



**UNC CHARLOTTE**

**The Foundation of the University of  
North Carolina at Charlotte, Inc.**

Consolidated Financial Statements  
for the Years Ended June 30, 2015 and 2014  
and Independent Auditor's Report

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## **Independent Auditor's Report**

To the Board of Directors  
The Foundation of the University of North Carolina  
at Charlotte, Inc.  
Charlotte, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of The Foundation of the University of North Carolina at Charlotte, Inc. (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years 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 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina  
October 12, 2015

The Foundation of the University of North Carolina at Charlotte, Inc.

**Consolidated Statements of Financial Position**  
**June 30, 2015 and 2014**

<b>Assets</b>	2015	2014
Cash and cash equivalents	\$ 12,934,134	\$ 14,663,831
Accounts receivable	55,835	52,442
Prepaid expenses	13,537	15,294
Pledges receivable, net	17,653,071	13,588,161
Beneficial interests in lead trusts	810,222	1,039,882
Investments	100,686,893	95,491,307
Assets held under split-interest agreements	836,202	887,557
Cash surrender value of life insurance	881,750	852,578
Note receivable	75,000	75,000
Property held for investment	8,445,913	9,563,967
Building and equipment, net	-	340,185
Other assets	-	10,488
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 142,392,557</b>	<b>\$ 136,580,692</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
<hr/>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 24,179	\$ 36,693
Unearned revenue	500,000	-
Liability under split-interest agreements	387,697	422,398
Funds held for others	46,487	44,616
Line of credit	-	1,492,248
Notes payable	205,921	2,974,973
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>1,164,284</b>	<b>4,970,928</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Net Assets</b>		
Unrestricted	21,701,113	20,474,492
Temporarily restricted	74,075,976	66,822,395
Permanently restricted	45,451,184	44,312,877
	<hr/>	<hr/>
<b>Total net assets</b>	<b>141,228,273</b>	<b>131,609,764</b>
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<b>Total liabilities and net assets</b>	<b>\$ 142,392,557</b>	<b>\$ 136,580,692</b>

See Notes to Consolidated Financial Statements.

The Foundation of the University of North Carolina at Charlotte, Inc.

**Consolidated Statement of Activities  
For the Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains and other support:</b>				
Public contributions	\$ 585,816	\$ 10,658,842	\$ 1,093,012	\$ 12,337,670
Support from affiliate	2,041,325	313,839	-	2,355,164
Interest and dividend income	47,243	151,512	-	198,755
Net gain on investments	2,535,376	5,231,624	-	7,767,000
Other revenue and support	108,345	14,546	-	122,891
	5,318,105	16,370,363	1,093,012	22,781,480
Net assets released from restrictions	9,337,843	(9,337,843)	-	-
<b>Total revenue, gains and other support</b>	<b>14,655,948</b>	<b>7,032,520</b>	<b>1,093,012</b>	<b>22,781,480</b>
<b>Expenses</b>				
<b>Program Services:</b>				
Contributions to UNC Charlotte	9,751,827	-	-	9,751,827
Grants and research	352,949	-	-	352,949
Other program services	162,508	-	-	162,508
<b>Total program services</b>	<b>10,267,284</b>	<b>-</b>	<b>-</b>	<b>10,267,284</b>
<b>Support Services:</b>				
Fundraising support	857,229	-	-	857,229
Professional fees	42,085	-	-	42,085
Investment expenses	609,798	-	-	609,798
Interest expense	103,611	-	-	103,611
Other general and administrative	1,282,964	-	-	1,282,964
<b>Total support services</b>	<b>2,895,687</b>	<b>-</b>	<b>-</b>	<b>2,895,687</b>
<b>Total expenses</b>	<b>13,162,971</b>	<b>-</b>	<b>-</b>	<b>13,162,971</b>
<b>Change in net assets before transfers</b>	<b>1,492,977</b>	<b>7,032,520</b>	<b>1,093,012</b>	<b>9,618,509</b>
Transfers between net asset classes	(266,356)	221,061	45,295	-
<b>Change in net assets</b>	<b>1,226,621</b>	<b>7,253,581</b>	<b>1,138,307</b>	<b>9,618,509</b>
<b>Net assets:</b>				
Beginning of year	20,474,492	66,822,395	44,312,877	131,609,764
Ending of year	\$ 21,701,113	\$ 74,075,976	\$ 45,451,184	\$ 141,228,273

See Notes to Consolidated Financial Statements.

The Foundation of the University of North Carolina at Charlotte, Inc.

**Consolidated Statement of Activities  
For the Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains and other support:</b>				
Public contributions	\$ 262,190	\$ 15,505,583	\$ 597,618	\$ 16,365,391
Grants and contracts	-	7,822	-	7,822
Interest and dividend income	31,001	172,921	-	203,922
Net gain on investments	4,099,925	8,789,485	-	12,889,410
Other revenue and support	205,281	(186,948)	(121,537)	(103,204)
	4,598,397	24,288,863	476,081	29,363,341
Net assets released from restrictions	11,766,189	(11,766,189)	-	-
<b>Total revenue, gains and other support</b>	<b>16,364,586</b>	<b>12,522,674</b>	<b>476,081</b>	<b>29,363,341</b>
<b>Expenses</b>				
<b>Program Services:</b>				
Contributions to UNC Charlotte	11,894,850	-	-	11,894,850
Grants and research	13,044	-	-	13,044
Other program services	244,033	-	-	244,033
<b>Total program services</b>	<b>12,151,927</b>	<b>-</b>	<b>-</b>	<b>12,151,927</b>
<b>Support Services:</b>				
Fundraising support	54,504	-	-	54,504
Professional fees	78,836	-	-	78,836
Investment expenses	697,864	-	-	697,864
Interest expense	134,678	-	-	134,678
Other general and administrative	52,085	-	-	52,085
<b>Total support services</b>	<b>1,017,967</b>	<b>-</b>	<b>-</b>	<b>1,017,967</b>
<b>Total expenses</b>	<b>13,169,894</b>	<b>-</b>	<b>-</b>	<b>13,169,894</b>
<b>Change in net assets</b>	<b>3,194,692</b>	<b>12,522,674</b>	<b>476,081</b>	<b>16,193,447</b>
<b>Net assets:</b>				
Beginning of year	17,279,800	54,299,721	43,836,796	115,416,317
Ending of year	\$ 20,474,492	\$ 66,822,395	\$ 44,312,877	\$ 131,609,764

See Notes to Consolidated Financial Statements.

The Foundation of the University of North Carolina at Charlotte, Inc.

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 9,618,509	\$ 16,193,447
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net gain on investments	(7,767,000)	(12,889,410)
Valuation changes in pledges receivable	(197,689)	3,839,476
Valuation changes in beneficial interests in lead trusts	162,071	-
Valuation changes in split-interest agreements	16,654	422,396
Gain on pooled annuity distribution	-	103,959
Valuation changes in cash value of life insurance	(29,172)	(70,579)
Amortization and depreciation	17,395	12,217
Noncash contributions, net of transfers to UNC Charlotte	-	742,009
Contributions restricted for endowment	(1,336,171)	(1,710,236)
Changes in operating assets and liabilities:		
Pledges receivable	(3,867,221)	(8,256,186)
Beneficial interests in lead trusts	67,589	-
Other operating assets	(1,636)	(12,287)
Unearned revenue	500,000	(871,266)
Other operating liabilities	(10,643)	(53,474)
<b>Net cash used in operating activities</b>	<b>(2,827,314)</b>	<b>(2,549,934)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property	(755,653)	(1,479,733)
Proceeds from sale of property	2,206,985	-
Proceeds from sale of investments	4,846,001	5,274,011
Purchases of investments	(2,274,587)	(3,572,730)
<b>Net cash provided by investing activities</b>	<b>4,022,746</b>	<b>221,548</b>
<b>Cash Flows From Financing Activities</b>		
Net (payments) proceeds from line of credit	(1,492,248)	1,492,248
Principal payments on long-term borrowings	(2,769,052)	(254,132)
Payment of debt issuance costs	-	(17,980)
Contributions restricted for endowment	1,336,171	1,710,236
<b>Net cash (used in) provided by financing activities</b>	<b>(2,925,129)</b>	<b>2,930,372</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,729,697)</b>	<b>601,986</b>
<b>Cash and cash equivalents:</b>		
Beginning	14,663,831	14,061,845
Ending	<b>\$ 12,934,134</b>	<b>\$ 14,663,831</b>

See Notes to Consolidated Financial Statements.



## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 1. Summary of Operations and Significant Accounting Policies

Operations – The Foundation of the University of North Carolina at Charlotte, Inc. is a not-for-profit organization established to assist in the educational, research and community service missions of The University of North Carolina at Charlotte (UNC Charlotte or the University). Program services that directly relate to this purpose are classified as contributions to UNC Charlotte. The Foundation includes in its operations The University of North Carolina at Charlotte Institute for Social Capital, Inc. as a subsidiary with assets of \$250,848 and \$271,245 as of June 30, 2015 and 2014, respectively.

Basis of consolidation – The consolidated financial statements include the accounts of The Foundation of the University of North Carolina at Charlotte, Inc. and The University of North Carolina at Charlotte Institute for Social Capital, Inc. (collectively, the Foundation). All material related party balances and transactions have been eliminated in consolidation.

Reporting basis – The Foundation prepares its financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). The Foundation prepares its financial statements on the accrual basis and reports amounts separately by the three classes of net assets.

*Unrestricted net assets* – Net assets that are not restricted by donors or for which donor-imposed restrictions have been met or have expired.

*Temporarily restricted net assets* – Net assets that contain donor-imposed time or purpose restrictions that have not currently been met. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are stipulated as support for future periods. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished or time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets that contain donor-imposed restrictions stipulating that the amounts be maintained by the Foundation in perpetuity. The Foundation may expend part or all of the income earned according to donor stipulations.

A summary of the Foundation's significant accounting policies follows:

Use of accounting estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and cash equivalents – This classification includes un-deposited receipts, petty cash, cash on deposit with private bank accounts, money market accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2015 and 2014

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**1. Summary of Operations and Significant Accounting Policies (Continued)**

Pledges receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of their future cash flows, and are subsequently amortized over the expected payment period. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Valuation of investments – Investments are presented in the financial statements at fair value in accordance with Topic 820, *Fair Value Measurement*, of the Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC).

FASB ASC Topic 820 permits reporting entities, as a practical expedient, to estimate the fair value of their investments in certain entities that calculate net asset value (NAV) per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) by using NAV if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of FASB ASC Topic 946, *Financial Services - Investment Companies*, as of the reporting entity's measurement date.

The Foundation elects to use NAV as a practical expedient to estimate the fair value of its external investment pool. The investee fund managers calculate NAV using fair value estimates of the underlying securities and other financial instruments. The estimated fair values of these underlying investments, which may include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's external investment pool generally represents the amount the Foundation would expect to receive if it were to liquidate its investment, excluding any redemption charges that may apply.

Determining whether an investee fund manager has calculated NAV in a manner consistent with FASB ASC Topic 946 requires the Foundation to independently evaluate the fair value measurement process utilized to calculate the NAV. Such an evaluation is a matter of professional judgment and includes determining that an investee fund manager has an effective process and related internal controls in place to estimate the fair value of its investments that are included in the calculation of NAV. The Foundation's evaluation of the process used by investee fund managers includes initial due diligence, ongoing due diligence, and financial reporting controls.

Investment income – Net gain on investment represents the net unrealized appreciation or depreciation on holding investments combined with the net realized gain or loss on sale of investments. Income from investments is shared pro-rata by the participating funds on the basis of their respective fund balances available for such investments.

## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 1. Summary of Operations and Significant Accounting Policies (Continued)

Assets held under split-interest agreements – The Foundation is trustee and beneficiary to several irrevocable split-interest agreements. These split-interest agreements are categorized as charitable remainder trusts and pooled income funds, which are included in temporarily restricted net assets. Assets held in split-interest agreements are stated at fair value and included in assets held under split-interest agreements.

Property held for investment – Property held for investment consists of real estate donated to the Foundation, recognized at estimated fair value, in accordance with donor stipulations on the use of property as well as property held for future use by the University. It is the Foundation's practice to liquidate property included under this classification when donated, provided donor restrictions are met. The Foundation values property held for investment at the lower of cost or market and recognizes any permanent impairments in the fiscal year in which they occur.

Buildings and equipment – Building and equipment is recorded at cost, if purchased. All purchased assets greater than \$500 and with an estimated useful life of greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Contributions of land, buildings and equipment – The Foundation records contributions of land, buildings and equipment at their estimated fair value, in accordance with donor stipulations as permanently restricted, temporarily restricted or unrestricted revenues in the year of contribution.

Recognition of revenue – The Foundation recognizes contributions that are given unconditionally in the period the contributions are received or promised, whichever is earlier.

Contributions – The Foundation records contributions received and unconditional promises to give at their estimated fair values and are reported as an increase in net assets.

Donated services – All accounting and management records and responsibilities are maintained or performed by employees of the University, as the Foundation has no employees. The estimated fair values of the accounting and other services provided by the University employees is recorded in accordance with FASB Accounting Standards Update (ASU) 2013-06, *Services Received from Personnel of an Affiliate*, for the year ended June 30, 2015. No such amounts were recorded for the year ended June 30, 2014, as the ASU was not yet effective.

Income taxes – The Foundation is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

The Foundation records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of June 30, 2015 and 2014.

Functional allocation of expenses – The cost of providing the programs and supporting services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 1. Summary of Operations and Significant Accounting Policies (Continued)

Reclassifications – It is the Foundation’s policy to reclassify prior year amounts when necessary for conformity with classification adopted in the current year with no change in total net assets or changes in net assets.

Subsequent events – In preparing its financial statements, the Foundation has evaluated subsequent events through October 12, 2015, which is the date the consolidated financial statements were available to be issued.

Recent accounting pronouncements – In April 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this Update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. These services should be measured at cost, or fair value if cost will significantly misstate the value of the service received. The Foundation adopted the provisions of ASU 2013-06 for the year ended June 30, 2015. As a result, the Foundation recognized \$2,355,164 as support from affiliate and \$2,355,164 as program and supporting services.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Foundation adopted the provisions of ASU 2015-07 for the year ended June 30, 2015. As a result, the Foundation's investments that are measured using net asset value have not been categorized within the fair value hierarchy table in Note 5 but have been included in the table to allow for reconciliation to the statement of financial position.

#### 2. Cash and Cash Equivalents

Cash and cash equivalents includes an equity position in the North Carolina State Treasurer’s Short-Term Investment Fund of \$7,068,068 and \$7,034,524 as of June 30, 2015 and 2014, respectively.

The Short-Term Investment Fund is a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s Short-Term Investment Fund) are included in the State of North Carolina’s *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller’s Internet home page <http://www.osc.nc.gov/> and clicking on “Reports” or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 3. Pledges Receivable

Pledges receivable consist of unconditional promises to give. As of June 30, 2015 and 2014, pledges were due as follows:

	2015	2014
Receivable in less than one year	\$ 6,314,027	\$ 2,397,452
Receivable in 1 to 5 years	10,371,422	7,786,583
Receivable in over 5 years	5,954,455	8,588,648
Pledges receivable, gross	22,639,904	18,772,683
Less amount to reduce to present value (discount rate – 5%)	(3,324,625)	(3,559,184)
Net present value of pledges receivable	19,315,279	15,213,499
Less allowance for uncollectible promises	(1,662,208)	(1,625,338)
Pledges receivable, net present value	\$ 17,653,071	\$ 13,588,161

#### 4. Investments and Assets Held in Charitable Trusts

The Foundation directly owns investments (non-pooled investments) and participates in a long-term external investment pool (pooled investments).

The pooled investments are invested in an external investment pool managed by The University of North Carolina at Charlotte Investment Fund, Inc. (“UNCCIF”) which is not registered with the Securities and Exchange Commission. The external investment pool’s participants include UNC Charlotte, the Foundation, and the Athletic Foundation of The University of North Carolina at Charlotte, Inc. Participant ownership is measured using the pro rata share method. Under this method, each participant’s ownership interest of the investment balance is determined based on its pro rata share of the market value of the investment pool at the beginning of each monthly period. The Foundation’s pro rata share of the UNCCIF’s external investment pool was \$95,438,658, representing 56% of the total external pool, as of June 30, 2015, and \$90,011,700, representing 57% of the total external investment pool as of June 30, 2014.

The primary investment objective of the UNCCIF external investment pool is to attain a minimum annualized real total return, net of management fees, of at least 5% over the long term. The UNCCIF board of directors approves investment policies, objectives and the hiring of investment managers, consultants and advisors. The UNCCIF board of directors monitors investment performance and implementation of investment policies and has chosen not to make individual security selections. The management of individual securities is made by the two external investment firms and advisors chosen by the UNCCIF board of directors for their individual strength in investment approach, methodology and research, correlation of strategies, quantitative stock selection models and distinct manager specialists as well as a risk-controlled framework. This diversification provides reasonable assurance that no single security, class of securities or investment manager has a disproportionate impact on the results of the external pool.

## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 4. Investments and Assets Held in Charitable Trusts (Continued)

The two external investment firms in which the UNCCIF invests include a limited partnership and another external investment pool. These two external investment firms invest in a variety of asset classes, including common stocks, fixed income, foreign investment, derivatives, private equity and hedge funds. These assets are subject to a variety of risks. Common stocks are subject to market risk, while fixed income investments are subject to interest rate risk and credit risk. Foreign investments are subject to foreign exchange risk, political and economic developments, and limited legal recourse and market risks. Derivatives, such as futures, options, warrants and swap contracts, involve risks that may result in losses. The prices of derivatives may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions and may result in increased volatility. Hedge funds are subject to the risks contained in the underlying investment and may limit liquidity.

The non-pooled investments consist of money market funds and debt and equity securities, which are subject to credit and market risk.

Foundation investments and assets held in charitable trusts, at fair value as of June 30, 2015 and 2014, are comprised of the following:

	2015	2014
Money market and short-term investments	\$ 556,534	\$ 854,318
Fixed income mutual funds	4,728,386	4,724,284
Equity securities and other investments	799,517	788,562
UNCCIF external investment pool	95,438,658	90,011,700
Total investments	<u>\$ 101,523,095</u>	<u>\$ 96,378,864</u>

#### 5. Fair Value Measurement

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1	Financial instruments with unadjusted, quoted prices listed on active market exchanges.
Level 2	Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
Level 3	Financial instrument that are not actively traded on an active exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

**The Foundation of the University of North Carolina at Charlotte, Inc.**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2015 and 2014**

**5. Fair Value Measurement (Continued)**

In determining fair value, the Foundation uses valuation approaches within the FASB ASC 820 fair value measurement framework and utilizes the end of reporting period for determining when transfers between levels are recognized. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy.

Money market and short-term investments: Money market and short-term investments are traded in active markets and are classified within Level 1 of the hierarchy.

Mutual funds, equity securities and other investments (including assets held under split-interest agreements): Mutual funds, equity securities and other investments are traded in active markets and are classified within Level 1 of the hierarchy.

The following table summarizes financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2015 and 2014:

	Assets At Fair Value As Of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market and short-term investments	\$ 7,624,602	\$ -	\$ -	\$ 7,624,602
Fixed income mutual funds	4,728,386	-	-	4,728,386
Equity securities and other	799,517	-	-	799,517
	<u>13,152,505</u>	<u>-</u>	<u>-</u>	<u>13,152,505</u>
External investment pool <sup>(a)</sup>	-	-	-	95,438,658
	<u>\$ 13,152,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,591,163</u>

	Assets At Fair Value As Of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Money market and short-term investments	\$ 7,888,842	\$ -	\$ -	\$ 7,888,842
Fixed income mutual funds	4,724,284	-	-	4,724,284
Equity securities and other	788,562	-	-	788,562
	<u>13,401,688</u>	<u>-</u>	<u>-</u>	<u>13,401,688</u>
External investment pool <sup>(a)</sup>	-	-	-	90,011,700
	<u>\$ 13,401,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,413,388</u>

<sup>(a)</sup> In accordance with FASB ASU 2015-07, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 5. Fair Value Measurement (Continued)

The following table presents the Foundation's alternative investments, which are reported at net asset value or its equivalent, and unfunded commitments at June 30, 2015 and 2014:

	Net Asset Value		Redemption	Redemption	Unfunded
	2015	2014	Frequency	Notice	Commitments
External investment pool	<u>\$ 95,438,658</u>	<u>\$ 90,011,700</u>	Quarterly	12 Months	None

The external investment pool seeks to provide equity-like returns while mitigating risk through diversification and long-term asset allocation and to preserve the real purchasing power of the fund, while providing a predictable and growing stream of spending distributions to Fund participants.

The UNCCIF investment in the limited partnership is subject to the terms and conditions of the limited partnership agreement. The agreement allows annual redemptions on December 31 of each year with 90-days advance notice. All redemptions are subject to the general partner's approval and can be limited or suspended. The sale of the limited partnership interest to a third party is not permitted.

The UNCCIF investment in the other external investment pool is subject to an operating agreement. Ownership in the external investment pool is based on the per unit market value method whereby the total market value of the underlying assets are divided by the number of units to determine the market value per unit. The number of units times the rate per unit determines the ownership. The operating agreement permits monthly contributions and withdrawals. Monthly withdrawals are limited to the greater of 10% of the market value of the ownership interest or \$2,000,000. Entire withdrawals are permitted and are paid over 12 calendar months.

#### 6. Split-Interest Agreements

The endowment and temporarily restricted funds include amounts that are subject to life income reservation totaling \$836,202 at June 30, 2015 and \$887,558 at June 30, 2014. The Foundation is required to pay annual amounts to the donor over the donor's lifetime. Payments made to donors for the years ended June 30, 2015 and 2014, were \$53,661 and \$64,426, respectively.

#### 7. Notes Receivable

At June 30, 2015 and 2014, the Foundation held a promissory note for \$75,000 gifted from a donor's estate. The note is attached to a deed of trust related to property to be sold by the estate in order to settle the note. The note will be settled when the property is sold or no later than ten years from the date of the note, September 21, 2009. The Foundation will receive 2% interest until settlement of the note occurs. Accrued interest at June 30, 2015 and 2014, is \$8,429 and \$7,091, respectively.



## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 8. Property Held for Investment

The Foundation holds three parcels of land for investment. Approximately 125 acres of land is subject to a sales contract for \$100,000 per acre (approximately \$12,500,000). The buyer has provided a non-refundable deposit of \$500,000 and the sale is expected to close on September 6, 2016. In addition the Foundation holds another 12 acres of land contiguous to campus and approximately 1.4 acres of land which is available for sale.

#### 9. Building and Equipment

Building and equipment consisted of the following:

	2015	2014
Office building	\$ -	\$ 340,813
Equipment	318,972	318,972
Less accumulated depreciation	(318,972)	(319,600)
Building and equipment, net	<u>\$ -</u>	<u>\$ 340,185</u>

#### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets include funds with donor-designated restrictions for purpose and time restrictions as indicated below:

	2015	2014
Purpose restrictions:		
Instruction	\$ 1,388,645	\$ 1,357,106
Endowments	403,568	335,016
Organized research	6,581,038	6,613,569
Community service	10,351,388	9,802,584
Academic support	10,746,277	10,000,516
Student financial aid and student services	35,280,390	32,143,028
Institutional support	3,277,859	523,765
Time restrictions:		
Investment property	6,046,811	6,046,811
Total	<u>\$ 74,075,976</u>	<u>\$ 66,822,395</u>

Included in purpose restrictions above are the estimated fair value of certain expected future cash flows (pledges receivable and beneficial interests in lead trusts) that are also time restricted until received, in the amount of \$18,463,293 and \$14,628,043 as of June 30, 2015 and 2014, respectively.

## The Foundation of the University of North Carolina at Charlotte, Inc.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014

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#### 10. Temporarily Restricted Net Assets (Continued)

Net assets which were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors in 2015 and 2014 totaled:

	2015	2014
Contributions to UNC Charlotte	\$ 8,440,149	\$ 11,063,952
Grants and other support	352,949	13,044
Other restricted support	544,745	689,193
Total	<u>\$ 9,337,843</u>	<u>\$ 11,766,189</u>

The Foundation treats contributions to UNC Charlotte as meeting donor restrictions because UNC Charlotte has made expenditures that satisfy the donor's designations.

#### 11. Endowments

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the Foundation's investment policies.

The Foundation excludes certain expected future cash flows designated to fund endowments (endowment pledges receivable and beneficial interests in lead trusts) from its endowment net assets until such amounts are received. The net realizable value of expected future cash flows designated to fund endowments at June 30, 2015 and 2014, were \$1,675,594 and \$1,918,753, respectively.

**The Foundation of the University of North Carolina at Charlotte, Inc.**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2015 and 2014**

**11. Endowments (Continued)**

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 16,228,191	\$ 31,917,806	\$ 42,394,125	\$ 90,540,122
Investment income, net	2,318,622	4,992,590	-	7,311,212
Contributions	-	565,091	1,336,171	1,901,262
Amounts appropriated for expenditure	(1,454,556)	(2,273,479)	-	(3,728,035)
Net asset transfers	-	46,366	45,295	91,661
Endowment net assets, end of year	<u>\$ 17,092,257</u>	<u>\$ 35,248,374</u>	<u>\$ 43,775,591</u>	<u>\$ 96,116,222</u>

Endowment net asset composition by type of fund is as follows as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated	\$ -	\$ 17,175,830	\$ 43,775,591	\$ 60,951,421
Board-designated	17,092,257	18,072,544	-	35,164,801
	<u>\$ 17,092,257</u>	<u>\$ 35,248,374</u>	<u>\$ 43,775,591</u>	<u>\$ 96,116,222</u>

Changes in endowment net assets for the year ended June 30, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 13,002,766	\$ 25,680,461	\$ 40,805,426	\$ 79,488,653
Investment income, net	3,884,169	8,170,102	-	12,054,271
Contributions	-	221,803	1,588,699	1,810,502
Amounts appropriated for expenditure	(658,744)	(2,154,560)	-	(2,813,304)
Endowment net assets, end of year	<u>\$ 16,228,191</u>	<u>\$ 31,917,806</u>	<u>\$ 42,394,125</u>	<u>\$ 90,540,122</u>

Endowment net asset composition by type of fund is as follows as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated	\$ -	\$ 18,118,777	\$ 42,394,125	\$ 60,512,902
Board-designated	16,228,191	13,799,029	-	30,027,220
	<u>\$ 16,228,191</u>	<u>\$ 31,917,806</u>	<u>\$ 42,394,125</u>	<u>\$ 90,540,122</u>

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2015 and 2014

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**11. Endowments (Continued)**

Return Objectives and Risk Parameters: The Foundation has adopted spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The primary investment return objective is to attain a minimum level of real total return (net of investment management fees and any other expenses) at a rate of the Consumer Price Index and the spending rate. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a spending policy for appropriating funds from endowments for use each year. The policy includes a hybrid of an inflation base and performance-driven calculation. The spending allocation is calculated based on the following formula: 80% of the prior year's spending adjusted for inflation plus 20% of the 4.5% of the average of the prior three years market values as of December 31 of each year.

In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a rate to preserve the purchasing power of the endowment for future generations.

## **The Foundation of the University of North Carolina at Charlotte, Inc.**

### **Notes to Consolidated Financial Statements For the Years Ended June 30, 2015 and 2014**

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#### **12. Long-Term Debt**

As of June 30, 2015 and 2014, the Foundation had an unsecured loan payable in the amount of \$205,921 and \$474,973, respectively, for the purpose of constructing the Alumni Center Facility. The loan accrues interest at a fixed rate of 5.66% and shall be paid in consecutive principal and interest payments on a quarterly basis in the amount of \$72,665 through February 21, 2016. Such note is secured with a collateral account totaling \$475,056 and \$667,331 at June 30, 2015 and 2014, respectively. Under the terms of the loan, the Foundation is required to maintain \$7,500,000 in unrestricted net assets.

As of June 30, 2014, the Foundation has an unsecured term loan payable in the amount of \$2,500,000 to purchase land in Uptown Charlotte. The loan was an interest-only loan payable monthly at a fixed rate of 4.95%. The outstanding principal and interest was repaid in 2015.

The Foundation has entered into a line of credit agreement allowing it to borrow up to \$5,000,000. The line of credit carries a variable rate of interest equal to the one-month LIBOR plus 1.10% (1.29% as of June 30, 2015). Borrowings outstanding on the line of credit were \$0 and \$1,492,248 as of June 30, 2015 and 2014, respectively. The loan agreement contains a liquidity covenant and also requires that the Foundation maintain a minimum average deposit account balance of \$200,000 with the lender. Subsequent to June 30 2015, the line of credit was extended to September 5, 2017, under the same terms and conditions.

Interest expense during 2015 and 2014, was \$123,534 and \$169,147, respectively.

#### **13. Conditional Promises to Give**

During the year ended June 30, 2012, the Foundation received a restricted challenge pledge in the amount of \$1,250,000 with the condition that the pledge will be fulfilled if the Foundation was able to raise additional support in the form of cash or equipment from other organizations or individuals. As this pledge represents a conditional promise to give, it was not recorded as contribution revenue until the donor-specified matching conditions were met. The challenge was met during fiscal year 2014. Previously unrecognized revenue in the amount of \$991,000 recorded in unearned revenue as of June 30, 2013, which represented funds received from the donor in advance of meeting the conditions, in fiscal year 2013, was recognized in fiscal year 2014.

#### **14. Leases**

The Foundation has leased a building to the University for a period of one year. The lease requires an annual lease payment of \$1,000 paid in arrears upon expiration of the initial term. In the event the State of North Carolina purchases the property prior to the expiration of the initial term, the annual rent will be due at closing on a pro-rata basis using a 365-day year.

The Foundation also leases vehicles under agreements that are classified as operating leases with varying lease terms through 2017. Total rent expense for all operating leases was \$26,030 and \$24,931 for the years ended June 30, 2015 and 2014, respectively.

**The Foundation of the University of North Carolina at Charlotte, Inc.**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2015 and 2014**

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**14. Leases (Continued)**

The following is a schedule of future minimum lease payments under all operating leases:

Year Ending June 30,	Amount
2016	\$ 28,102
2017	17,214
2017	7,555
Total	<u><u>\$ 52,871</u></u>

**15. Related-Party Transactions**

The Foundation contributed cash and gifts in-kind of \$9,751,827 as total support to UNC Charlotte during the fiscal year ended June 30, 2015, and a total of \$11,894,850 for the year ended June 30, 2014.

All accounting and management records and responsibilities are maintained or performed by employees of the University. The Foundation recognized \$2,355,164 as support from affiliate and \$2,355,164 as program and supporting services for the year ended June 30, 2015.

Included in the Consolidated Statements of Financial Position and the Consolidated Statements of Activities and Cash Flows is The University of North Carolina at Charlotte Institute of Social Capital, Inc. (ISC), a separate not-for-profit organization established under Section 501(c)(3) of the Internal Revenue Code with the Foundation as the sole voting member of the corporation. The ISC's sole purpose is to address social needs through research and compilation for the validation and evaluation of methods to measure performance and effectiveness of social programs. This comprehensive research is designed to improve sustainability, educational opportunities and community well-being and to provide more social services for children and families in need. At June 30, 2015, ISC reported net assets of \$250,848, total revenues for the year ended June 30, 2015 of \$18,745, and total expenses of \$39,142. At June 30, 2014, ISC reported net assets of \$271,245, total revenues for the year ended June 30, 2014, of \$7,822, and total expenses of \$12,906.

The Foundation invests in the North Carolina State Treasurer's Short-Term Investment Fund. The State of North Carolina is considered a related party as the Foundation's primary mission is to support The University of North Carolina at Charlotte, a state agency. Refer to Note 1 in the consolidated financial statements for additional information.

**16. Cash Flow Information**

Supplemental cash flow information for the years ended June 30, 2015 and 2014, is as follows:

	2015	2014
Cash payments for interest	<u>\$ 130,308</u>	<u>\$ 170,928</u>