

**Capital Facilities
Foundation, Inc.
and Subsidiaries**
(A Component Unit of The University
of North Carolina at Greensboro)

Consolidated Financial Report
Year Ended June 30, 2011

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Independent Auditor's Report

The Board of Directors
Capital Facilities Foundation, Inc.
Greensboro, North Carolina

We have audited the accompanying consolidated statements of net assets of Capital Facilities Foundation, Inc. and consolidated subsidiaries (the "Foundation"), a component unit of the University of North Carolina at Greensboro, as of June 30, 2011 and 2010, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated financial position of Capital Facilities Foundation, Inc., as of June 30, 2011 and 2010, and the respective changes in its consolidated financial position and its consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2011, on our consideration of the Foundation'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 6 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Greensboro, North Carolina
August 16, 2011

**Capital Facilities Foundation, Inc.
and Subsidiaries**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2011**

Introduction

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, 2011. 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 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%-30% of undergraduate enrollment to 40%-50%, predominantly with the assistance of the Foundation to develop the facilities. Over the course of the next ten years, this could represent as little as 1,800 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). The Foundation engaged the partnership of Pearce Brinkley Cease and Lee / Ayers Saint Gross to design this New Residence Hall and the joint venture of Barton Malow / Samet / SRS to build it, serving as Construction Manager at Risk. Construction on the New Residence Hall began in late spring 2010 and is on schedule to be complete and occupied in August 2011. This construction is financed with Build America Bonds through Bank of America. Competitive processes were utilized to select the designer, construction manager at risk and the lender. UNCG has received legislative authority to purchase and finance this facility from the Foundation.

**Capital Facilities Foundation, Inc.
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**Management's Discussion and Analysis (Unaudited)
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The Plan also suggests that the majority of the growth in student housing facilities should take place on property not currently owned by UNCG. The Plan calls 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. Although the Plan calls for the expansion to take place to the south or to the west of campus, efforts have been focused primarily on the south in the Lee Street Corridor. Planning documents by the Glenwood Neighborhood as well as the City of Greensboro give guidance for the redevelopment of the Lee Street Corridor and both encourage UNCG's potential influence and role in the redevelopment. 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 RBC Bank. A multi-phase master plan was developed for acquiring property and constructing student housing facilities with mixed-use components. The first phase, an 800-bed project with mixed use components, is expected to break ground in the fall of 2011 and a lease between the Foundation and UNCG was approved in August 2011. The second phase is expected to consist of 600 more beds with mixed use and to be constructed from 2014 to 2016. All land necessary to complete Phase I is now controlled by the Foundation and approximately 65% of the land to complete Phase II is currently under control or contract.

Other Planned Projects Located in Lee Street Corridor

In addition to student housing and its required parking, the Foundation will also facilitate in any way possible, the land acquisition for or development of a student recreation center located in close proximity to the new student housing. It is also noteworthy that the University is planning the construction of a pedestrian underpass to connect the current core campus with the Lee Street Corridor to the south as well as a new facility for its Public Safety and Police department adjacent to the underpass.

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 is blended in the UNCG financial report, and therefore, is prepared in accordance with Governmental Accounting Standards Board ("GASB") principles.

**Capital Facilities Foundation, Inc.
and Subsidiaries**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2011**

Consolidated Statement of Net Assets

The Consolidated Statement of Net Assets 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 Assets 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 Assets 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.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current assets	\$ 7,403,816	\$ 30,722,722	\$ 2,275,755
Capital assets, net	43,946,362	4,970,436	901,151
Total assets	51,350,178	35,693,158	3,176,906
Liabilities			
Current liabilities	3,134,215	573,205	231,683
Long-term debt	46,622,825	33,168,558	-
Total liabilities	49,757,040	33,741,763	231,683
Total net assets	\$ 1,593,138	\$ 1,951,395	\$ 2,945,223

The total assets of the Foundation as of June 30, 2011, 2010, and 2009 were approximately \$51.4 million, \$35.7 million, and \$3.2 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.

**Capital Facilities Foundation, Inc.
and Subsidiaries**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2011**

Consolidated Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Consolidated Statement of Net Assets 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.

	2011	2010	2009
Operating income (loss)	\$ (687,962)	\$ (1,082,657)	\$ 2,503,259
Nonoperating revenues	329,705	88,829	12,174
Increase (decrease) in net assets	(358,257)	(993,828)	2,515,433
Beginning, net assets	1,951,395	2,945,223	429,790
Ending, net assets	\$ 1,593,138	\$ 1,951,395	\$ 2,945,223

The Consolidated Statements of Revenues, Expenses, and Changes in Net Assets reflect a decrease in the net assets at the end of 2011 and 2010 due to operating expenses, interest expense and loss on the sale of property to the State of North Carolina, respectively. For the year ended 2009 net assets increased due to rental revenue received from UNCG.

Consolidated Statement 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 used to the operating income or loss reflected on the Consolidated Statement of Revenues, Expenses, and Changes in Net Assets.

	2011	2010	2009
Net cash provided by (used in)			
operating activities	(1,125,365)	\$ (688,781)	\$ 1,355,466
Net cash provided by investing activities	313,947	88,829	12,175
Net cash provided by (used in) capital and related financing activities	1,191,765	187,560	(901,151)
Net increase (decrease) in cash	380,347	(412,392)	466,490
Beginning cash	1,762,943	2,175,335	1,708,845
Ending cash	\$ 2,143,290	\$ 1,762,943	\$ 2,175,335

**Capital Facilities Foundation, Inc.
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**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2011**

Consolidated Statement of Cash Flows (Continued)

The major source of funds included in operating activities is lease revenue. The major uses of funds included in operating activities are payments to vendors/suppliers, and payments for interest expense to lenders.

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. 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 Subsidiaries**

**Consolidated Statements of Net Assets
June 30, 2011 and 2010**

	2011	2010
Assets		
Current Assets		
Cash (Note 2)	\$ 2,143,290	\$ 1,762,943
Prepaid expenses	16,757	59,993
Sales tax receivable	623,741	-
Receivable from UNCG (Note 4)	4,562,431	28,899,786
Other receivables	57,597	-
Total current assets	7,403,816	30,722,722
Capital assets, nondepreciable (Notes 3 and 4)	39,788,219	4,748,994
Capital assets, net of accumulated depreciation (Notes 3 and 4)	4,158,143	221,442
Total assets	51,350,178	35,693,158
Liabilities		
Current Liabilities		
Accounts payable	93,034	50,271
Construction payable	3,041,181	522,934
Total current liabilities	3,134,215	573,205
Long-term debt (Note 4)	46,622,825	33,168,558
Total liabilities	49,757,040	33,741,763
Commitments (Note 6)		
Net Assets		
Invested in capital assets, net of related debt	74,354	1,635,270
Unrestricted	1,518,784	316,125
Total net assets	\$ 1,593,138	\$ 1,951,395

See Notes to Consolidated Financial Statements.

**Capital Facilities Foundation, Inc.
and Subsidiaries**

**Consolidated Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2011 and 2010**

	2011	2010
Revenue:		
Rental income	\$ 181,453	\$ 30,000
Gain on sale of capital assets	10,545	-
Operating income	191,998	30,000
Expenses:		
Operating expenses, general and administrative expenses	261,506	476,981
Depreciation expense	123,957	39,078
Loss on sale of capital assets	-	495,783
Interest expense	483,952	100,815
Operating expenses	869,415	1,112,657
Operating loss	(677,417)	(1,082,657)
Nonoperating revenues, interest income	319,160	88,829
Decrease in net assets	(358,257)	(993,828)
Net assets:		
Beginning	1,951,395	2,945,223
Ending	\$ 1,593,138	\$ 1,951,395

See Notes to Consolidated Financial Statements.

**Capital Facilities Foundation, Inc.
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**Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010**

	2011	2010
Cash Flows From Operating Activities		
Rental income	\$ 181,453	\$ 32,500
Interest payments, net of amounts capitalized	(449,777)	(99,543)
Payments to vendors	(857,041)	(621,738)
Net cash used in operating activities	(1,125,365)	(688,781)
Cash Flows Provided By Investing Activities		
Interest income	313,947	88,829
Cash Flows From Capital and Related Financing Activities		
Borrowings on line of credit	13,582,800	668,558
Proceeds from issuance of long-term debt	-	32,500,000
Proceeds from sale of capital assets	173,084	1,406,296
Acquisition and construction of capital assets	(36,744,175)	(5,487,508)
Withdrawal (deposit) of financing proceeds on deposit with UNCG	24,308,589	(28,899,786)
Payments on line of credit	(128,533)	-
Net cash provided by capital and related financing activities	1,191,765	187,560
Net increase (decrease) in cash	380,347	(412,392)
Cash:		
Beginning	1,762,943	2,175,335
Ending	<u>\$ 2,143,290</u>	<u>\$ 1,762,943</u>
Reconciliation of Operating Loss to		
Net Cash Used In Operating Activities		
Operating loss	\$ (677,417)	\$ (1,082,657)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	123,957	39,078
(Gain) loss on sale of capital assets	(10,545)	495,783
(Increase) decrease in prepaid expenses	43,236	(1,255)
(Increase) decrease in receivables	(647,359)	41,682
Increase in interest payable	34,175	1,272
Increase (decrease) in accounts payable	8,588	(182,684)
Net cash used in operating activities	\$ (1,125,365)	\$ (688,781)
Supplemental Schedule of Noncash Capital and Financing Activities		
Construction of capital assets financed through payables	\$ 2,518,247	\$ 522,934
Increase in interest receivable	<u>\$ 33,979</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

Capital Facilities Foundation, Inc. and Subsidiaries

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 LLCs 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 basic 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, furnishings and equipment are depreciated over five years, and appliances are depreciated over ten years, unless a shorter useful life is determined to be appropriate.

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

Reclassification: The Foundation's policy is to reclassify certain amounts reported in prior year's financial statements when necessary for conformity with classifications adopted in the current year. These reclassifications did not have an effect on the prior year's change in net assets or total net assets.

**Capital Facilities Foundation, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements

Note 2. Cash

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

Cash includes a bank account totaling \$2,143,290 and \$1,762,943 at June 30, 2011 and 2010, respectively, for which the bank balances were \$2,155,542 and \$1,812,577, respectively. All balances at June 30, 2011 were covered by federal depository insurance.

Note 3. Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was as follows:

	2011			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, nondepreciable:				
Real estate	\$ 2,240,593	\$ 8,966,315	\$ (162,539)	\$ 11,044,369
Construction in progress	2,508,401	26,235,449	-	28,743,850
	<u>4,748,994</u>	<u>35,201,764</u>	<u>(162,539)</u>	<u>39,788,219</u>
Capital assets, nondepreciable:				
Building	260,520	4,060,658	-	4,321,178
Totals, capital assets being depreciated	<u>260,520</u>	<u>4,060,658</u>	<u>-</u>	<u>4,321,178</u>
Less accumulated depreciation for:				
Building	(39,078)	(123,957)	-	(163,035)
Total accumulated depreciation	<u>(39,078)</u>	<u>(123,957)</u>	<u>-</u>	<u>(163,035)</u>
Totals, capital assets being depreciated, net	<u>221,442</u>			<u>4,158,143</u>
Total capital assets, net	<u>\$ 4,970,436</u>			<u>\$ 43,946,362</u>

**Capital Facilities Foundation, Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements

Note 3. Capital Assets (Continued)

	2010			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, nondepreciable:				
Real estate	\$ 901,151	\$ 3,241,521	\$ (1,902,079)	\$ 2,240,593
Construction in progress	-	2,508,401	-	2,508,401
	<u>901,151</u>	<u>5,749,922</u>	<u>(1,902,079)</u>	<u>4,748,994</u>
Capital assets, nondepreciable:				
Building	-	260,520	-	260,520
Totals, capital assets being depreciated	-	260,520	-	260,520
Less accumulated depreciation for:				
Building	-	(39,078)	-	(39,078)
Total accumulated depreciation	-	(39,078)	-	(39,078)
Totals, capital assets being depreciated, net	-			221,442
Total capital assets, net	<u>\$ 901,151</u>			<u>\$ 4,970,436</u>

Note 4. Long-Term Debt

A summary of changes in the long-term liabilities for the years ended June 30, 2011 and 2010 are as follows:

	2011			Ending Balance
	Beginning Balance	Additions	Reductions	
Construction advance	\$ 31,000,000	\$ -	\$ -	\$ 31,000,000
Line of credit	668,558	13,582,800	(128,533)	14,122,825
Notes payable	1,500,000	-	-	1,500,000
Total long-term debt	\$ 33,168,558	\$ 13,582,800	\$ (128,533)	\$ 46,622,825

**Capital Facilities Foundation, Inc.
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Notes to Consolidated Financial Statements

Note 4. Long-Term Debt (Continued)

	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
Construction advance	\$ -	\$ 31,000,000	\$ -	\$ 31,000,000
Line of credit	-	668,558	-	668,558
Notes payable	-	1,500,000	-	1,500,000
Total long-term debt	<u>\$ -</u>	<u>\$ 33,168,558</u>	<u>\$ -</u>	<u>\$ 33,168,558</u>

During April 2010, the Foundation entered into agreements with the University and a commercial bank that advanced construction funds shown as construction advance below. The Foundation is using the construction advance to construct student housing on the University's campus. The Foundation entered into a 30-year lease agreement with the University to lease the land on which the facility is being constructed at a cost of \$1 per year. Under the agreements, the University is to pay the Foundation rentals for 30 years at a cost not to exceed \$2,650,000 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 annual requirements to pay principal and interest on the long-term debt at June 30, 2011 is as follows:

Fiscal Year	Principal	Interest
2012	\$ -	\$ 864,601
2013	-	864,601
2014	31,000,000	803,429
2015	15,622,825	255,006
	<u>\$ 46,622,825</u>	<u>\$ 2,787,637</u>

The construction advance requires monthly interest payments due by the first of each month equal to the monthly LIBOR Base Rate plus 85 basis points (.85%), not to exceed 12.0% (1.04% and 1.2% at June 30, 2011 and 2010, respectively). The entire balance of this advance was initially drawn and is on deposit with the University in order to take advantage of the Build America Bond program; the amount on deposit with the University is recorded as a receivable from UNCG. The assignment of rents and the constructed facility serve as security for the construction advance. The construction advance is due May 1, 2014.

**Capital Facilities Foundation, Inc.
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Notes to Consolidated Financial Statements

Note 4. Long-Term Debt (Continued)

The line of credit allows borrowings up to \$20,000,000 of which \$14,122,825 and \$668,558 is outstanding at June 30, 2011 and 2010, respectively. This line of credit requires monthly interest payments due by the first of each month equal to the monthly LIBOR Rate plus 2.0% with a minimum of 3% (3% at June 30, 2011 and 2010, respectively). The line of credit is due January 2015 and is secured by property purchased using the line of credit.

The two notes payable are in the amounts of \$1,000,000 and \$500,000 received from two unrelated private foundations. The notes provide for quarterly interest only payments at 4.5% and are due on the sooner to occur of receipt of other funding sufficient to discharge the debt associated with the notes payable designated for acquisition of property and construction of facilities by the Foundation or December 31, 2014.

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. Commitments

The Foundation had entered into agreements to construct a student housing facility on the University's campus. The total costs associated with the facility are estimated at \$31 million, of which approximately \$28.7 million had been incurred at June 30, 2011.

The Foundation had outstanding options to purchase real estate with a value of \$544,000 as of June 30, 2011, of which approximately \$515,000 was purchased subsequent to fiscal year end.

Note 7. 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 LLCs are exempt from federal and state income taxes except for income generated from unrelated business activities. Neither the Foundation or any of the LLCs have identified any unrelated business income in current or past years.