CAPITAL FACILITIES FOUNDATION, INC.
AND CONSOLIDATED SUBSIDIARIES

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

CONSOLIDATED FINANCIAL REPORT

YEARS ENDED JUNE 30, 2014 AND 2013

BERNARD ROBINSON & Company, L.L.P.
Certified Public Accountants and Advisors Since 1947
Greensboro, NC | Raleigh, NC | Winston-Salem, NC

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Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital Facilities Foundation, Inc. and Consolidated Subsidiaries as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The consolidated financial statements of Capital Facilities Foundation, Inc. and Consolidated Subsidiaries as of June 30, 2013, were audited by other auditors whose report dated August 9, 2013, expressed an unmodified opinion on those statements. As discussed in Note 7, Capital Facilities Foundation, Inc. and Consolidated Subsidiaries has restated its 2013 consolidated financial statements during the current year to correct an error found by management during the year, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2013 consolidated financial statements before the restatement.

Other Matters

Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Management's Discussion and Analysis on pages 3 through 7 is presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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
November 6, 2014

Introduction

The Capital Facilities Foundation, Inc. and subsidiaries (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, 2014. 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 consolidated 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 contract 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 encourages 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.

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 December 2013. 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) will now be 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 is expected to consist of 300-600 more beds with mixed use and to be planned and constructed from 2015 to 2017. The acquisition of land necessary to develop Phase II is complete.

Other Planned Projects Located In 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, while 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 provide a lower interest rate for a term ending in January 2018 for a maximum of $10 million, of which $8.74 million has been drawn. The remaining line of credit is sufficient to complete the entire property assemblage.

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, is under construction and expected to open later in 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 Consolidated Statements of Net Assets; the Consolidated Statements of Revenues, Expenses and Changes in Net Assets; and the Consolidated 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.

Consolidated Statements of Net Position

The Consolidated 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 Consolidated 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 Consolidated 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.

Assets	**2014**	2013	2012
Current assets	**$ 6,024,422**	$ 5,249,885	$ 8,748,780
Capital assets, net	**7,667,649**	66,803,339	58,759,616
Total assets	**$ 13,692,071**	$ 72,053,224	$ 67,508,396
Liabilities and Net Position			
Current liabilities	**$ 2,988,478**	$ 5,357,104	$ 1,947,234
Long-term debt	**8,740,481**	65,427,060	63,839,177
Total liabilities	**11,728,959**	70,784,164	65,786,411
Net position	**1,963,112**	1,269,060	1,721,985
Total liabilities and net position	**$ 13,692,071**	$ 72,053,224	$ 67,508,396

The total assets of the Foundation as of June 30, 2014, 2013, and 2012 were approximately $13.7 million, $72.1 million, and $67.5 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 Consolidated Financial Statements.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Consolidated Statement of Net Position are based on the activity presented in the Consolidated Statement of Revenues, Expenses, and Changes in Net Assets. 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.

	2014	2013	2012
Operating gain (loss)	**$ 691,784**	$ (115,879)	$ (769,624)
Grant to UNCG	**-**	(454,679)	-
Nonoperating revenues	**2,268**	117,633	898,471
Increase (decrease) in net assets	**694,052**	(452,925)	128,847
Beginning, net assets	**1,269,060**	1,721,985	1,593,138
Ending, net assets	**$ 1,963,112**	$ 1,269,060	$ 1,721,985

The Consolidated Statements of Revenues, Expenses, and Changes in Net Assets reflect an increase in the net assets at the end of 2014 and 2012 due primarily to rental and interest income. For the year ended 2011, net assets decreased due to operating expenses and interest expense.

Consolidated Statements of Cash Flows

The final statement presented by the Foundation is the Consolidated 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 Consolidated Statement of Revenues, Expenses, and Changes in Net Assets.

	2014	2013	2012
Net cash provided by (used in) operating activities:	**$ 76,624**	$ (197,662)	$ (112,721)
Net cash provided by investing activities	**2,268**	147,708	152,569
Net cash provided by capital and related financing activities	**1,557,165**	886,533	1,239,112
Net increase in cash	**1,636,057**	836,579	1,278,960
Beginning cash	**4,258,829**	3,422,250	2,143,290
Ending cash	**$ 5,894,886**	$ 4,258,829	$ 3,422,250

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. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Net Position
June 30, 2014 and 2013

	2014	2013 (As Restated)
Assets		
Current Assets:		
Cash (Note 2)	**$ 5,894,886**	$ 2,008,829
Rent receivable	**-**	280,157
Prepaid expenses	**60,786**	16,188
Sales tax receivable	**68,750**	694,711
Total current assets	**6,024,422**	2,999,885
Restricted cash (Note 2)	**-**	2,250,000
Capital assets, nondepreciable (Notes 3 and 4)	**7,531,149**	62,654,770
Capital assets, net of accumulated depreciation (Notes 3 and 4)	**136,500**	4,148,569
	7,667,649	66,803,339
Total assets	**$ 13,692,071**	$ 72,053,224
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	**$ 3,642**	$ 10,276
Construction payable	**2,984,836**	5,346,828
Total current liabilities	**2,988,478**	5,357,104
Long-term debt (Note 4)	**8,740,481**	65,427,060
Total liabilities	**11,728,959**	70,784,164
Net Position:		
Net investment in capital assets	**-**	278,004
Unrestricted	**1,963,112**	991,056
Total net position	**1,963,112**	1,269,060
Total liabilities and net position	**$ 13,692,071**	$ 72,053,224

See Notes to Consolidated Financial Statements

CAPITAL FACILITIES FOUNDATION, INC. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2014 and 2013

	2014	2013 (As Restated)
Revenue:		
Rental income	**$ 1,550,412**	$ 613,500
Operating income	**1,550,412**	613,500
Expenses:		
Operating expenses, general and administrative expenses	**1,793,104**	197,143
Depreciation expense	**74,606**	128,212
(Gain) loss on sale of capital assets	**(1,544,652)**	85,976
Interest expense	**535,570**	318,048
Operating expenses	**858,628**	729,379
Operating gain (loss)	**691,784**	(115,879)
Nonoperating revenues, interest income	**2,268**	117,633
Transfer to UNCG	**-**	(454,679)
Increase (decrease) in net assets	**694,052**	(452,925)
Net assets:		
Beginning	**1,269,060**	1,721,985
Ending	**$ 1,963,112**	$ 1,269,060

CAPITAL FACILITIES FOUNDATION, INC. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013 (As Restated)
Cash flows from operating activities:		
Rental income	**$ 1,830,569**	$ 333,343
Interest payments, net of amounts capitalized	**(535,570)**	(358,197)
Payments to vendors	**(1,218,375)**	(172,808)
Net cash provided by (used in) operating activities	**76,624**	(197,662)
Cash flows from investing activities:		
Interest income	**2,268**	147,708
Net cash provided by investing activities	**2,268**	147,708
Cash flows from capital and related financing activities:		
Borrowings on line of credit	**1,420,781**	3,130,511
Proceeds from issuance of long-term debt	**9,725,169**	35,567,502
Proceeds from sale of capital assets	**1,493,435**	299,400
Acquisition and construction of capital assets	**(10,249,691)**	(32,000,750)
Payment on long-term debt	**-**	(1,000,000)
Payments on line of credit	**(832,529)**	(5,110,130)
Net cash provided by capital and related financing activities	**1,557,165**	886,533
Net increase in cash	**1,636,057**	836,579
Cash, Beginning	**4,258,829**	3,422,250
Cash, Ending	**$ 5,894,886**	$ 4,258,829
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:		
Operating gain (loss)	**$ 691,784**	$ (115,879)
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	**74,606**	128,212
(Gain) loss on sale of capital assets	**(1,544,652)**	85,976
(Increase) decrease in rent receivable	**280,157**	(280,157)
(Increase) decrease in prepaid expenses	**(44,598)**	28,823
Increase in receivables	**625,961**	907
Decrease in accounts payable	**(6,634)**	(45,544)
Net cash provided by (used in) operating activities	**$ 76,624**	$ (197,662)
Supplemental schedule of noncash capital and financing activities:		
Transfer of capital assets to UNCG and extinguishment of related debt	**$ 67,000,000**	$ 31,000,000
Transfer of capital assets to UNCG	**-**	454,679
Net transfer of capital assets to UNCG	**$ 67,000,000**	$ 31,454,679
Acquisition of capital assets financed through payables	**$ 1,204,265**	$ 3,455,414
Acquisition of capital assets utilizing deposit on real estate	**$ -**	$ 5,110,130

See Notes to Consolidated Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Capital Facilities Foundation, Inc. (the Foundation) and its two wholly owned subsidiaries exist 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:

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Financial Statements

The accompanying consolidated 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 consolidated financial statements of the University.

Basis of Accounting

The consolidated 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.

NOTE 2 - CASH (Continued)

Cash includes a bank account totaling $5,894,886 and $4,258,829 at June 30, 2014 and 2013, respectively, for which the bank balances were $5,916,176 and $6,977,218, respectively.

Included in the 2013 cash was a money market deposit with a commercial bank that was also financing a construction advance. This bank required that the amount held in the money market be maintained until all loan amounts are repaid. The amounts held under this agreement at June 30, 2013, was $2,250,000.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2014 and 2013, are as follows:

	2014			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Real estate	**$ 15,934,722**	**$ 1,204,261**	**$ (9,607,834)**	**$ 7,531,149**
Construction in progress	**46,720,048**	**6,683,438**	**(53,403,486)**	**-**
	62,654,770	**7,887,699**	**(63,011,320)**	**7,531,149**
Capital assets, depreciable:				
Building	**4,513,874**	**-**	**(4,303,874)**	**210,000**
	4,513,874	**-**	**(4,303,874)**	**210,000**
Accumulated depreciation:				
Building	**(365,305)**	**(74,606)**	**366,411**	**(73,500)**
	(365,305)	**(74,606)**	**366,411**	**(73,500)**
Capital assets depreciated, net	**4,148,569**			**136,500**
Total capital assets, net	**$ 66,803,339**			**$ 7,667,649**

	2013			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Real estate	$ 14,600,126	$ 2,088,811	$ (754,215)	$ 15,934,722
Construction in progress	8,375,518	38,344,530	-	46,720,048
	22,975,644	40,433,341	(754,215)	62,654,770
Capital assets, depreciable:				
Building	36,441,812	-	(31,927,938)	4,513,874
	36,441,812	-	(31,927,938)	4,513,874
Accumulated depreciation:				
Building	(657,840)	(128,212)	420,747	(365,305)
	(657,840)	(128,212)	420,747	(365,305)
Capital assets depreciated, net	35,783,972			4,148,569
Total capital assets, net	$ 58,759,616			$ 66,803,339

NOTE 4 - LONG-TERM DEBT

A summary of changes in the long-term debt for the years ended June 30, 2014 and 2013, are as follows:

	2014			
	Beginning Balance	Additions	Reductions	Ending Balance
Line of credit	**$ 8,152,229**	**$ 1,420,781**	**$ (832,529)**	**$ 8,740,481**
Construction Advance 2	**57,274,831**	**9,725,169**	**(67,000,000)**	**-**
Total long-term debt	**$ 65,427,060**	**$ 11,145,950**	**$ (67,832,529)**	**$ 8,740,481**

	2013			
	Beginning Balance	Additions	Reductions	Ending Balance
Construction Advance 1	$ 31,000,000	$ -	$ (31,000,000)	$ -
Line of credit	10,131,848	3,130,511	(5,110,130)	8,152,229
Construction Advance 2	21,707,329	35,567,502		57,274,831
Note payable	1,000,000		(1,000,000)	-
Total long-term debt	$ 63,839,177	$ 38,698,013	$ (37,110,130)	$ 65,427,060

Land Line of Credit

The line of credit allowed borrowings up to $10,000,000 and subsequent to amendment in February 2012, $17,654,967, of which $8,740,481 and $8,152,229 is outstanding at June 30, 2014 and 2013, respectively. This line of credit was amended 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) (2.15 percent and 3.00 percent at June 30, 2014 and 2013, respectively). The line of credit is due January 2018 and is secured by property purchased using the line of credit.

Construction Advance 2

Construction Advance 2 was entered into on November 1, 2011, with a commercial bank that advanced construction funds. The Foundation is using the construction advance to construct another student housing project on the Foundation's land adjacent to the University. Under the agreements, the University is to pay the Foundation rentals for 30 years at a cost not to exceed $5,155,227 per year for the use of the facility. Under the lease, the University was authorized, at any time during the lease, to purchase the Project for the amount required to discharge the obligations of the Foundation with respect to the financing of the project. The University exercised this option by paying off the Advance on June 19, 2014. The assignment of rents and the constructed facility served as security for Construction Advance 2.

Note Payable

The note payable is in the amount of $1,000,000 received from an unrelated private foundation. The note provided for quarterly interest only payments at 4.5 percent and is due on the sooner to occur of receipt of other funding sufficient to discharge the debt associated with the note payable designated for acquisition of property and construction of facilities by the Foundation, or December 31, 2014. The note was paid in full on March 31, 2014.

NOTE 4 - LONG-TERM DEBT (Continued)

The annual requirements to pay principal and interest on long-term debt at June 30, 2014, is as follows:

Fiscal Year	Principal	Interest
2015	$ -	$ 188,008
2016	-	188,008
2017	-	188,008
2018	8,740,481	94,004
	$ 8,740,481	$ 658,028

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 subsidiaries are single member limited liability companies owned by the Foundation. The Foundation and its single member subsidiaries are exempt from federal and state income taxes except for income generated from unrelated business activities. Neither the Foundation nor any of the subsidiaries have identified any unrelated business income in current or past years.

NOTE 7 - PRIOR PERIOD ADJUSTMENT

During the preparation of consolidated financial statements, management determined that there was a prior period adjustment that was improperly recorded. In fiscal year ended June 30, 2014 rent receipts were recorded as income; however, they should have been recorded in fiscal year ended June 30, 2013 as a receivable and rent income in the amount of $280,157.

(Note 7 continued on next page.)

NOTE 7 - PRIOR PERIOD ADJUSTMENT (Continued)

The following schedule presents the changes to the 2013 balances for the consolidated financial statements:

Consolidated Statement of Net Position

Financial Statement Line Item	As Presented	Adjustment	As Restated
Rent receivable	$ -	$ 280,157	$ 280,157
Current assets	2,719,728	280,157	2,999,885
Total assets	71,773,067	280,157	72,053,224
Unrestricted net assets	710,899	280,157	991,056
Total net position	988,903	280,157	1,269,060
Total liabilities and net position	71,773,067	280,157	72,053,224

Consolidated Statement of Revenue, Expenses and Change in Net Assets

Financial Statement Line Item	As Presented	Adjustment	As Restated
Rental income	$ 333,343	$ 280,157	$ 613,500
Operating income	333,343	280,157	613,500
Ending net assets	988,903	280,157	1,269,060

Consolidated Statement of Cash Flows

Financial Statement Line Item	As Presented	Adjustment	As Restated
Operating gain (loss)	$ (396,036)	$ 280,157	$ (115,879)
Increase in rent receivable	-	(280,157)	(280,157)