THE NORTH CAROLINA A&T
REAL ESTATE FOUNDATION, INC.

Greensboro, North Carolina

Audited Consolidated Financial Statements

June 30, 2017
(With Comparative Totals for 2016)

THOMAS & GIBBS CPAs, PLLC
Certified Public Accountants
and Consultants

THE NORTH CAROLINA A&T REAL ESTATE FOUNDATION, INC.

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June 30, 2017

THOMAS & GIBBS CPAs, PLLC

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Certified Public Accountants
and Consultants

Independent Auditor's Report

Board of Directors
The North Carolina A&T Real Estate Foundation, Inc.
Greensboro, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The North Carolina A&T Real Estate Foundation, Inc. which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 North Carolina A&T Real Estate Foundation, Inc. as of June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The North Carolina A&T Real Estate Foundation, Inc.'s 2016 financial statements, and our report dated September 16, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of profit and loss – student housing on page 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Thomas & Gibbs CPAs, PLLC

Durham, North Carolina
September 27, 2017

THE NORTH CAROLINA A&T REAL ESTATE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With Comparative Totals for 2016)

	2017	2016
Assets		
Cash and cash equivalents (note 3)	$ 7,717,364	$ 4,566,702
Investments (notes 5 and 6)	10,436,276	9,151,238
Pledges receivable, net (note 7)	159,849	500,111
Prepaid expenses	9,581	49,753
Due from NCA&T University	23,313	40,028
Due from NCA&T Alumni Association	5,650	5,993
Accounts receivable	188,226	513,573
Total current assets	18,540,259	14,827,398
Restricted cash and cash equivalents (note 4)	6,888,567	5,750,216
Investments (notes 5 and 6)	4,639,238	4,639,238
Pledges receivable, net (note 7)	19,995	18,505
Cash surrender value of life insurance	18,262	13,573
Property and equipment, net (note 9)	29,504,663	29,899,005
Land held for resale (note 10)	187,900	187,900
Total noncurrent assets	41,258,625	40,508,437
Total assets	$ 59,798,884	$ 55,335,835
Liabilities and net assets		
Accounts payable	319,166	131,281
Due to NCA&T University	187,699	22,568
Due to NCA&T Alumni Association	9,009	3,095
Deferred revenue	-	175,454
Funds held for others (note 12)	1,053,048	950,469
Bonds payable - current maturities (note 14)	810,000	715,000
Total current liabilities	2,378,922	1,997,867
Interest rate swap agreement (note 15)	587,210	1,002,689
Bonds payable - long term (note 14)	33,356,182	34,060,560
Total liabilities	36,322,314	37,061,116
Net assets:		
Unrestricted	9,059,976	6,227,389
Temporarily restricted (note 16)	9,783,118	7,619,725
Permanently restricted (note 17)	4,633,476	4,427,605
Total net assets	23,476,570	18,274,719
Total liabilities and net assets	$ 59,798,884	$ 55,335,835

The accompanying notes are an integral part of the consolidated financial statements.

THE NORTH CAROLINA A&T REAL ESTATE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
Support and revenue					
Contributions and gifts	$ 5,500	$ 4,170,450	$ 197,919	$ 4,373,869	$ 3,138,281
Rental income	7,605,994	-	-	7,605,994	7,469,037
Fee Income	277,980	-	-	277,980	258,864
Interest and dividends (note 5)	157,058	283,392	7,952	448,402	548,600
Net unrealized gain/loss on investments (note 5)	282,470	524,066	-	806,536	(991,898)
Gain on interest rate swap	415,479	-	-	415,479	(89,340)
Other income	75,394	204,683	-	280,077	353,184
Special events	284,981	-	-	284,981	288,954
Net assets released from restrictions (note 16)	3,019,198	(3,019,198)	-	-	-
Total support and revenue	12,124,054	2,163,393	205,871	14,493,318	10,975,682
Expenses (note 14)					
Program services:					
University Support (note 11)	3,418,226	-	-	3,418,226	4,124,507
Student Housing	4,885,621	-	-	4,885,621	5,550,059
	8,303,847	-	-	8,303,847	9,674,566
Supporting services:					
Management and general	776,491	-	-	776,491	764,023
Fundraising	211,129	-	-	211,129	226,586
	987,620	-	-	987,620	990,609
Total expenses	9,291,467	-	-	9,291,467	10,665,175
Change in net assets	2,832,587	2,163,393	205,871	5,201,851	310,507
Net assets:					
Net assets, beginning of year	6,227,389	7,619,725	4,427,605	18,274,719	17,964,212
Net assets, end of year	$ 9,059,976	$ 9,783,118	$4,633,476	$23,476,570	$ 18,274,719

The accompanying notes are an integral part of the consolidated financial statements.

THE NORTH CAROLINA A&T REAL ESTATE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

(With Comparative Totals for 2016)

	2017	2016
Operating activities		
Change in net assets	$ 5,201,851	$ 314,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	835,426	878,229
Amortization of bond discount	105,623	176,803
Net realized and unrealized (gain) loss on investments	(1,285,038)	1,014,292
(Gain) loss on interest rate swap	(415,479)	89,340
(Increase) decrease in operating assets:		
Pledges receivable	338,772	376,774
Accounts receivable	325,347	(163,011)
Prepaid expenses	40,172	6,296
Other assets	12,369	(946,533)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expense	358,930	(145,696)
Deferred revenue	(175,455)	2,301
Funds held for others	102,579	(2,698)
Net cash provided by operating activities	5,445,097	1,600,300
Investing activities		
Purchase of investments	-	(541,915)
Purchase of property and equipment	(441,084)	(85,688)
Net cash used by investing activities	(441,084)	(627,603)
Financing activities		
Principal payments on bonds payable	(715,000)	(24,140,000)
Premium on bonds payable	-	24,245,853
Net cash used by financing activities	(715,000)	105,853
Net increase in cash and cash equivalents	4,289,013	1,078,550
Cash and cash equivalents, beginning of year	10,316,918	9,238,368
Cash and cash equivalents, end of year	$ 14,605,931	$ 10,316,918
Composition of cash and cash equivalents:		
Unrestricted	$ 7,717,364	$ 4,566,702
Restricted	6,888,567	5,750,216
	$ 14,605,931	$ 10,316,918
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,410,482	$ 1,467,936

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 – Nature of activities

The North Carolina A&T Real Estate Foundation, Inc. (the "Foundation") is the successor organization to The North Carolina A&T University Foundation, Inc. (the "University Foundation").

The University Foundation was established in March of 1946 as a North Carolina nonprofit corporation for the sole purpose of supporting the students and faculty of North Carolina A&T State University (the "University") through fundraising and advocacy.

Beginning in 2000 the University Foundation began its support of the University's mission through the acquisition, financing, and construction of student housing facilities including Aggie Suites and Pride Hall. In February 2016, the Foundation was reorganized and repurposed to focus on acquiring real estate to support the University's physical expansion. The University Foundation was renamed the North Carolina A&T Real Estate Foundation, Inc.

The mission of the Foundation is to support the University's quality environment of exemplary teaching and learning, scholarly and creative research, and effective community engagement and public service through the acquisition, ownership, transfer, development, and management of real estate or real estate-related projects

Primary programmatic activities of the Foundation include cultivating and managing gifts of real estate on behalf of the University and its associated entities, acquiring strategic real estate in support of the University's Strategic Plan and Master Capital Plan, selling, leasing, developing, or transferring real estate for the sole benefit of the University and its associated entities; and managing a portfolio of real estate to provide a consistent revenue stream in support of the University and its associated entities.

The NCA&T University Foundation, LLC (the "Housing Foundation") is a limited liability company incorporated in 2001 under the laws of the State of North Carolina. The primary purpose of the Housing Foundation is to further the charitable purpose of the Foundation, and to construct, maintain, and manage student-housing facilities for use by the University. The Housing Foundation issued variable rate bonds to finance the construction cost of Aggie Suites, Pride Hall, and the Alumni-Foundation Event Center.

Note 2 – Summary of significant accounting policies

Principles of consolidation – The consolidated financial statements include the Foundation, and its wholly controlled affiliated corporation The NCA&T University Foundation, LLC (the "Housing Foundation"). All significant inter-Foundation accounts and transactions have been eliminated in consolidation.

Basis of accounting - The Foundation uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Note 2 – Summary of significant accounting policies (continued)

Basis of presentation - The Foundation's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets that have been donated to the Foundation subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Foundation and/or the passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available to be used primarily for contributions to the University for endowments, scholarships, and various other programs.

Permanently restricted – Net assets that consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purposes of producing present and future income, which may be expended. Investment earnings on endowments are available for the Organization's general use.

Use of estimates – Management of the Foundation has made certain assumptions relating to the reporting of allowances for uncollectible accounts receivable and contributions receivable, useful lives of property and equipment, and accrued expenses to prepare the consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from these estimates.

Cash equivalents - Cash equivalents consist of short-term, highly liquid investments, with original maturities at time of purchase of less than ninety days. Any cash and cash equivalents held for long-term purposes are segregated from cash and cash equivalents available for operations and reported as non-current assets.

Investments – Investments consist of marketable securities, interest in a privately held limited partnership, and real estate. Marketable securities are stated at fair value based on quoted market prices. The net realized and unrealized gains on investments are reflected in the statement of activities. Net realized and unrealized gains are allocated to net asset classes dependent upon donor specifications. The fair values of the investments are measured as disclosed in Note 6. Endowment investments are excluded from current assets as they are not available for operations.

Investments in private limited partnership interests are valued using the most current information available by the general partner. The change in net assets related to limited partnership interests is presented as net realized and unrealized gains based upon the estimated fair value of each partnership as determined by the general partners.

Note 2 – Summary of significant accounting policies (continued)

General partners typically value privately held companies at cost as adjusted based on recent arm's length transactions. The carrying value of the investment in the limited partnership is included in investments reflected in the consolidated statement of financial position.

Investment in real estate includes donated properties held until such time as they may be marketed and sold. Purchased investments are carried at cost. Donated investments are recorded at their estimated fair value at the date of the gift. The carrying value is adjusted if there has been an impairment of value that is not considered by management to be temporary.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as liquidity, interest rate, market and credit risks.

Liquidity risk represents the possibility that the Foundation may be unable to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the Foundation was compelled to dispose of a liquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The Foundation's portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by the Foundation may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but are not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, interest rate, and commodity price fluctuations. The Foundation attempts to manage these risks through diversification, ongoing due dilligence of fund managers, and monitoring of economic conditions.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

Investment expense – The Foundation reports investment gains and losses net of the related investment expense.

Restricted assets – 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 include restricted cash reserved for the debt service fund, required operation and maintenance fund, and other restricted funds as stipulated by loan agreements.

Note 2 – Summary of significant accounting policies (continued)

Property and equipment - Property and equipment are stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	15 to 60 years
Furniture, fixtures and equipment	3 to 15 years

The cost of maintenance and repairs is expensed as incurred. Expenditures which materially increase property lives are capitalized. When depreciable property is retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in income.

Revenue recognition - The Foundation follows ASC Topic 985-605, *Revenue Recognition.* In accordance with ASC 985-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Support and revenues and expenses - Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as support and revenue when cash or ownership of donated assets is unconditionally promised to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Allowance for doubtful accounts – The Foundation's pledges and student accounts are stated at the amount management expects to collect. The allowance is applied as follows:

Note 2 – Summary of significant accounting policies (continued)

Pledges: An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. The allowance is set at 15% and is based on a four year analysis of total promises to give accounts written off in relation to new pledges. The allowance percentage is evaluated annually.

Student accounts: An allowance for uncollectible accounts is based on management's evaluation of potential uncollectible student account receivables at year end. The allowance is set at 1% and is based on a four year analysis of total housing accounts receivable written off in relation to the total housing/damage charges for each fiscal year. The allowance percentage is evaluated annually.

Donated property - Donated property that is received but not sold during the fiscal year is reflected as support in the consolidated statement of activities at its fair value at the date of receipt. The fair value is obtained from University faculty, staff, and others who have expertise in the field of the property being donated.

All donated property is subsequently transferred to the University for use in its operations or is sold to bidders with the proceeds remaining in the Foundation. Any donated property received and sold during the fiscal year is recorded as contributions at the value received for the sold property.

Donated services - When donated services that create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, the amounts are reflected in the consolidated financial statements as revenue and assets or expense. The amount of donated services recorded in the accompanying consolidated financial statements for the year ended June 30, 2017 is $0.

Amounts held on behalf for others – The Foundation accounts for agency and reciprocal transactions in compliance with the Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Foundation or Charitable Trust That Raises or Holds Contributions for Others*. The Foundation records a liability for reciprocal funds provided by donors where the donors themselves are named as beneficiary.

Noncurrent long-term liabilities – Noncurrent long-term liabilities includes principal amounts of bonds payable that will not be paid within the next fiscal year.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refunds. The Foundation amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The deferred losses on refunds are amortized over the life of the new debt using the straight-line method.

Bond issuance cost – Bond issuance costs related to the registration and issuance of bonds are carried at cost, less accumulated amortization, and are being amortized over the life of the related bonds. Unamortized bond issuance costs are recorded as a direct deduction from bonds on the accompanying statement of financial position.

Note 2 – Summary of significant accounting policies (continued)

Income taxes - The Foundation is a not-for-profit foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 107(b)(1)(A)(iv).

Uncertain tax positions - For the year ended June 30, 2017, the Foundation has considered recognition requirements for uncertain tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all applicable state jurisdictions.

The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial position.

Recently implemented accounting standard – In April 2015, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). This ASU requires that debt issuance costs related to debt shall be reported in the statement of financial position as a direct deduction from the face amount of that debt, which is consistent with the presentation of debt discounts. In fiscal year 2016, the Foundation elected to early adopt the provisions of ASU 2015-03 and applied retrospective application to all prior periods presented in the accompanying consolidated financial statements and notes to the consolidated financial statements.

Note 3 – Cash and cash equivalents

At June 30, 2017, cash and cash equivalents balances in the amount of $7,717,364 consisited of checking accounts maintained in four accounts at two institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. As of June 30, 2017, uninsured bank balances totaled $7,876,792.

The Foundation also maintains one brokerage account where the investments are primarily mutual funds. As of June 30, 2017, the cash and cash equivalent balance totaled $6,888,567, which is subject to credit risk and is not insured by the federal government.

Note 4 – Restricted cash and cash equivalents

Restricted cash and cash equivalents as of June 30, 2017 relate to escrow funds established to provide further security for the payment of principal and interest on the tax exempt bonds issued by the Foundation as follows:

Operating reserve	$ 500,000
Surplus	2,941,991
Repair and replacement	111,316
Debt service reserve	3,335,260
	$ 6,888,567

Note 5 - Investments

Investments at June 30, 2017 were as follows:

Type		Cost	Fair Value
Securities		$14,383,571	15,067,432
Limited partnership		15,000	8,082
	Total	$14,398,571	$ 15,075,514
Current		9,801,259	10,436,275
Long term		4,597,312	4,639,239
	Total	$14,398,571	$ 15,075,514

Investment return and its classification in the consolidated statement of activities for the year ended June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 157,058	$ 283,392	$ 7,952	$ 448,402
Unrealized gain on investments	194,566	360,921	-	555,487
Advisory fees	(19,886)	(36,889)	-	(56,775)
Net unrealized gain on investments	174,680	324,032	-	498,712
Realized gain on investments	107,790	200,033	-	307,823
Realized gain and unrealized gain	282,470	524,065	-	806,535
Income on cash and investments	$ 439,528	$ 807,457	$ 7,952	$ 1,254,937

Note 6 – Fair value measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, 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 are described as below:

Level 1 Quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, or

Level 3 Unobservable inputs that are supported by little or no market activity and that reflect the Foundation's own assumptions about market prices.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820-10.

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820-10 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Equities: Equity securities and equity mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Limited partnership: Ownership interest in the limited partnership is typically valued using the member's equity valuation provided by the partnership. Investment in the limited partnership is included in Level 3 of the valuation hierarchy.

Note 6 – Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2017:

		Fair Value Measurements at Reporting Date		
Type	Total Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 112,681	$ 112,681	$ -	$ -
Bond funds	2,843,895	2,843,895	-	-
Equity funds	7,091,287	7,091,287	-	-
Other assets	5,019,568	5,019,568	-	-
Limited partnership	8,082	-	-	8,082
Total	$ 15,075,513	$ 15,067,431	$ -	$ 8,082

The following table reconciles the beginning and ending balances of financial and nonfinancial assets and liabilities at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ending June 30, 2017:

Beginning balance	$ 8,126
Investment purchases	-
Realized and unrealized gains/losses	(44)
Withdrawals and other distributions	-
Ending balance	$ 8,082

Note 7 – Pledges receivable

Pledges receivable consist of the following as of June 30, 2017:

	Due in 1 year	Due in 1-5 years	Total
Pledges receivable	$ 193,387	$ 20,475	$ 213,862
Less:			
Discount to net present value	-	480	480
Allowance for uncollectible amounts	33,538	-	33,538
Pledges receivable, net	$ 159,849	$ 19,995	$ 179,844

Pledges have been discounted at an annual rate of interest between 1% - 3%. All undiscounted pledges receivable support programs and projects of the University.

Note 8 – Endowment funds

The Foundation's endowment consists of 125 individual funds established primarily to fund scholarships and programs designated by the donor. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor restrictions.

The Foundation's Board of Directors has interpreted the North Carolina enacted version of UPMIFA ("NCUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted 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 and (b) the original value of subsequent gifts to the permanent endowment. 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 NCUPMIFA.

In accordance with NCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

Appropriations from the endowment fund are approved by the Foundation's Board.

The Foundation's spending policy provides for appropriating for expenditure an amount of 4.5% of the three year moving average of the fair value of the endowment as measured at June 30 preceding the fiscal year in which the distribution is planned. The Foundation's investment policy establishes reasonable expectations, objectives, and guidelines in the investment of the portfolio's assets, creates the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns, and defines the responsibilites of the Foundation and any advisor that may be engaged by the Foundation from time to time. To achieve a well-diversified asset mix, the Foundation must assume a moderate level of risk with a considerable exposure in equity securities. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (dividends and interest).

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or NCUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $-0- as of June 30, 2017.

Note 8 – Endowment funds (continued)

The following table summarizes changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 107,941	$ 769,329	$ 4,427,605	$ 5,304,875
Contributions	-	-	197,919	197,919
Investment income, net of fees	4,594	141,046	7,952	153,592
Realized and unrealized gains	10,128	328,470	-	338,598
Appropriations of endowment assets for expenditure		(186,582)	-	(186,582)
Endowment net assets, end of year	$ 122,664	$ 1,052,263	$ 4,633,476	$ 5,808,402

The following table summarizes the composition of endowment net assets by fund type on June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Scholarships	$ -	$ 894,423	$ 3,475,107	$ 4,369,530
Academic programs	122,664	157,839	1,158,369	1,438,872
	$ 122,664	$ 1,052,262	$ 4,633,476	$ 5,808,402

Note 9 – Property and equipment

Property and equipment balances were as follows as of June 30, 2017:

Land	$ 1,873,543
Building	37,763,154
Building improvements	850,148
Furniture and fixtures	264,590
Equipment	883,779
Artwork	164,211
	41,799,425
Less accumulated depreciation	12,294,762
Total property and equipment, net	$ 29,504,663

Substantially all of the assets classified as property and equipment are held by the Foundation for the purpose of rental use. Depreciation expense for the year ended June 30, 2017 was $835,427.

Note 10 – Land held for resale

Property held for resale in the amount of $187,900 consists of two parcels of donated land. In accordance with donor restrictions, the Foundation must use proceeds from the sale of these assets to fund scholarships to students of the University.

Note 11 – Related party transactions and balances

The University provides the Foundation with certain administrative services in the areas of procurement, accounting, cashiering, human resources, employee benefits, and electronic data processing systems. During the year ended June 30, 2017, the Foundation reimbursed the University $980,393 for the cost of salaries and related benefits of University employees who provided direct services to the Foundation. These amounts are shown as salaries and benefits expense in the Foundation's financial statements. As of June 30, 2017, $187,699 was due to the University for administrative services reimbursements.

The Foundation executed a management agreement with the University whereby the University's Office of Housing and Residential Life manages and operates Aggie Suites, Aggie Terrace, Aggie Pride Hall, and a child development lab. Under the terms of the management agreement, the Foundation pays the University an annual management fee and security fee. During the year ended June 30, 2017, the Foundation paid the University total fees of $50,000. These amounts are included in program expense for student housing.

The Foundation leases office space to the NC A&T Alumni Association (the "Association"), an affiliated organization. During the year ended June 30, 2017, the Association made rent payments totaling $22,524 to the Foundation. As of June 30, 2017, $5,650 was due from the Associate and $9,009 was due to the Association for gifts collected by the Foundation but designated to the Association.

Note 12 – Funds held for others

The following transactions relating to amounts held for others occurred during the year ended June 30, 2016:

Funds held for others, July 1	$ 950,785
Amounts received on behalf of others	633,228
Amounts disbursed on behalf of others	(562,097)
Gains allocated to agency accounts	31,132
Funds held for others, June 30	$ 1,053,048

Note 13 – Functional expenses

The costs of providing the various programs and activites have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses and their functional classifications for the year ended June 30, 2017 are as follows:

	Program Services		Supporting Services			
	University Support	Student Housing	Management and General	Fundraising	Total	2016 Total
Salaries	$ -	$ 611,618	$ 361,939	$ -	$ 973,557	$ 1,002,242
Employee benefits	-	129,027	114,075	-	243,102	348,679
Payroll taxes	-	26,675	26,236	-	52,911	64,547
Telephone	-	84,962	9,535	-	94,497	92,303
Supplies and equipment	-	138,058	3,969	-	142,027	30,265
Repairs and maintenance	-	474,356	3,942	-	478,298	949,296
Postage and shipping	-	-	777	-	777	2,943
Insurance expense	-	186,328	26,335	-	212,663	210,313
Travel	-	-	970	-	970	8,436
Professional fees	-	19,766	90,997	-	110,763	38,995
Other contract services	-	320,160	13,595	-	333,755	328,487
Scholarships and awards	1,085,351	-	-	-	1,085,351	1,188,164
Academic and departmental	2,332,875	-	-	-	2,332,875	2,932,647
Miscellaneous expense	-	32,125	84,561	-	116,686	138,836
Concert expense	-	-	-	211,129	211,129	226,586
Depreciation and amortization	-	834,822	605	-	835,427	878,834
Interest expense	-	1,410,482	-	-	1,410,482	1,467,936
Bond issue costs		191,234			191,234	136,115
Bond discount		(85,612)			(85,612)	40,688
Utilities	-	413,252	17,503	-	430,755	473,510
Bad debt		39,432	20,000		59,432	33,190
Taxes and fees	-	58,936	1,452	-	60,388	66,286
Marketing and advertising	-	-	-	-	-	2,181
	$ 3,418,226	$ 4,885,621	$ 776,491	$ 211,129	$ 9,291,467	$ 10,661,479

Note 14 – Bonds payable

Bonds payable as of June 30, 2017 consist of the following:

	Interest Rates	Maturity (serially)	Original Issue		Outstanding
North Carolina Capital Facilities Finance Agency (NCCFFA):					
(A) Variable Rate Student Housing Revenue Bonds Series 2004B	3.00% - 5.00%	2035	$ 21,000,000	$	13,500,000
(B) Student Housing Revenue Refunding Bonds Series 2015A	3.00% - 5.00%	2035	22,495,000	$	22,270,000
				$	35,770,000
Unamortized premium					1,658,703
Bond issuance costs					(3,262,521)
Total bonds payable, net				$	34,166,182

(A) Series 2004B Bonds were issued August 10, 2004 to finance the construction, equipping and installation of student housing facilities, a fitness facility, and a conference and special events facility.

The Series 2004B Bonds consist of serial bonds which mature in varying amounts from 2005 to 2035. Semi-annual interest payments are due December 1 and June 1, and annual principal payments are due June 1. Series 2004B Bonds are subject to extraordinary redemption at any time by the NCCFFA, at the discretion of the Foundation, in the event of damage to, destruction or condemnation of, or taking under power of eminent domain of a substantial portion of the Foundation's premises.

As security for the payment of the 2004 Bonds, the Bond Indenture grants to the Trustee a lien upon and security interest in all of the Foundation's rights, title and interest in assets of the Housing Foundation.

The agreements require the Foundation to maintain two debt service reserve funds. If there is a deficiency in the bond fund when Bond principal and interest payments become due, the Bond Indenture provides for the amount of the deficiency to be made up from other Trust funds in the following order; (1) Pledged Revenue Fund, (2) Surplus Fund, (3) Replacement Fund, (4) Operation and Maintenance Fund, (5) Operating Reserve Fund, (6) Project Fund; and (7) Debt Service Reserve Fund.

The Operating Reserve Fund requires a minimum deposit balance of $500,000 and additional deposits are not required unless the Foundation's debt service coverage ratio falls below 1.30. The Foundation was not required to make additional deposits to the Operating Reserve Fund during the year ended June 30, 2017.

Note 14 – Bonds payable (continued)

The Surplus Fund shall be used to make up any deficiency in other funds, and to pay certain recipients in the following order of priority: Rebate Fund, Operation and Maintenance Fund, 50% of the student housing management fee, the Replacement Fund, and the Operating Reserve Fund. The Surplus Fund shall also be used to pay any exchange termination payment due to any qualified counterparty or post any collateral required under a credit support annex of a qualified exchange agreement. The Trustee permits distributions from the Surplus Fund to the Foundation provided the Foundation's debt service coverage ratio, based on audited and unaudited financial statements, is not less than 1.25 for the fiscal year end. The Debt Service Coverage Ratio for the fiscal year ended June 30, 2017 was 2.52 which is in compliance with the trust agreement.

(B) Series 2015A Bonds in the amount of $22,495,000 were issued October 1, 2015 to: (a) refund the entire outstanding amount of NCCFFA Student Housing Revenue Refunding Bonds Series 2004A and a portion ($2,000,000) of the Series 2004B Bonds; (b) fund the related debt service reserve fund; (c) pay the premium for a financial guaranty policy, and (d) pay certain expenses incurred in connection with the issuance of the 2015A Bonds.

The refunding also remarketed the 2004B variable rate bonds, replacing the six months Letter of Credit (LOC) with a three year Letter of Credit and novating the existing SWAP with an extended the term while lowering the interest rate without extension of the final bond maturity.

The series 2015A bonds consist of Serial, and Variable Rate Bonds which mature in varying amounts from 2017 through 2035 and bear interest at rates that range from 3.0% to 5.0%. Series 2015A Bonds are subject to extraordinary redemption at any time by NCCFFA, at the discretion of the Foundation, in the event of damage to, destruction or condemnation of, or taking under power of eminent domain of a substantial portion of the Foundation's premises. Series 2015A Bonds maturing on or after June 1, 2026 are also subject to option redemption by NCCFFA, at the discretion of the Foundation from available funds.

The loan agreement contains various covenants, which among other things, place restrictions on the Foundation's ability to incur additional indebtedness and require the Foundation to maintain certain financial ratios. The Foundation is in compliance with these covenants at June 30, 2017.

For the year ended June 30, 2017 the Foundation recorded interest expense of approximately $1,410,482.

Note 14 – Bonds payable (continued)

Minimum maturities on all debt of the Foundation for the next five fiscal years are as follows:

Year Ending June 30		Amount
2018	$	810,000
2019		1,670,000
2020		1,745,000
2021		1,815,000
2022		1,905,000
Thereafter		27,825,000
	$	35,770,000

The Foundation has complied with all covenants of the Bond Indenture.

Note 15 – Interest rate swap agreement

The Foundation has an interest rate swap agreement, which is intended to allow the Foundation to minimize the risk of future interest rate fluctuations related to the bonds payable described above. As the variable interest rate on the bonds payable decreases, the interest rate swap liability increases. The agreement expires December 1, 2021 and has a fixed interest rate of 3.08%.

The fair value of the interest rate swap agreement is the estimated amount that the swap issuer would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties.

In particular, the fair value of the interest rate swap agreement was based on an income approach calculation using Level 3 inputs. In the calculation, the swap issuer estimated the fair value of the liability based on both the present value of projected future interest rates and the fixed rate stipulated in the agreement. Management believes the calculation to be a reasonable approximation of the fair value of the liability under the interest rate swap agreement. The change in the liability under the interest rate swap agreement was recorded as an unrealized loss within the consolidated statement of activities.

The fair value of the interest rate swap agreement, which was measured on a recurring basis using Level 3 inputs, consists of the following as of and for the year ended June 30, 2017:

Interest rate swap, beginning	$	(1,002,689)
Gain on interest rate swap		415,479
Interest rate swap, ending	$	(587,210)

The Foundation records the change in the value of the interest rate swap as gain or loss on swap agreement on the consolidated statement of activities. The notional amount of the swap is $8,075,000 at June 30, 2017.

Note 16 – Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2017 are available for the following purposes:

Engineering	$2,493,819
Arts and Sciences	2,075,029
Agriculture	1,137,421
Business and Economics	1,076,815
Development	636,530
Academic Affairs	532,367
Technology	376,616
Athletics	232,243
Education	178,765
Career Services	86,716
Student Affairs	59,739
Computer Information & Technology	56,231
Nursing	52,188
Financial Aid	47,364
Library	43,662
Chancellors Fund	35,923
ROTC	23,955
Others	637,735
	$9,783,118

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of time restrictions specified by the donors as follows:

Scholarships	$ 810,351
Academic Departments	2,208,847
	$3,019,198

Note 17 – Permanently restricted net assets

Net assets were permanently restricted in the form of endowments for the following purposes at June 30, 2017:

Academic Affairs	$ 1,680,429
Business and Economics	917,414
Arts and Sciences	575,110
Engineering	486,498
Education	226,396
Agriculture	195,357
Athletics	179,987
Financial Aid	124,654
GAMSEC	100,713
Wachovia Fund for Excellence	50,000
Technology	46,953
Physical Plant (A&T)	28,882
ROTC	11,174
Other	9,909
	$ 4,633,476

Note 18 – Recently issued accounting pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities. This update is effective for fiscal periods beginning after December 15, 2017. Under the new standard, there will be two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) instead of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted). The new standard requires all not-for-profit entities to provide expenses and an analysis of expenses by both nature and function, and disclosure of the methods used to allocate those expenses among the various functions. ASU 2016-14 requires qualitative disclosure about how liquidity is managed including dates to meet the cash needs for the upcoming year. The update allows underwater endowment funds to be reflected in the net assets without donor restrictions. Investment returns will be presented net of all related external and direct internal expenses and the existing disclosure of the netted amounts is no longer required. The standard continues to allow not-for-profit entities to present the net amount of operating cash flows using either the direct or indirect method of reporting, while no longer requiring the indirect reconciliation if the direct method is used.

Note 19 – Subsequent events

The Foundation has evaluated subsequent events from the date of the consolidated statement of financial position through September 27, 2017, the date the report was available to be issued which is the date of the auditor's report. During this period, there were no additional material subsequent events requiring disclosure.

SCHEDULE OF PROFIT AND LOSS – STUDENT HOUSING

Year Ended June 30, 2017

	2017
Revenues	
Rents - Student Housing	$ 7,191,012
Rents - Event Center	310,050
Rents - other	104,932
Fee revenues	277,981
Interest and dividends	4,820
Gain on Interest Rate Swap	415,479
Other income	60,403
Total Revenues	8,364,677
Expenses	
Salaries	611,618
Employee Benefits	129,027
Payroll Taxes	26,675
Telephone	84,962
Supplies and Equipment	138,058
Repairs and Maintenance	474,356
Insurance Expense	186,328
Professional Fees	19,766
Other Contract Services	320,160
Miscellaneous Expense	32,125
Depreciation	834,822
Interest Expense	1,410,482
Bond Issue Cost Expense	191,234
Bond Discount	(85,612)
Utilities	413,252
Bad Debt Expense	39,432
Management Fees	58,936
Total Expenses	4,885,621
Net Income	$ 3,479,056