

**CAPITAL FACILITIES FOUNDATION, INC.**

**(A Component Unit of The University  
of North Carolina at Greensboro)**

**FINANCIAL REPORT**

**YEARS ENDED JUNE 30, 2015 AND 2014**



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**CAPITAL FACILITIES FOUNDATION, INC.**  
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## **Independent Auditor's Report**

To the Board of Trustees  
Capital Facilities Foundation, Inc.  
Greensboro, North Carolina

We have audited the accompanying financial statements of the Capital Facilities Foundation, Inc., which comprise the statement of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### **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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entity'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 entity'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Facilities Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis on pages 3 through 7 is presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic and historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements, and other knowledge we obtained during our audits of the 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.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
October 6, 2015

**CAPITAL FACILITIES FOUNDATION, INC.**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2015**

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**Introduction**

The Capital Facilities Foundation, Inc. (the "Foundation") provides the following management discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ended June 30, 2015. This discussion, the following financial statements, and the related footnote disclosures have been prepared by management and comprise the Foundation's complete financial report. The financial statements, footnotes and this discussion are the responsibility of management.

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

**Purpose of The Capital Facilities Foundation, Inc.**

The purpose of the Foundation is to enhance The University of North Carolina at Greensboro's (UNCG) educational mission, including, without limitation, assisting with the acquisition, development, financing, construction, management and operation of capital assets for UNCG.

In 2009, the Foundation Board and UNCG agreed to consider opportunities for the Foundation to facilitate further campus development both within and beyond its current borders by acquiring strategic land identified by UNCG. The ability of the Foundation to act quickly on an acquisition greatly facilitates UNCG's efforts in expanding the campus by capitalizing on opportunities. It is expected that land acquisitions made by the Foundation will follow one of two paths: 1) The Foundation will go through the process of selling the property to the State/UNCG, reimbursing the Foundation for the purchase and associated costs as authorized by the State Property Office, or 2) The Foundation will partner with developers or contractors to develop the property for the benefit of and master-lease to UNCG.

**Addressing UNCG's Strategic Housing Plan**

Actions by the UNCG Board of Trustees and the Capital Facilities Foundation Board of Directors in the fall of 2009 committed both to the pursuit of a significant expansion of UNCG-controlled student housing using the model described above. UNCG's Strategic Housing Plan (the Plan), developed in 2009, calls for UNCG to expand its provision of student housing from the current level of 25 percent – 30 percent of undergraduate enrollment to 40 percent – 50 percent, predominantly with the assistance of the Foundation to develop the facilities. Over the course of the next ten years, this could represent as few as 1,600 additional beds or as many as 4,000 additional beds, depending on enrollment.

The Plan indicates that some of the growth in student housing should take place on property currently known as UNCG campus property. UNCG and the Foundation entered into ground lease and master lease agreements in the spring of 2010 to construct a 400-bed housing facility (Jefferson Suites) following the same model used to construct and convey the 400-bed, 200-space garage, Spring Garden Apartments project, in 2005-06. Construction on the Jefferson Suites project was complete and occupied in August 2011, then conveyed to the State of North Carolina / UNCG in July 2012. The Plan also suggests that the majority of the growth in student housing facilities should take place on property not currently owned by UNCG, calling for expansion of the campus to the south or to the west of the current campus, as called-for in the 2007 UNCG Campus Master Plan Update, to be led by the Foundation. Planning documents by the Glenwood Neighborhood, as well as the City of Greensboro give guidance for the redevelopment of the Lee Street Corridor to the south, and both encourage UNCG's potential influence and role in the redevelopment. For that reason, expansion efforts have been focused towards the south in the Lee Street Corridor.

**CAPITAL FACILITIES FOUNDATION, INC.**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2015**

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Financing for campus expansion acquisitions in pursuit of the Plan was sought through proposals from a list of interested lenders, which resulted in the establishment of a \$20 million line of credit with PNC Bank (formerly RBC Bank). A multi-phase master plan was developed for acquiring property and constructing student housing facilities in the Lee Street Corridor with mixed-use components, a development now referred to as "Spartan Village".

UNCG and the Foundation entered into a master lease agreement in the fall of 2011 to construct Phase I of Spartan Village, an 870-bed housing facility with mixed-use components under similar terms to those used to develop Jefferson Suites. The Foundation engaged the partnership of Lord Aeck Sargent / Teague, Freyaldenhoven & Freyaldenhoven to design Spartan Village Phase I and the joint venture of Barton Malow / Samet / SRS to build it, serving as Construction Manager at Risk. Construction on Phase I began in early Spring 2012. In March 2013, fire significantly damaged one of the four buildings being constructed (the building named "Highland Hall"), forcing the delivery time for that building to be moved to January 2014. The other three buildings under construction (named Lee, Union and Haywood Halls) were completed on schedule and fully occupied in August 2013. Highland Hall was completed and opened for occupancy in January 2014. Reconstruction costs for Highland Hall incurred by the Foundation as well as loss of rents suffered by UNCG were reimbursed under the construction insurance policy. The construction of this facility was financed with a line of credit through SunTrust Bank. UNCG received legislative authority to purchase this facility from the Foundation so that permanent financing could be provided by the University. In June 2014, UNCG exercised the option to buy back the improvements and issued General Revenue Bonds as authorized by North Carolina General Assembly in Session Law 2013-394 section 2(a). The University of North Carolina at Greensboro at that time discharged the Foundation's financing of the Project, under the terms of the Lease, and upon doing so; the Lease was terminated as planned. Title to the entirety of the property and the improvements made by the Foundation (The Project) were transferred to the State of North Carolina (The University of North Carolina at Greensboro), signifying that the Foundation's role in the Project is complete and that it was a success for UNCG and for the Foundation.

The second phase of the Spartan Village expansion, currently under design, will consist of approximately 340 beds with mixed-use. Construction completion and occupancy are planned for the Fall of 2017. The acquisition of land necessary to develop Phase II is complete.

**Other Planned Projects Located In The Lee Street Corridor**

In addition to student housing and its required parking, the Foundation has also facilitated the land acquisition for a student recreation center located in close proximity to the new student housing in the Lee Street Corridor. The original \$20 million, non-revolving Line of Credit with PNC Bank for acquisition of property for the Mixed Use Village Student Housing was increased to allow up to an additional \$10 million for land acquisition for student recreation facilities. At the same time as a result of commencing with Phase I Spartan Village, the Foundation paid-down over \$12 million of the PNC Line of Credit for the associated land. The net result of the increase in the line of credit was that the non-revolving line, which included capacity for acquiring land for recreation facilities, was \$17.6 million. Much of this line of credit was used to acquire land for recreation facilities as well as for future phases of student housing, parking and mixed-use space. Since the term of the line of credit was originally set to expire December 31, 2014, and the project time-line for Spartan Village Phase II had been pushed out to 2017, the line of credit was renegotiated in March 2014. The terms of the new line of credit transitioned the previous balance to the new line and provided a lower interest rate for a term ending in January 2018 for a maximum of \$10 million, of which \$9.26 million has been drawn. The remaining line of credit is sufficient to complete the entire property assemblage.

**CAPITAL FACILITIES FOUNDATION, INC.**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2015**

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UNCG began construction of the Student Recreation Center in Spring 2014. It is also noteworthy that the University opened a pedestrian underpass to connect the current core campus with the Lee Street Corridor to the south in Spring 2014. UNCG's Public Safety and Police Building, immediately adjacent to the underpass, opened in the Fall of 2014.

The major sources of funds included in operating activities are debt proceeds and lease revenue. The major use of funds included in operating activities is payments to vendors/suppliers, and associated costs, design and construction expenses.

**Using the Financial Report**

The Foundation's financial report includes three financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. The Foundation's financial statements are blended in the UNCG financial report, and therefore, are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

**Statements of Net Position**

The Statement of Net Position is a point of time financial statement that presents the assets, liabilities, and net assets of the Foundation. The purpose of this financial statement is to present to the readers of the Foundation's Financial Report a fiscal snapshot as of the end of the fiscal year (i.e., June 30th). The Statement of Net Position presents both the current and noncurrent portions of assets and liabilities.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the Foundation. The Statement of Net Position also provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the Foundation. Net assets include unrestricted net assets and invested in capital assets, net of related debt. These categories of net assets are discussed further in the footnotes to the financial statements.

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	<b>\$ 2,708,478</b>	\$ 6,024,422	\$ 5,249,885
Capital assets, net	<b>8,596,255</b>	7,667,649	66,803,339
<b>Total assets</b>	<b><u>\$ 11,304,733</u></b>	<b><u>\$ 13,692,071</u></b>	<b><u>\$ 72,053,224</u></b>
<b>Liabilities and Net Position</b>			
Current liabilities	<b>\$ 387,446</b>	\$ 2,988,478	\$ 5,357,104
Long-term debt	<b>9,261,408</b>	8,740,481	65,427,060
Deferred revenue	<b>1,467</b>	-	-
<b>Total liabilities</b>	<b><u>9,650,321</u></b>	<b><u>11,728,959</u></b>	<b><u>70,784,164</u></b>
Net position	<b><u>1,654,412</u></b>	<b><u>1,963,112</u></b>	<b><u>1,269,060</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 11,304,733</u></b>	<b><u>\$ 13,692,071</u></b>	<b><u>\$ 72,053,224</u></b>

The total assets of the Foundation as of June 30, 2015, 2014, and 2013 were approximately \$11.3 million, \$13.7 million, and \$72.1 million, respectively, with most of the assets being cash, receivables, and capital assets. Additional information about the Foundation's capital assets can be found in Note 3 in the Notes to Financial Statements.

**CAPITAL FACILITIES FOUNDATION, INC.**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2015**

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**Statements of Revenues, Expenses and Changes in Net Position**

Changes in total net assets as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the Foundation, both operating and nonoperating, and the expenses incurred by the Foundation, operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by the Foundation.

Nonoperating revenues are revenues earned for which goods and services are not provided.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating gain (loss)	\$ (319,213)	\$ 691,784	\$ (115,879)
Grant to UNCG	-	-	(454,679)
Nonoperating revenues	<u>10,513</u>	<u>2,268</u>	<u>117,633</u>
<b>Increase (decrease) in net assets</b>	<b>(308,700)</b>	<b>694,052</b>	<b>(452,925)</b>
Beginning, net position	<u>1,963,112</u>	<u>1,269,060</u>	<u>1,721,985</u>
Ending, net position	<u><b>\$ 1,654,412</b></u>	<u><b>\$ 1,963,112</b></u>	<u><b>\$ 1,269,060</b></u>

The Statements of Revenues, Expenses, and Changes in Net Position reflect an increase in the net assets at the end of 2014 due primarily to rental and interest income. For the years ended 2015 and 2013, net assets decreased due to operating expenses and interest expense.

**Statements of Cash Flows**

The final statement presented by the Foundation is the Statement of Cash Flows. This statement is divided into four parts and presents detailed information about the cash activity of the Foundation during the year. The first part deals with operating cash flows and reflects the net cash provided by (used in) the operating activities of the Foundation. The second section reflects cash flows from investing activities. This section reflects the interest income earned on invested cash. The third section reflects the cash flows from capital and related financing activities and reflects cash received from financing activities and amounts spent for capital expenditures. The fourth section reconciles the net cash provided by (used in) operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net cash provided by (used in) operating activities:	\$ (3,122,346)	\$ 76,624	\$ (197,662)
Net cash provided by investing activities	<b>10,513</b>	2,268	147,708
Net cash provided by (used in) capital and related financing activities	<u>(75,168)</u>	<u>1,557,165</u>	<u>886,533</u>
<b>Net increase (decrease) in cash</b>	<b>(3,187,001)</b>	<b>1,636,057</b>	<b>836,579</b>
Beginning cash	<u>5,894,886</u>	<u>4,258,829</u>	<u>3,422,250</u>
Ending cash	<u><b>\$ 2,707,885</b></u>	<u><b>\$ 5,894,886</b></u>	<u><b>\$ 4,258,829</b></u>

The major source of funds included in operating activities is rental income from leases with UNCG. The major uses of funds included in operating activities are payments to vendors/suppliers and payments for interest expense to lenders. The major sources of funds included in capital and related financing activities are borrowings under long-term debt agreements. The major uses of funds included in capital and related financing activities are the acquisition and purchase of capital assets and payments on long-term debt.

**Economic Outlook**

The Foundation expects to facilitate further campus expansion by acquiring strategic land identified by the University, capitalizing on opportunities in pursuit of the UNCG Strategic Housing Plan and the UNCG Campus Master Plan. The Foundation will go through the process of being reimbursed for purchase amounts and associated costs or the Foundation will develop the property for the benefit of and master-lease to UNCG.

We believe that with the support and strong ties to UNCG, the Foundation's overall financial condition is able to weather most economic uncertainties.

**CAPITAL FACILITIES FOUNDATION, INC.**  
**Statements of Net Position**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
	<u>Assets</u>	
Current Assets:		
Cash (Note 2)	\$ 2,707,885	\$ 5,894,886
Prepaid expenses	593	60,786
Sales tax receivable	-	68,750
Total current assets	<u>2,708,478</u>	<u>6,024,422</u>
Capital assets, nondepreciable (Notes 3 and 4)	8,218,298	7,531,149
Capital assets, net of accumulated depreciation (Notes 3 and 4)	<u>377,957</u>	<u>136,500</u>
	<u>8,596,255</u>	<u>7,667,649</u>
 Total assets	 <u>\$ 11,304,733</u>	 <u>\$ 13,692,071</u>

**Liabilities Deferred Inflows of Resources and Net Position**

Current Liabilities:		
Accounts payable	\$ 2,446	\$ 3,642
Construction payable	<u>385,000</u>	<u>2,984,836</u>
Total current liabilities	<u>387,446</u>	<u>2,988,478</u>
Long-term debt (Note 4)	<u>9,261,408</u>	<u>8,740,481</u>
Deferred Inflows of Resources:		
Deferred revenue	<u>1,467</u>	-
Total liabilities	<u>9,650,321</u>	<u>11,728,959</u>
Net Position:		
Unrestricted	<u>1,654,412</u>	<u>1,963,112</u>
Total net position	<u>1,654,412</u>	<u>1,963,112</u>
 Total liabilities and net position	 <u>\$ 11,304,733</u>	 <u>\$ 13,692,071</u>

**CAPITAL FACILITIES FOUNDATION, INC.**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2015 and 2014**

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	<u>2015</u>	<u>2014</u>
Revenue:		
Rental income	\$ 13,533	\$ 1,550,412
Operating income	<u>13,533</u>	<u>1,550,412</u>
Expenses:		
Operating expenses, general and administrative expenses	85,772	1,793,104
Depreciation expense	25,250	74,606
(Gain) loss on sale of capital assets	27,239	(1,544,652)
Interest expense	194,485	535,570
Operating expenses	<u>332,746</u>	<u>858,628</u>
Operating gain (loss)	(319,213)	691,784
Nonoperating revenues, interest income	10,513	2,268
Transfer to UNCG	-	-
Increase (decrease) in net assets	<u>(308,700)</u>	<u>694,052</u>
Net Position:		
Beginning	<u>1,963,112</u>	<u>1,269,060</u>
Ending	<u>\$ 1,654,412</u>	<u>\$ 1,963,112</u>

**CAPITAL FACILITIES FOUNDATION, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Other income	\$ 15,000	\$ 1,830,569
Interest payments, net of amounts capitalized	(194,485)	(535,570)
Payments to vendors	(2,942,861)	(1,218,375)
Net cash provided by (used in) operating activities	<u>(3,122,346)</u>	<u>76,624</u>
Cash flows from investing activities:		
Interest income	<u>10,513</u>	<u>2,268</u>
Net cash provided by investing activities	<u>10,513</u>	<u>2,268</u>
Cash flows from capital and related financing activities:		
Borrowings on line of credit	520,927	1,420,781
Proceeds from issuance of long-term debt	-	9,725,169
Proceeds from sale of capital assets	8,000	1,493,435
Acquisition and construction of capital assets	(604,095)	(10,249,691)
Payments on line of credit	-	(832,529)
Net cash provided by (used in) capital and related financing activities	<u>(75,168)</u>	<u>1,557,165</u>
Net increase (decrease) in cash	(3,187,001)	1,636,057
Cash, Beginning	<u>5,894,886</u>	<u>4,258,829</u>
Cash, Ending	<u>\$ 2,707,885</u>	<u>\$ 5,894,886</u>
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:		
Operating gain (loss)	\$ (319,213)	\$ 691,784
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	25,250	74,606
(Gain) loss on sale of capital assets	27,239	(1,544,652)
Decrease in rent receivable	-	280,157
(Increase) decrease in prepaid expenses	60,193	(44,598)
Decrease in receivables	68,750	625,961
Decrease in accounts payable	(1,196)	(6,634)
Decrease in construction payable	(2,984,836)	-
Increase in deferred income	1,467	-
Net cash provided by (used in) operating activities	<u>\$ (3,122,346)</u>	<u>\$ 76,624</u>
Supplemental schedule of noncash capital and financing activities:		
Transfer of capital assets to UNCG and extinguishment of related debt	<u>\$ -</u>	<u>\$ 67,000,000</u>
Acquisition of capital assets financed through payables	<u>\$ 385,000</u>	<u>\$ 1,204,265</u>

## **CAPITAL FACILITIES FOUNDATION, INC.**

### **Notes to Financial Statements**

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#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

The Capital Facilities Foundation, Inc. (the Foundation) exists to enhance The University of North Carolina at Greensboro's (the University or UNCG) educational mission, including assisting with the acquisition, development, financing, construction, management and operation of capital assets for the University. Although legally separate from the University, the Foundation is reported as if it were part of the University because its sole purpose is to benefit the University. The Foundation's financial statements are blended with those of the University.

Significant accounting policies relative to the Foundation are:

##### **Financial Statements**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The full scope of the Foundation's activities is considered to be a single business-type activity and, accordingly, is reported within the financial statements of the University.

##### **Basis of Accounting**

The financial statements of the Foundation have been prepared using the economic resources 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 when the related cash flows take place.

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

##### **Capital Assets**

Capital assets are stated at cost less accumulated depreciation. Buildings are depreciated over 50 years. Equipment is depreciated over 10 years if the individual piece is valued over \$5,000.

##### **Net Assets**

The Foundation's net assets are classified as invested in capital assets, net of related debt and unrestricted.

#### **NOTE 2 - CASH**

The Foundation holds checking and money market accounts at commercial banks, the balances of which may, at times, be in excess of federally insured limits. The Foundation has not suffered any financial loss on these deposits.

Cash includes bank accounts totaling \$2,707,885 and \$5,894,886 at June 30, 2015 and 2014, respectively, for which the bank balances were \$2,717,369 and \$5,916,176, respectively.



**CAPITAL FACILITIES FOUNDATION, INC.****Notes to Financial Statements**

## NOTE 4 - LONG-TERM DEBT

A summary of changes in the long-term debt for the years ended June 30, 2015 and 2014, are as follows:

Line of credit	2015			Ending Balance
	Beginning Balance	Additions	Reductions	
Line of credit	<u>\$ 8,740,481</u>	<u>\$ 520,927</u>	<u>\$ -</u>	<u>\$ 9,261,408</u>
	2014			
Line of credit	Beginning Balance	Additions	Reductions	Ending Balance
Line of credit	\$ 8,152,229	\$ 1,420,781	\$ (832,529)	\$ 8,740,481
Construction Advance	57,274,831	9,725,169	(67,000,000)	-
	<u>\$ 65,427,060</u>	<u>\$ 11,145,950</u>	<u>\$ (67,832,529)</u>	<u>\$ 8,740,481</u>

**Land Line of Credit**

The line of credit allowed borrowings up to \$10,000,000 and subsequent to an amendment in February 2012 \$17,654,967, of which \$9,261,408 and \$8,740,481 is outstanding at June 30, 2015 and 2014, respectively. This line of credit was amended in 2014 and now requires monthly interest payments due by the first of each month equal to the monthly LIBOR Rate plus 200 basis points (2.00 percent) (2.18 percent and 2.15 percent at June 30, 2015 and 2014, respectively). The line of credit is due January 2018 and is secured by property purchased using the line of credit.

The annual requirements to pay principal and interest on long-term debt at June 30, 2015, is as follows:

Fiscal Year	Principal	Interest
2016	\$ -	\$ 202,269
2017	-	202,269
2018	9,261,408	101,135
	<u>\$ 9,261,408</u>	<u>\$ 505,673</u>

## NOTE 5 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; and natural disasters. These exposures to loss are handled through the purchase of commercial insurance and self retention of certain risks.

Additional details on the University's risk management programs are disclosed in the financial report of UNCG.

## NOTE 6 - INCOME TAXES

The Foundation is exempt from federal income tax under the provisions of the Internal Revenue Code Section 501(c)(3). The Foundation is exempt from federal and state income taxes except for income generated from unrelated business activities. The Foundation has not identified any unrelated business income in current or past years.