

UNCSA HOUSING CORPORATION

(A Component Unit of the University of North Carolina School of the Arts)

Financial Statements

June 30, 2015 and 2014

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To the Board of Directors
UNCSA Housing Corporation
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of UNCSA Housing Corporation, a component unit of the University of North Carolina School of the Arts, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UNCSA Housing Corporation as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter - Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Butler & Burke LLP

Winston-Salem, North Carolina
September 30, 2015

UNCSA HOUSING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report provides an overview of the financial position and activities as of and for the years ended June 30, 2015 and 2014. This discussion has been prepared by management along with the financial statements and related notes to the financial statements and should be read in conjunction with the financial statements and the notes thereto, which follow this section. This discussion and analysis is designed to focus on current activities, resulting change, and current known facts.

OVERVIEW OF FINANCIAL STATEMENTS

The financial statements of UNCSA Housing Corporation (the "Corporation") were prepared in conformity with pronouncements issued by the Governmental Accounting Standards Board (GASB). These pronouncements require three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Corporation's net position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources) is one indicator of the Corporation's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Corporation's financial health. The Statement of Net Position provides information about assets and liabilities in a format that distinguishes between current and noncurrent. Individual assets and liabilities are classified as current or noncurrent based on whether they are expected to generate or use cash within the twelve months following the end of the fiscal period.

Net position is divided into three major components. The first component – net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages or notes that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. The next component – restricted net position – is divided into two categories: expendable and nonexpendable. Net position is restricted when constraints are placed on amounts by either external parties (creditors, grantors, donors, etc.) or by enabling legislation or constitutional provisions. Nonexpendable restricted net position relates to amounts to be retained in perpetuity. The final component is unrestricted net position - those that are available for any lawful purpose of the Corporation.

The Statement of Revenues, Expenses and Changes in Net Position represents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues and expenses generally result from providing goods and services and the cost of providing those goods and services. Nonoperating revenues are revenues received for which goods and services are not provided.

Another important factor to consider when evaluating financial viability is the Corporation's ability to meet financial obligations as they occur. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

The Notes to Financial Statements provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed information on deposits and investments, long-term liabilities, revenues, expenses, and if necessary, a discussion of accounting changes, adjustments to prior periods, and events subsequent to the Corporation's financial statement period.

UNCSA HOUSING CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The following analysis provides an overview of the Corporation's financial activities as of and for the years ended June 30, 2015 and 2014.

Condensed Statements of Net Position

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 889,282	\$ 545,242
Capital assets, net	4,573,163	4,683,079
Other noncurrent assets	-	1,054,504
Total Assets	<u>5,462,445</u>	<u>6,282,825</u>
Liabilities		
Current liabilities	330,182	204,639
Noncurrent liabilities	<u>5,111,157</u>	<u>5,830,225</u>
Total Liabilities	<u>5,441,339</u>	<u>6,034,864</u>
Net Position		
Net investment in capital assets	(326,837)	(526,051)
Restricted – expendable	-	714,829
Unrestricted	<u>347,943</u>	<u>59,183</u>
Total Net Position	<u>\$ 21,106</u>	<u>\$ 247,961</u>

A review of the Corporation's statements of net assets at June 30, 2015 and 2014 shows that the Corporation's total assets were approximately \$5.46 million and \$6.28 million, respectively. The Corporation's assets consist primarily of depreciable and non-depreciable capital assets totaling \$4.57 million and \$4.68 million at June 30, 2015 and 2014, respectively.

The Corporation's liabilities totaled \$5.44 million and \$6.03 million at June 30, 2015 and 2014, respectively. This includes \$5.4 million and \$6.0 million in Series 2015 Certificates of Participation at June 30, 2015 and Series 2005 Certificates of Participation Indenture for the Student Housing Project at June 30, 2014, respectively.

At June 30, 2015, the Corporation's current assets of \$889,282 were sufficient to cover current liabilities of \$330,182 as the current ratio is 2.69 dollars in current assets to every one dollar in current liabilities. At June 30, 2014, the Corporation maintained a Long-Term Reserve Fund that totaled \$768,634 which was used to pay principal and interest on the 2005 Certificates of Participation Indenture for the Student Housing Project when deposits in the Certification Fund were not sufficient.

UNCSA HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>2015</u>	<u>2014</u>
Operating Revenues – Rental Income	\$ 1,006,638	\$ 1,003,620
Operating Expenses		
Depreciation	(109,916)	(115,186)
Other Operating Expenses	<u>(576,666)</u>	<u>(455,737)</u>
Operating Income	<u>320,056</u>	<u>432,697</u>
Nonoperating Revenues (Expenses)		
Investment income	3,742	3,376
Interest and fees on capital related debt	<u>(550,653)</u>	<u>(280,202)</u>
Net Nonoperating Revenues (Expenses)	<u>(546,911)</u>	<u>(276,826)</u>
Change in Net Position	(226,855)	155,871
Net Position, Beginning of Year	<u>247,961</u>	<u>92,090</u>
Net Position, End of Year	<u>\$ 21,106</u>	<u>\$ 247,961</u>

Total operating revenues for the fiscal year 2015 of \$1,006,638 were comprised primarily of student rent. Investment income is classified as nonoperating revenues as defined by GASB Statement Number 35. Investment income of \$3,742 was the only source of nonoperating revenue and represented an increase of \$366 from the fiscal year 2014.

Total operating expenses amounted to \$686,582, resulting in operating income of \$320,056. The Corporation incurred nonoperating expenses of \$550,653 which related to interest and extinguishment of the Series 2005 Certificate of Participation Indenture for the Student Housing Project and fees on issuance of the Series 2015 Certificates of Participation Indenture for the Student Housing Project.

Condensed Statements of Cash Flows

	<u>2015</u>	<u>2014</u>
Net Cash Provided by Operating Activities	\$ 418,920	\$ 530,850
Net Cash Used in Capital and Related Financing Activities	(868,689)	(432,657)
Net Cash Provided by (Used in) Investing Activities	<u>772,376</u>	<u>(31,819)</u>
Increase in Cash and Cash Equivalents	322,607	66,374
Cash and Cash Equivalents, Beginning of Year	<u>544,242</u>	<u>477,868</u>
Cash and Cash Equivalents, End of Year	<u>\$ 866,849</u>	<u>\$ 544,242</u>

The statement of cash flows reports the cash receipts and cash payments throughout the year. The statement does not include revenues that are earned but not yet received, expenses that are incurred but not yet paid, or expenses that are non-cash in nature, such as depreciation.

The Corporation's cash and cash equivalents increased \$322,607 due to the cash flows provided by investing activities exceeding the use of funds for capital and related financing and operating activities.

UNCSA HOUSING CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

UNCSA Housing Corporation, a blended entity of UNCSA, took out certificates of participation in the amount of \$7,200,000 to provide funds to discharge certain indebtedness used for the acquisition, construction, equipping and subsequent improvements of the Center Stage Apartment complex. UNCSA Housing Corporation has leased the apartment complex to the School to operate and maintain. Rentals from the apartment complex are pledged for the retirement of this debt. The debt service repayment schedule extended through June 2036 with interest rates ranging from 3.625% to 4.50%. The Corporation has extinguished these long-term debt obligations by the issuance of new long-term debt instruments.

On June 12, 2015, the Corporation issued \$5,400,000 in University of North Carolina School of the Arts Student Housing Project Refunding Certificates of Participation, Series 2015, refunding certificates of participation with an average interest rate of 2.99%. The bonds were issued for a current refunding of \$5,825,000 of outstanding University of North Carolina School of the Arts Student Housing Project Certificates of Participation, Series 2005, with an average interest rate of 3.50%. The refunding was undertaken to reduce total debt service payments by \$2,270,191 over the next 15 years and resulted in a net present value savings of \$771,181.

UNCSA HOUSING CORPORATION
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 866,849	\$ 544,242
Accounts receivable, net	-	1,000
Prepaid insurance	<u>22,433</u>	<u>-</u>
<u>Total Current Assets</u>	<u>889,282</u>	<u>545,242</u>
Capital Assets		
Nondepreciable	451,326	451,326
Depreciable, net	<u>4,121,837</u>	<u>4,231,753</u>
<u>Total Capital Assets</u>	<u>4,573,163</u>	<u>4,683,079</u>
Other Noncurrent Assets		
Investments - restricted	-	714,829
Investments - other	-	53,805
Prepaid insurance	<u>-</u>	<u>285,870</u>
<u>Total Other Noncurrent Assets</u>	<u>-</u>	<u>1,054,504</u>
<u>TOTAL ASSETS</u>	<u>5,462,445</u>	<u>6,282,825</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	6,631	13,098
Deferred rental revenue	15,916	-
Interest payable	12,635	21,541
Current portion of certificates of participation	<u>295,000</u>	<u>170,000</u>
<u>Total Current Liabilities</u>	<u>330,182</u>	<u>204,639</u>
Noncurrent Liabilities		
Other liabilities	6,157	5,225
Certificates of participation	<u>5,105,000</u>	<u>5,825,000</u>
<u>Total Noncurrent Liabilities</u>	<u>5,111,157</u>	<u>5,830,225</u>
<u>TOTAL LIABILITIES</u>	<u>5,441,339</u>	<u>6,034,864</u>
NET POSITION		
Net Investment in Capital Assets	(326,837)	(526,051)
Restricted for:		
Expendable for debt service	-	714,829
Unrestricted	<u>347,943</u>	<u>59,183</u>
<u>TOTAL NET POSITION</u>	<u>\$ 21,106</u>	<u>\$ 247,961</u>

UNCSA HOUSING CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Operating Revenues		
Rental income	\$ <u>1,006,638</u>	\$ <u>1,003,620</u>
EXPENSES		
Operating Expenses		
Salaries and benefits	49,119	43,463
Supplies and materials	21,041	15,151
Services	400,164	297,260
Utilities	106,342	99,863
Depreciation	<u>109,916</u>	<u>115,186</u>
<u>Total Operating Expenses</u>	<u>686,582</u>	<u>570,923</u>
<u>Operating Income</u>	<u>320,056</u>	<u>432,697</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,742	3,376
Interest and fees on capital asset related debt	<u>(550,653)</u>	<u>(280,202)</u>
<u>Total Nonoperating Revenues (Expenses)</u>	<u>(546,911)</u>	<u>(276,826)</u>
<u>Change in Net Position</u>	<u>(226,855)</u>	<u>155,871</u>
NET POSITION		
Net Position, Beginning of Year	<u>247,961</u>	<u>92,090</u>
Net Position, End of Year	<u>\$ 21,106</u>	<u>\$ 247,961</u>

UNCSA HOUSING CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Receipts from tenants	\$ 1,023,554	\$ 983,168
Payments to employees and fringe benefits	(47,390)	(42,318)
Payments to vendors and suppliers	(557,244)	(410,000)
<u>Net Cash Provided by Operating Activities</u>	<u>418,920</u>	<u>530,850</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest and fees paid on capital debt	(273,689)	(267,657)
Proceeds from capital debt	5,400,000	-
Principal paid on capital debt	(5,995,000)	(165,000)
<u>Net Cash Used in Capital and Related Financing Activities</u>	<u>(868,689)</u>	<u>(432,657)</u>
INVESTING ACTIVITIES		
Interest received	3,742	3,376
Purchase of investments	-	(35,195)
Sales of investments	768,634	-
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>772,376</u>	<u>(31,819)</u>
Increase in Cash and Cash Equivalents	322,607	66,374
Cash and Cash Equivalents, Beginning of Year	<u>544,242</u>	<u>477,868</u>
Cash and Cash Equivalents, End of Year	<u>\$ 866,849</u>	<u>\$ 544,242</u>
NON-CASH FINANCING ACTIVITIES		
Write off of debt issuance costs, net	<u>\$ 285,870</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 320,056	\$ 432,697
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	109,916	115,186
Change in operating assets and liabilities:		
Accounts receivable	1,000	(1,000)
Prepaid insurance	(22,433)	-
Accounts payable and accrued expenses	(5,535)	3,419
Deferred revenue	15,916	(19,452)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 418,920</u>	<u>\$ 530,850</u>

UNCSA HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

UNCSA Housing Corporation (the "Corporation"), a component unit of the University of North Carolina School of the Arts (UNCSA), is a non-profit corporation organized under the laws of the state of North Carolina. Formed in 2001, the Corporation consists of two apartment buildings (Center Stage Apartments) with the purpose of providing privatized housing for college students. Center Stage Apartments are located adjacent to the campus of the University of North Carolina School of the Arts.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation 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 the timing of the cash flows.

Basis of Presentation

The accompanying financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the *Governmental Accounting Standards Board* (GASB).

Pursuant to the provisions of GASB Statement Number 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement Number 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the full scope of the Corporation’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Corporation does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

The Corporation maintains its cash in an account held by the State Treasurer in a short-term investment fund. This fund 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.

Investments

The Corporation’s investments are reported at fair value, as determined by quoted market prices. The net increase in the fair value of investments is recognized as a component of investment income.

UNCSA HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost, or at estimated fair value, if donated. The Corporation capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life or more than one year. Depreciation is provided on a straight-line method over the estimated useful lives of the assets, generally as follows:

Apartment Buildings	50 years
Land	Nondepreciable

Restricted Resources

Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted are resources legally segregated for the payment of principal and interest as required by debt covenants.

Compensated Absences

The Corporation's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment.

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

Net Position

Net Investment in Capital Assets – This represents the Corporation's total investment in capital assets, net of accumulated depreciation and any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

Unrestricted – This represents resources derived from rental and investment income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the management system in place for the Corporation.

UNCSA HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Expense Recognition

The Corporation classifies its revenues and expenses as operating or nonoperating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Corporation's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as student rent and fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement Number 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have characteristics of non-exchange transactions. Revenues from non-exchange transactions such as transfers from internal departments and investment income are considered nonoperating since these are either investing, capital, or non-capital financing activities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary from those estimates.

Tax Status

The Corporation is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Corporation's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Corporation has no uncertain tax positions that would be subject to change upon examination.

The Corporation is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Corporation is also required to file an exempt organization business income tax return (Form 990-T) for any year gross unrelated business income exceeds \$1,000. The Corporation's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Subsequent Events

The Corporation has evaluated its subsequent events (events occurring after June 30, 2015) through the date of this report, which represents the date the financial statements were available to be issued, and determined that all significant events and disclosures are included in the financial statements.

UNCSA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE C: DEPOSITS AND INVESTMENTS

Deposits

Unless specifically exempt, the Corporation is required by *North Carolina General Statute (G.S.) 147-11* to deposit monies received with the State Treasurer or with a depository institution in the name of the State Treasurer. Although specifically exempted, the Corporation may voluntarily deposit bond proceeds and debt service funds with the State Treasurer.

At June 30, 2015 and 2014, the amounts shown on the Statements of Net Position as cash and cash equivalents includes \$866,849 and \$544,242, respectively, which represents the Corporation’s equity position in the State Treasurer’s Short-Term Investment Fund. The Short-Term Investment Fund (STIF) is a portfolio within the State Treasurer’s Investment Pool which is an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating. The State Treasurer’s Investment Pool had a weighted average maturity of 1.5 and 1.3 years as of June 30, 2015 and 2014, respectively. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool are included in the State of North Carolina’s *Comprehensive Annual Financial Report*.

Investments

The following table presents the fair value of the investments by type as of June 30, 2014 for the Corporation’s non-pooled investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
Money Market Mutual Funds		
Wells Fargo Advantage Treasury Plus Money Market Fund	\$ <u>768,634</u>	\$ <u>768,634</u>

At June 30, 2014, the Money Market Mutual Funds, with a fair value of \$768,634, were rated AAAM by Standard and Poor’s and had a weighted average maturity of approximately 27 days.

In accordance with Series 2005 Certificates of Participation Indenture for the Student Housing Project debt resolutions, debt service funds were invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal. Fund reservations in the amount of \$433,325, required by the Series 2005 Certificates of Participation Indenture for the Student Housing Project were established and recorded in a Reserve Fund and a Maintenance & Equipment Reserve Fund with the fiscal agent at June 30, 2014. The balance in the Reserve Fund and Maintenance & Equipment Reserve Fund amounted to \$485,827 and \$282,807, respectively, as of June 30, 2014. These reserves were not required for the new Series 2015 Refunding Certificates of Participation.

Investments are subject to interest rate and credit risk. Interest rate risk is the risk that the Corporation may face should interest rate variances affect the fair value of investments. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation does not have formal policies that address these risks.

UNCSA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE D: CAPITAL ASSETS

A summary of capital assets for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Nondepreciable		
Land	\$ <u>451,326</u>	\$ <u>451,326</u>
Depreciable		
Apartment buildings	\$ 5,495,783	\$ 5,495,783
Less accumulated depreciation	<u>(1,373,946)</u>	<u>(1,264,030)</u>
	<u>\$ 4,121,837</u>	<u>\$ 4,231,753</u>

NOTE E: CERTIFICATES OF PARTICIPATION

The Corporation was indebted for certificates of participation for the purposes shown in the following table:

<u>Certificates of Participation</u>	<u>Original Amount of Issue</u>	<u>Principal Paid Through June 30, 2015</u>	<u>Principal Outstanding June 30, 2015</u>
Student Housing Project			
UNCSA Student Housing Project Series 2015			
Interest rates of 2.99%			
Final maturity date of June 1, 2030	\$ <u>5,400,000</u>	\$ <u>-</u>	\$ <u>5,400,000</u>
UNCSA Student Housing Project Series 2005			
Interest rates ranging from 3.00% - 4.50%			
Final maturity date of June 1, 2036 (Refunded)	\$ <u>7,200,000</u>	\$ <u>7,200,000</u>	\$ <u>-</u>

Designated student fees and revenue streams related to the Student Housing Project have been pledged for the payment of these obligations.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 295,000	\$ 156,527
2017	299,000	152,639
2018	308,000	143,699
2019	317,000	134,490
2020	327,000	125,012
2021-2025	1,785,000	472,599
2026-2030	<u>2,069,000</u>	<u>189,268</u>
Total Requirements	<u>\$ 5,400,000</u>	<u>\$ 1,374,234</u>

UNCSA HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE E: CERTIFICATES OF PARTICIPATION (CONTINUED)

The Corporation has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

On June 12, 2015, the Corporation issued \$5,400,000 in University of North Carolina School of the Arts Student Housing Project Refunding Certificates of Participation, Series 2015, refunding certificates of participation with an average interest rate of 2.99%. The bonds were issued for a current refunding of \$5,825,000 of outstanding University of North Carolina School of the Arts Student Housing Project Certificates of Participation, Series 2005, with an average interest rate of 3.50%. The refunding was undertaken to reduce total debt service payments by \$2,270,191 over the next 15 years and resulted in a net present value savings of \$771,181.