Less Unamortized Discount	<u>277,174</u>
Net Pledges Receivable	<u><u>\$ 9,516,939</u></u>

An allowance for doubtful accounts has been established and is updated annually to reflect 5% of the Foundation's outstanding pledge balance, excluding the Prestage Family Department of Poultry Science Endowment for Excellence 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.

Two donors represent approximately \$5.5 million of total undiscounted pledges receivable at June 30, 2015.

SUPPLEMENTARY INFORMATION SECTION

NORTH CAROLINA
STATE UNIVERSITY

2015 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
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)
2012-2013	177,402	161,385	16,017	9.92
2013-2014	205,010	177,402	27,608	15.56
2014-2015	230,099	205,010	25,089	12.24

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
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	-	-	-	-	-	-	-
2012-2013	-	-	-	-	-	-	-
2013-2014	-	-	-	-	-	-	-
2014-2015	-	-	-	-	-	-	-

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)

	2011	2012	2013	2014	2015
Total Unrestricted Revenue	\$ 983,061	\$ 1,012,317	\$ 1,073,637	\$ 1,090,045	\$ 1,140,445
Less:					
State Appropriations	(478,423)	(466,082)	(484,022)	(473,005)	(481,548)
Tuition and Fees	(171,676)	(188,766)	(205,180)	(215,694)	(229,771)
Specific Revenue Debt					
Service Requirements	(613)	-	-	-	-
Plus:					
Beginning Unrestricted Net Assets	166,348	177,833	214,419	230,802	165,234 *
Total Available Funds	\$ 498,697	\$ 535,302	\$ 598,854	\$ 632,148	\$ 594,360

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.

*Beginning Unrestricted Net Position was restated, decreased by \$91.0 million for the required GASB 68 pension entries.

Admissions, Enrollment and Degree Statistics

Ten Year History of Fall Enrollment

(Headcount)

Freshman Admissions	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Applied	13,620	15,500	16,437	17,661	18,502	19,148	19,634	20,435	21,619	20,213
Accepted	9,039	9,470	9,869	10,371	10,242	10,372	10,372	10,137	10,137	10,395
Enrolled	4,253	4,559	4,791	4,669	4,637	4,558	4,564	4,225	4,165	4,374
SAT Total	1183	1177	1171	1176	1184	1186	1191	1218	1243	1248
SAT Verbal	575	569	568	569	572	575	579	591	604	607
SAT Math	608	608	603	607	612	611	612	627	639	641
High School GPA	4.07	4.11	4.12	4.17	4.19	4.24	4.28	4.37	4.43	4.45
High School Valedictorians	70	77	70	67	81	93	107	110	125	146
High School Salutatorians	67	65	67	57	81	66	81	93	83	129
Transfer Admissions										
Applied	3,478	3,990	3,976	3,766	3,869	4,157	3,807	3,747	3,923	3,628
Accepted	1,305	1,413	1,358	1,410	1,390	1,493	1,313	1,503	1,519	1,640
Enrolled	1,027	1,075	1,029	1,089	1,097	1,141	1,027	1,209	1,215	1,253
Graduate Admissions										
Applied	7,580	8,440	7,882	8,119	12,126	13,607	14,004	14,395	14,433	15,404
Accepted	3,050	3,166	3,330	3,533	3,800	3,811	3,865	3,533	3,500	3,597
Enrolled	1,929	1,914	2,100	2,284	2,362	2,516	2,613	2,599	2,609	2,839

(Percentage of Total Applications)

Freshman Admissions	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Accepted	66.4%	61.1%	60.0%	58.7%	55.4%	54.2%	52.8%	49.6%	46.9%	51.4%
Enrolled	31.2%	29.4%	29.1%	26.4%	25.1%	23.8%	23.2%	20.7%	19.3%	21.6%
Transfer Admissions										
Accepted	37.5%	35.4%	34.2%	37.4%	35.9%	35.9%	34.5%	40.1%	38.7%	45.2%
Enrolled	29.5%	26.9%	25.9%	28.9%	28.4%	27.4%	27.0%	32.3%	31.0%	34.5%
Graduate Admissions										
Accepted	40.2%	37.5%	42.2%	43.5%	31.3%	28.0%	27.6%	24.5%	24.2%	23.4%
Enrolled	25.4%	22.7%	26.6%	28.1%	19.5%	18.5%	18.7%	18.1%	18.1%	18.4%

(Degrees Conferred)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bachelors	4,566	4,478	4,558	4,571	4,611	4,797	5,175	5,423	5,468	5,535
Masters	1,332	1,485	1,457	1,507	1,665	1,795	2,080	2,341	2,335	2,455
Doctoral	343	369	411	328	457	422	395	446	488	494
First Professional (DVM)	73	75	75	74	73	77	77	79	72	81
Professional	-	-	-	-	-	-	-	-	-	-
Total	6,314	6,407	6,501	6,480	6,806	7,091	7,727	8,289	8,363	8,565

Admissions, Enrollment
and Degree Statistics

Ten Year History of Fall
Enrollment

(Headcount)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Undergraduate	20,546	21,438	22,070	22,874	23,392	23,636	23,770	23,430	23,125	23,019
Graduate	6,432	6,481	6,826	7,243	7,674	8,267	8,924	8,808	8,780	8,937
Lifelong Education	3,171	3,211	2,906	2,755	2,753	2,473	2,073	2,102	2,104	2,033
Full-time	23,116	24,026	24,989	25,940	26,736	27,290	27,438	27,108	26,770	26,965
Part-time	7,033	7,104	6,813	6,932	7,083	7,086	7,329	7,232	7,239	7,024
Male	17,024	17,411	17,732	18,344	18,777	19,077	19,441	19,176	18,913	18,945
Female	13,125	13,719	14,070	14,528	15,042	15,299	15,326	15,164	15,096	15,044
White	23,227	23,593	23,766	24,279	24,606	24,663	24,458	24,019	23,586	22,911
African-American	2,750	2,773	2,739	2,809	2,701	2,758	2,634	2,531	2,314	2,212
Asian	1,397	1,473	1,507	1,509	1,573	1,640	1,620	1,583	1,644	1,678
Hispanic	669	721	774	790	953	1,065	1,163	1,296	1,309	1,392
Other	2,106	2,570	3,016	3,485	3,986	4,250	4,892	4,911	5,156	5,796
In-state	26,139	26,831	27,293	27,850	28,484	28,613	28,336	27,739	27,185	26,699
Out-of-state	2,418	2,582	2,573	2,802	2,963	3,233	3,399	3,642	3,688	3,823
International	1,592	1,717	1,936	2,220	2,372	2,530	3,032	2,959	3,136	3,467
Total Enrollment	30,149	31,130	31,802	32,872	33,819	34,376	34,767	34,340	34,009	33,989

(Percentage of Total)

Undergraduate	68.2%	68.9%	69.4%	69.6%	69.2%	68.8%	68.4%	68.2%	68.0%	67.7%
Graduate	21.3%	20.8%	21.5%	22.0%	22.7%	24.0%	25.6%	25.7%	25.8%	26.3%
Lifelong Education	10.5%	10.3%	9.1%	8.4%	8.1%	7.2%	6.0%	6.1%	6.2%	6.0%
Full-time	76.7%	77.2%	78.6%	78.9%	79.1%	79.4%	78.9%	78.9%	78.7%	79.3%
Part-time	23.3%	22.8%	21.4%	21.1%	20.9%	20.6%	21.1%	21.1%	21.3%	20.7%
Male	56.5%	55.9%	55.8%	55.8%	55.5%	55.5%	55.9%	55.8%	55.6%	55.7%
Female	43.5%	44.1%	44.2%	44.2%	44.5%	44.5%	44.1%	44.2%	44.4%	44.3%
White	77.1%	75.8%	74.7%	73.9%	72.8%	71.7%	70.3%	69.9%	69.4%	67.4%
African-American	9.1%	8.9%	8.6%	8.5%	8.0%	8.0%	7.6%	7.4%	6.8%	6.5%
Asian	4.6%	4.7%	4.7%	4.6%	4.7%	4.8%	4.7%	4.6%	4.8%	4.9%
Hispanic	2.2%	2.3%	2.4%	2.4%	2.8%	3.1%	3.3%	3.8%	3.8%	4.1%
Other	7.0%	8.3%	9.6%	10.6%	11.7%	12.4%	14.1%	14.3%	15.2%	17.1%
In-state	86.7%	86.2%	85.8%	84.7%	84.2%	83.2%	81.5%	80.8%	79.9%	78.6%
Out-of-state	8.0%	8.3%	8.1%	8.5%	8.8%	9.4%	9.8%	10.6%	10.9%	11.2%
International	5.3%	5.5%	6.1%	6.8%	7.0%	7.4%	8.7%	8.6%	9.2%	10.2%

Admissions, Enrollment and
Degree Statistics

Enrollment by County
Student Enrollment, Fall
Semester 2014

Residence	Total	Residence	Total	Residence	Total	Residence	Total
Alamance	355	Cumberland	464	Johnston	669	Randolph	219
Alexander	34	Currituck	33	Jones	15	Richmond	46
Alleghany	13	Dare	80	Lee	148	Robeson	94
Anson	17	Davidson	251	Lenoir	100	Rockingham	107
Ashe	36	Davie	115	Lincoln	144	Rowan	203
Avery	16	Duplin	81	McDowell	25	Rutherford	72
Beaufort	66	Durham	925	Macon	23	Sampson	112
Bertie	18	Edgecombe	62	Madison	27	Scotland	26
Bladen	42	Forsyth	701	Martin	46	Stanly	77
Brunswick	124	Franklin	187	Mecklenburg	1,777	Stokes	58
Buncombe	478	Gaston	304	Mitchell	21	Surry	125
Burke	116	Gates	17	Montgomery	29	Swain	4
Cabarrus	398	Graham	10	Moore	264	Transylvania	26
Caldwell	101	Granville	144	Nash	277	Tyrrell	4
Camden	19	Greene	27	New Hanover	619	Union	612
Carteret	201	Guilford	1,329	Northhampton	16	Vance	86
Caswell	59	Halifax	84	Onslow	208	Wake	9,813
Catawba	274	Harnett	204	Orange	635	Warren	35
Chatham	198	Haywood	53	Pamlico	28	Washington	18
Cherokee	24	Henderson	137	Pasquotank	37	Watauga	101
Chowan	37	Hertford	26	Pender	86	Wayne	219
Clay	14	Hoke	34	Perquimans	16	Wilkes	50
Cleveland	132	Hyde	7	Person	85	Wilson	175
Columbus	63	Iredell	398	Pitt	306	Yadkin	50
Craven	172	Jackson	35	Polk	36	Yancey	15
						Total	26,699

Admissions, Enrollment and Degree Statistics

Five Year Comparison of Enrollment by Level and College

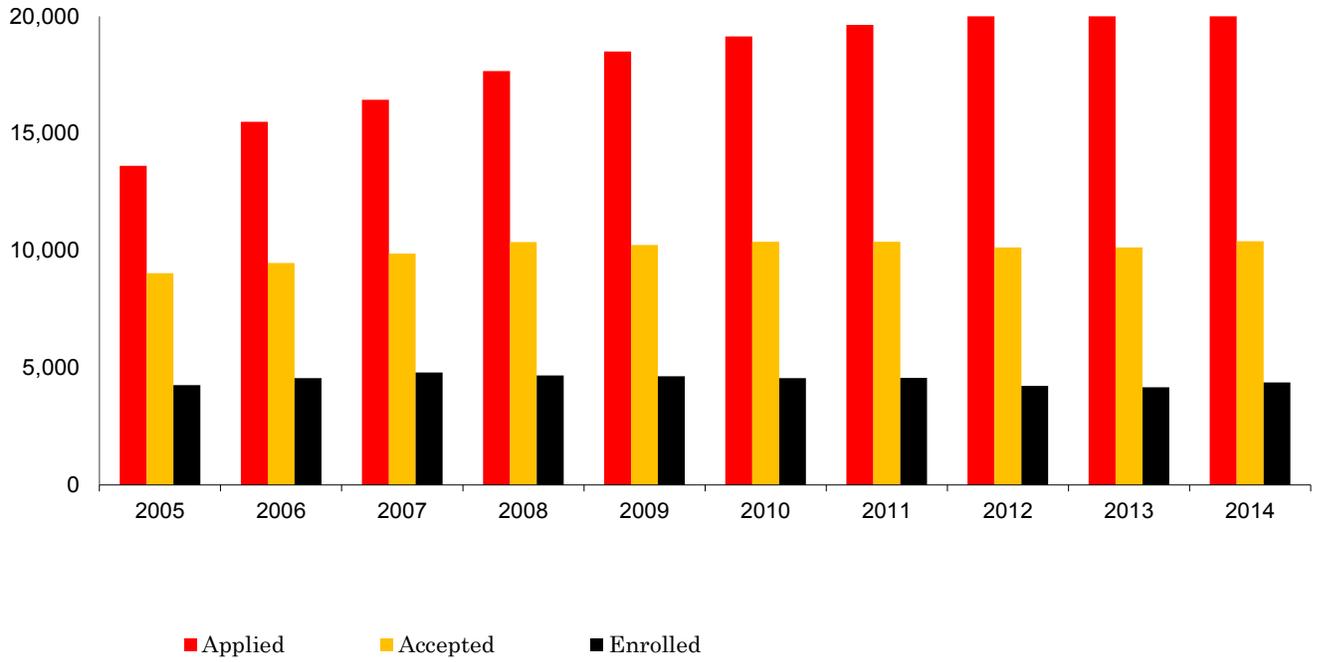
Student Enrollment, Fall Semester

	2010	2011	2012	2013	2014
Undergraduate					
Provost's Office	31	81	27	13	10
Agriculture and Life Sciences	4,669	4,544	4,459	2,371	2,424
Design	535	584	606	595	581
Education	853	880	762	656	574
Engineering	6,016	5,961	6,093	5,960	6,186
Natural Resources	1,285	1,321	1,336	1,357	1,332
Humanities and Social Sciences	4,197	4,147	3,896	3,632	3,453
Management	2,510	2,557	2,536	2,589	2,639
Physical and Mathematical Sciences	871	898	886	2,997	2,909
Textiles	916	926	931	985	995
University Undesignated (1)	1,418	1,528	1,507	1,584	1,577
Agriculture Institute	335	343	391	386	339
Lifelong Education	1,610	1,406	1,403	1,411	1,454
Total Undergraduate	25,246	25,176	24,833	24,536	24,473
Total FTE Undergraduate	22,759	22,669	22,597	22,125	22,058
Graduate					
Provost's Office	71	201	91	113	133
Agriculture and Life Sciences	970	1,039	1,071	937	1,028
Design	270	263	241	259	246
Education	1,244	1,254	1,227	1,139	1,060
Engineering	2,491	2,804	2,819	2,843	3,072
Natural Resources	342	459	493	488	459
Humanities and Social Sciences	931	900	852	821	804
Management	631	648	651	696	630
Physical and Mathematical Sciences	732	785	793	877	858
Textiles	189	179	168	185	202
Veterinary Medicine	396	392	402	422	445
Lifelong Education	863	667	699	693	579
Total Graduate	9,130	9,591	9,507	9,473	9,516
Total FTE Graduate	6,214	6,312	6,327	6,202	6,409
Total Headcount	34,376	34,767	34,340	34,009	33,989
Total FTE Enrollment	28,973	28,981	28,924	28,327	28,467
Percentage of Students (FTE) from Outside State	15.8%	18.3%	18.7%	19.4%	21.0%

(1) Includes First Year College.

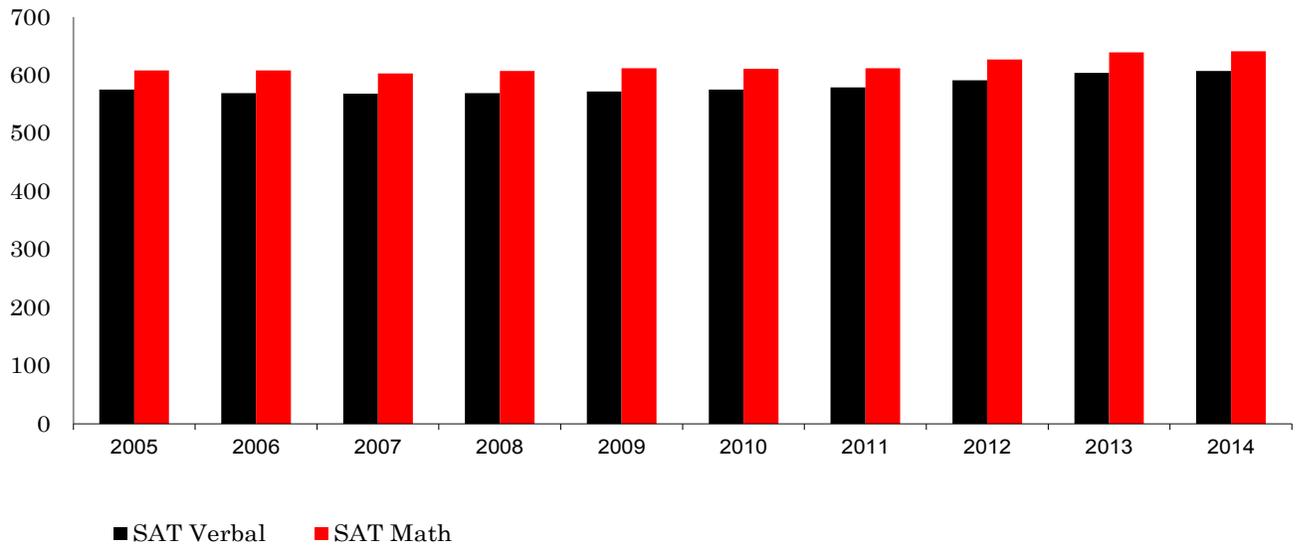
Fall Enrollment

Freshman Admissions by Year

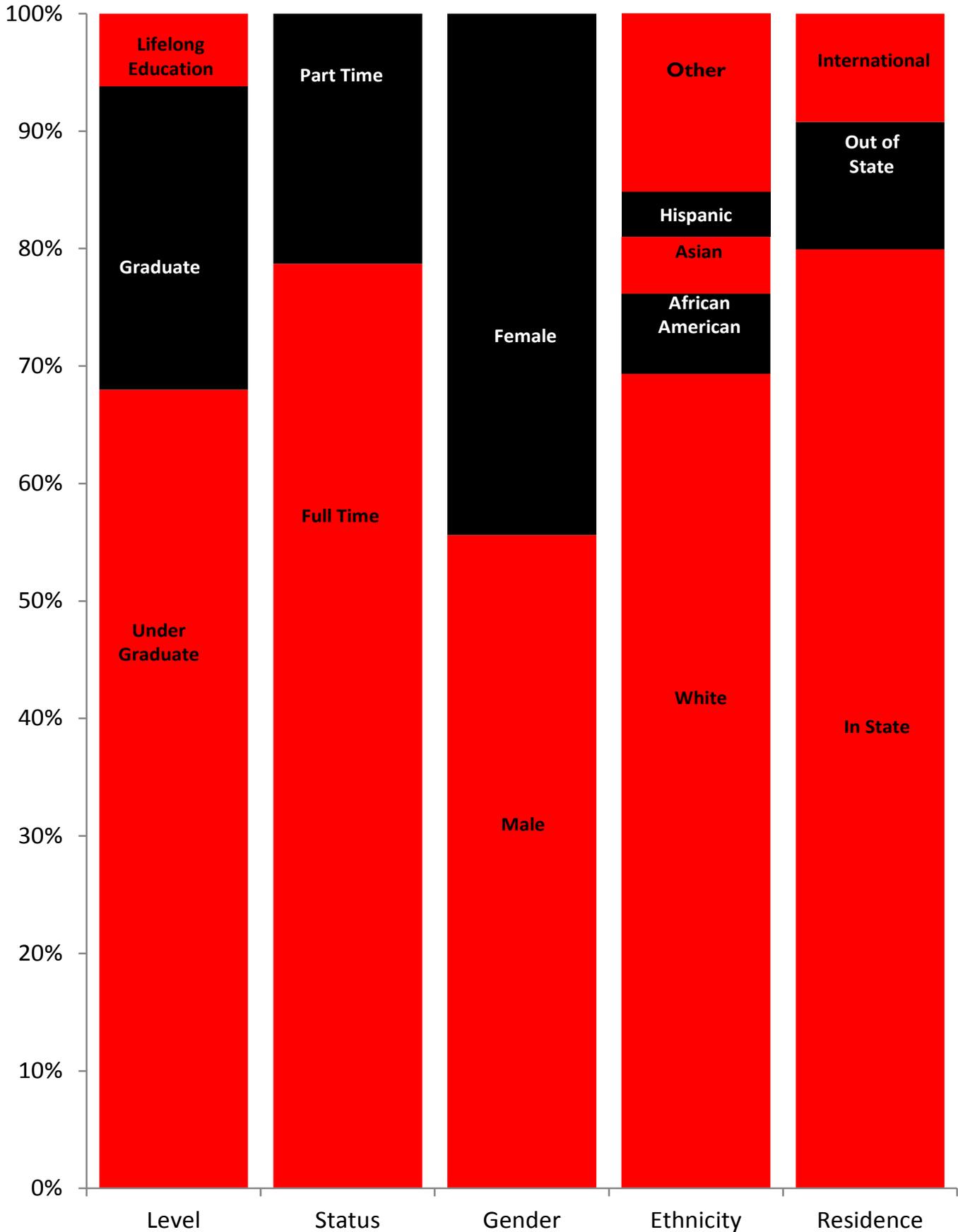


SAT Scores

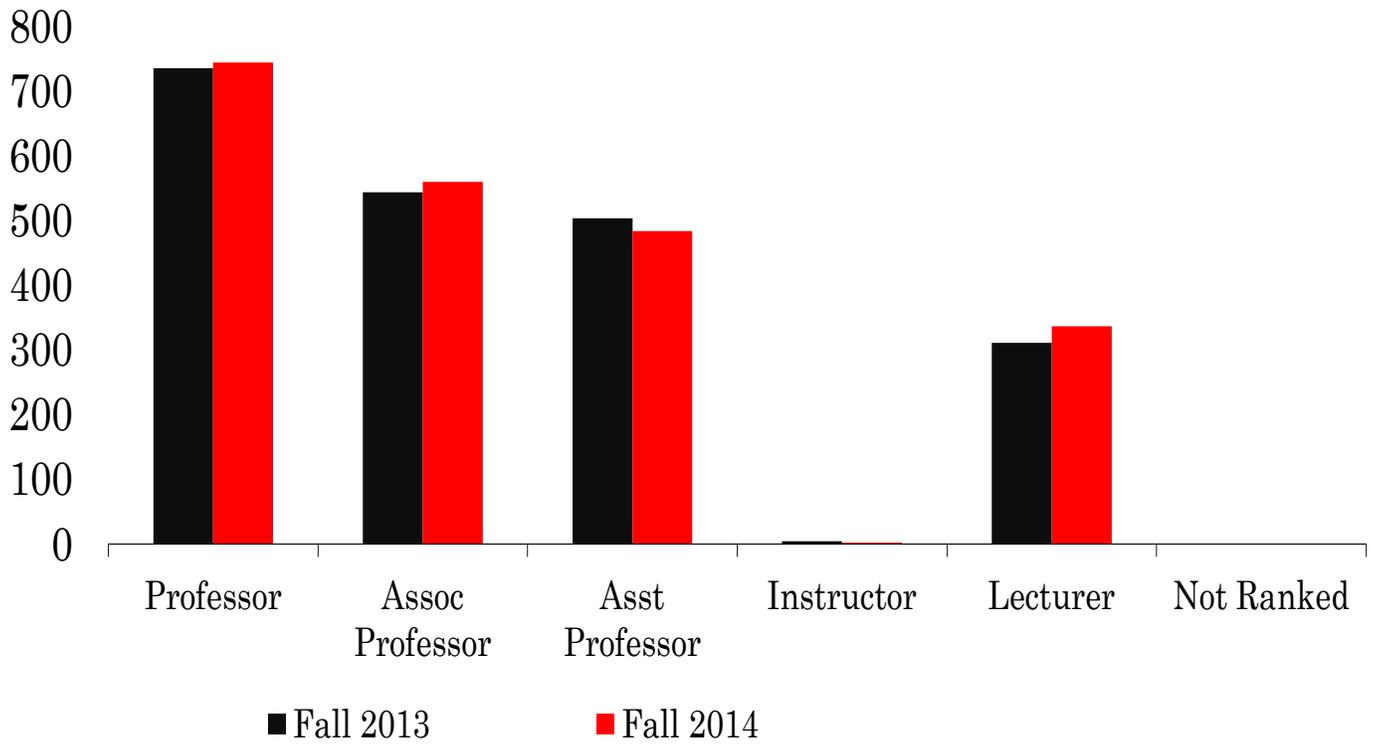
Freshman Admissions by Year



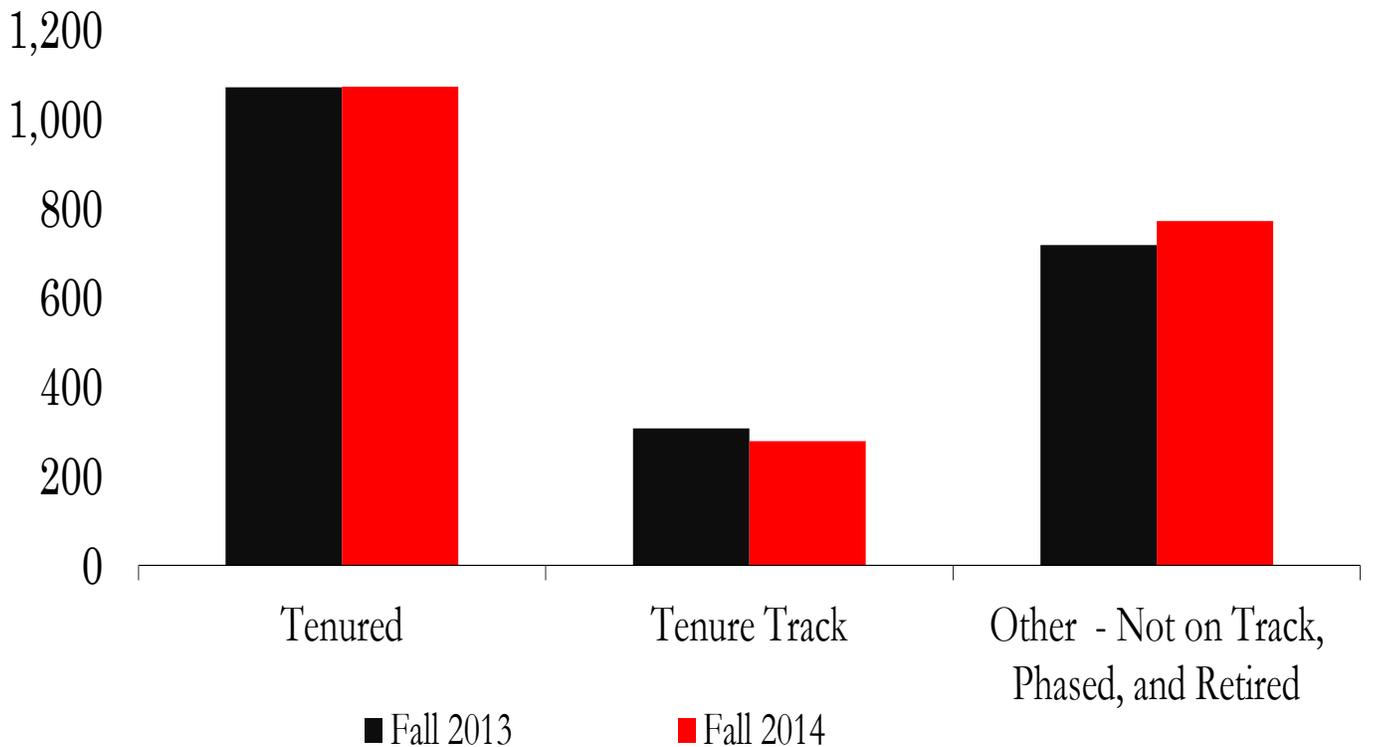
Student Profile
Fall 2014



Faculty by Rank



Full Time Faculty by Tenure





Physical Master Plan

NC STATE UNIVERSITY



ELECTRONIC AVAILABILITY: This document is available online at <https://controller.ofa.ncsu.edu/financial-reporting-tax-division/financial-reports/>

We printed minimal copies of this report to maintain our sustainable principles. Please think twice before printing it.

PRINT AVAILABILITY: 35 COPIES OF THIS PUBLIC DOCUMENT WERE PRINTED AT A COST OF \$679 OR \$19.40 PER COPY

EQUAL OPPORTUNITY STATEMENT: NC State University promotes equal opportunity and prohibits discrimination and harassment based upon one's age, color, disability, gender identity, genetic information, national origin, race, religion, sex (including pregnancy), sexual orientation and veteran status.

