CALL TO ORDER
Tom Cabaniss, Chair of Committee

ROLL CALL
Tom Cabaniss, Chair of Committee

READING OF STATE GOVERNMENT ETHICS ACT CONFLICT OF INTEREST STATEMENT
Tom Cabaniss, Chair of Committee

1. APPROVAL OF MINUTES
Approval of February 15, 2018 Minutes

2. ACTION ITEMS

A. Approval of Internal Audit Plan for Fiscal Year 2019
   (NC State Policy 01.05.1, Appendix 1, l.a.ii)
   Office of Internal Audit
   Cecile Hinson, Director, Internal Audit

3. INFORMATIONAL REPORTS

A. Legislative, Budget and Finance Update
   (UNC Pol, Ch. 100.1, Appendix 1 (V), NC State Pol 01.05.1, Appendix 1, l.b)
   Office of the Chancellor
   Sarah Stone, Assistant to Chancellor, External Affairs
   Office of Finance and Administration
   Scott Douglass, Vice Chancellor for Finance and Administration
   Barbara Moses, Associate Vice Chancellor, Budget and Resource Management
   Mary Peloquin-Dodd, Associate Vice Chancellor for Finance and University Treasurer

B. Annual Review of Associated Entities
   (NC State Policy 01.05.1, Appendix 1, l.a.ix)
   Office of University Treasurer
   Mary Peloquin-Dodd, Associate Vice Chancellor for Finance and University Treasurer

C. University Debt Update
   (NC State Pol 01.05.1, Appendix 1, l.b, l.d.i)
   Office of University Treasurer
   Lori Johnson, Director, Strategic Debt and Financial Management

✓ Denotes full Board approval required
D. Enterprise Risk Management and Compliance Update
   (NC State Pol 01.05.1, Appendix 1, I.a.vii, 1.c.i, 1.c.ii)
   Campus Security and Safety Update
   Office of General Counsel
   Eileen Goldgeier, Vice Chancellor and General Counsel
   Office of Environmental Health and Public Safety
   David Rainer, Associate Vice Chancellor, Environmental Health and Public Safety
   Jack Moorman, Chief of Police, University Police Department

E. Internal Audit Update
   (NC State Pol 01.05.1, Appendix 1, I.a.i-vii)
   Internal Audit
   Cecile Hinson, Director, Internal Audit

4. CLOSED SESSION

5. COMMITTEE DISCUSSION

6. ADDITIONAL INFORMATIONAL MATERIALS

A. NC State Investment Fund Performance Review
   (NC State Pol 01.05.1, Appendix 1, I.b, d.i)

B. NC State Intermediate Term Fund Performance Review
   (NC State Pol 01.05.1, Appendix 1, I.b, d.i)

ADJOURN

✓ Denotes full Board approval required
Chair Cabaniss opened the meeting at 3:00 p.m. in the Chancellor’s Conference Room. Roll was taken and a quorum was present. Committee members present for the meeting were:

Mr. Tom Cabaniss, Chair
Mr. Chip Andrews
Mr. James Harrell
Mr. Ron Prestage
Ms. Susan Ward

All members of the Committee were reminded of their duty to avoid conflicts of interest and appearances of conflicts of interest under the State Government Ethics Act. It was inquired as to whether there were any known conflicts of interest or appearances of conflict with respect to any matters coming before the Committee at this meeting. There being none, the meeting continued.

The minutes from the November 16, 2017 meeting were presented for approval, and with no changes, Mr. Prestage made a motion to accept the minutes and Ms. Ward seconded. The minutes were approved.

Ray Whitby, Jr., Financial Audit Manager with the Office of the State Auditor reported on the University’s financial audit for fiscal 2017. He noted that this year’s audit included a parallel audit of the Trio program, and the results of that audit have not yet been published. The State Auditor complimented the University on its unmodified audit opinion. As part of the audit, they assess risk, and saw no deficiencies in internal controls. The auditors highlighted the significance of there being no reportable findings, and having no adjusting entries as being commendable.

Highlights from the 2017 Financial Report, specifically addressing results in the Statement of Net Position, and Statement of Activities were provided to the Committee. The University’s total net position increased by $58.9 million to $2.05 billion at fiscal year-end. Total revenues ended the year at $1.58 billion compared with total expenses of $1.52 billion. Total assets increased by $101.9 million, and total liabilities increased by $153.9 million.

The Committee reviewed the FY18 Audit Plan and Engagement Status as of January 24. There have been 45 total active engagements so far; 14 were on the approved FY18 Audit Plan, 31 were added. Fourteen of the added engagements are investigations resulting from University and Internal Audit Hot Line allegations – an increase in investigations of 5 times over prior years. Twenty engagements are currently in process.

The Committee was also provided with an update on audit engagement activities since the November meeting including discussion of a recent investigative report. A reminder was provided related to the Quality Assurance Review that will take place in the coming months as required by professional standards and the state every five years.

A recap of the Legislative special session was reported. Legislative activity included recent House Bills that could impact the UNC System, and areas of future legislative interest such as enrollment funding changes.
The committee heard a report on Title IX. This presentation included the definition, the components of an effective Title IX program, and legal standards for liability for the University. Current trends in litigation against universities include an increase in student on student incidents by both the complainant and the respondent. The Committee received two brochures that are available on campus regarding Title IX (copies attached).

The Audit, Risk Management and Finance committee also heard the annual report on endowment and investments. The NC State Intermediate Term Fund had a 2.59% one-year return as of December 31, 2017. The University reported endowments of $1.12 billion at the close of fiscal 2017 and a total combined investment return for all University-related endowments of 12.1%. This performance compared favorably to other large endowments, and NC State’s ranking for endowment size was 94th largest of the 818 endowments in the annual NACUBO survey. Reference was also made to the reports that were provided in pre-materials.

With no further business, the Committee adjourned at 4:33 p.m.

Submitted by ___________________________________
Secretary to the Committee

Approved ___________________________________
Chair of the Committee

Attachments
North Carolina State University  
Statement of Net Position  
Unaudited  
December 31, 2016 and 2017

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2018 As of 12/31/2017</th>
<th>Fiscal Year 2017 As of 12/31/2016</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>310,830,204.63</td>
<td>294,237,747.38</td>
<td>16,592,457.25</td>
</tr>
<tr>
<td>Receivables</td>
<td>157,287,718.63</td>
<td>154,452,594.14</td>
<td>2,835,124.49</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>468,117,923.26</td>
<td>448,690,341.52</td>
<td>19,427,581.74</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash - Capital Improvements</td>
<td>58,486,943.00</td>
<td>63,295,898.72</td>
<td>(4,808,955.72)</td>
</tr>
<tr>
<td>Capital Assets Depreciable Net - Note 1</td>
<td>1,868,274,466.48</td>
<td>1,856,594,905.23</td>
<td>11,679,561.25</td>
</tr>
<tr>
<td>Capital Assets Non-Depreciable - Note 1</td>
<td>112,568,077.74</td>
<td>124,372,655.83</td>
<td>(11,804,578.09)</td>
</tr>
<tr>
<td>Investments</td>
<td>485,795,591.58</td>
<td>435,539,808.74</td>
<td>50,255,782.84</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>12,096,301.44</td>
<td>11,893,214.34</td>
<td>203,087.10</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>2,537,221,380.24</td>
<td>2,491,696,482.86</td>
<td>45,524,897.38</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>3,005,339,303.50</td>
<td>2,940,386,824.38</td>
<td>64,952,479.12</td>
</tr>
</tbody>
</table>

| **LIABILITIES**      |                                   |                                   |                   |
| **Current Liabilities** |                                 |                                   |                   |
| Accounts Payable And Accrued Liabilities | 20,226,257.63                   | 15,609,405.17                    | 4,616,852.46      |
| Commercial Paper Payable | 10,000,000.00                    | 50,000,000.00                    | (40,000,000.00)   |
| Unearned Revenue      | 6,018,652.12                     | 5,787,631.86                     | 231,020.26        |
| **Total Current Liabilities** | 36,244,909.75                  | 71,397,037.03                    | (35,152,127.28)   |
| **Noncurrent Liabilities** |                                 |                                   |                   |
| Bonds Payable         | 501,293,344.85                   | 470,782,894.36                   | 30,510,450.49     |
| Deposits Payable      | 2,709,833.93                     | 3,600,522.56                     | (890,688.63)      |
| US Government Grants Refundable | 3,674,150.85                     | 3,723,649.34                     | (49,498.49)       |
| Notes Payable         | 67,020,687.25                    | 70,314,754.80                    | (3,294,067.55)    |
| Unearned Revenue      | 73,897,092.11                    | 75,436,487.00                    | (1,539,394.89)    |
| **Total Noncurrent Liabilities** | 648,595,108.99                | 623,858,308.06                   | (5,773,649.56)    |
| **Total Liabilities** | 684,840,018.74                   | 695,255,345.09                   | (40,427,776.84)   |

**NET POSITION**

Net Assets
Beginning Net Position - July 1 | 2,213,914,467.79 | 2,140,175,600.77 | 73,738,867.02
Increase In Net Assets | 106,584,816.97 | 104,955,878.52 | 1,628,938.45

**Total Net Position** - Note 2 | 2,320,499,284.76 | 2,245,131,479.29 | 75,367,805.47

**Notes:**

**Note 1** - The amounts shown for Capital Assets are the amounts reported on the audited financial statements as of June 30, 2016 and 2017 - adjusted for estimated Depreciation expense. Adjustments for current year asset additions are not included - these adjustments are made at year end.

**Note 2** - This statement does not include many year end entries required for university financial reporting, such as various asset reclassifications, fair market value adjustments, additional receivables, additional liabilities including compensated absences and pension liability, and funds held for others.
North Carolina State University  
Statement of Revenues, Expenses and Changes in Net Assets  
Unaudited  
For the Six Months Ended December 31, 2016 and 2017

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2018 Through 12/31/2017</th>
<th>Fiscal Year 2017 Through 12/31/2016</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Tuition And Fees</td>
<td>406,856,109.13</td>
<td>379,899,254.11</td>
<td>26,956,855.02</td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>11,382,687.00</td>
<td>14,151,816.00</td>
<td>(2,769,129.00)</td>
</tr>
<tr>
<td>Federal Grants And Contracts</td>
<td>99,756,636.17</td>
<td>98,617,538.30</td>
<td>1,139,097.87</td>
</tr>
<tr>
<td>State And Local Grants And Contracts</td>
<td>31,571,808.28</td>
<td>35,615,655.40</td>
<td>(4,043,847.12)</td>
</tr>
<tr>
<td>Nongovernmental Grants And Contracts</td>
<td>44,709,084.65</td>
<td>43,442,989.00</td>
<td>1,266,095.65</td>
</tr>
<tr>
<td>Sales And Services</td>
<td>224,191,344.56</td>
<td>208,165,812.82</td>
<td>16,025,531.74</td>
</tr>
<tr>
<td>Interest Earnings On Loans</td>
<td>108,402.74</td>
<td>103,435.48</td>
<td>4,967.26</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>10,497,101.21</td>
<td>10,226,580.12</td>
<td>270,521.09</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>829,073,173.74</td>
<td>790,223,081.23</td>
<td>38,850,092.51</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries And Benefits</td>
<td>486,093,572.41</td>
<td>482,220,194.44</td>
<td>3,873,377.97</td>
</tr>
<tr>
<td>Scholarships And Fellowships</td>
<td>80,629,818.41</td>
<td>77,919,835.81</td>
<td>2,709,982.60</td>
</tr>
<tr>
<td>Services</td>
<td>159,368,154.16</td>
<td>150,993,838.12</td>
<td>8,374,316.04</td>
</tr>
<tr>
<td>Supplies And Materials</td>
<td>110,666,883.26</td>
<td>104,683,992.72</td>
<td>5,982,890.54</td>
</tr>
<tr>
<td>Utilities</td>
<td>19,345,248.92</td>
<td>19,598,412.10</td>
<td>(253,163.18)</td>
</tr>
<tr>
<td>Depreciation - Note 1</td>
<td>47,821,328.30</td>
<td>44,360,730.30</td>
<td>3,460,598.00</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>903,925,005.46</td>
<td>879,777,003.49</td>
<td>24,148,001.97</td>
</tr>
<tr>
<td>Operating Loss</td>
<td>(74,851,831.72)</td>
<td>(89,553,922.26)</td>
<td>14,702,090.54</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriations</td>
<td>141,282,405.29</td>
<td>161,183,187.16</td>
<td>(19,900,781.87)</td>
</tr>
<tr>
<td>Gifts</td>
<td>39,331,828.26</td>
<td>38,510,893.39</td>
<td>820,934.87</td>
</tr>
<tr>
<td>Investment Income (Net Of Investment Expense)</td>
<td>2,320,190.35</td>
<td>2,266,244.33</td>
<td>53,946.02</td>
</tr>
<tr>
<td>Interest And Fees On Debt</td>
<td>(11,873,647.30)</td>
<td>(11,064,608.82)</td>
<td>(809,038.48)</td>
</tr>
<tr>
<td>Federal Interest Subsidy On Debt</td>
<td>569,159.40</td>
<td>569,770.74</td>
<td>(611.34)</td>
</tr>
<tr>
<td>Other Nonoperating Revenues (Expenses)</td>
<td>397,008.27</td>
<td>417,563.79</td>
<td>(20,555.52)</td>
</tr>
<tr>
<td>Net Nonoperating Revenues</td>
<td>172,026,944.27</td>
<td>191,883,050.59</td>
<td>(19,856,106.32)</td>
</tr>
<tr>
<td>Income Before Other Revenues</td>
<td>97,175,112.55</td>
<td>102,329,128.33</td>
<td>(5,154,015.78)</td>
</tr>
<tr>
<td>Capital Appropriations</td>
<td>3,524,800.00</td>
<td>1,000,000.00</td>
<td>2,524,800.00</td>
</tr>
<tr>
<td>Capital Grants</td>
<td>4,417,118.88</td>
<td>1,126,750.19</td>
<td>3,290,368.69</td>
</tr>
<tr>
<td>Capital Gifts</td>
<td>1,467,785.54</td>
<td>500,000.00</td>
<td>967,785.54</td>
</tr>
<tr>
<td>Increase In Net Assets - Note 2</td>
<td>106,584,816.97</td>
<td>104,955,878.52</td>
<td>1,628,938.45</td>
</tr>
</tbody>
</table>

Notes:

**Note 1** - The amounts shown for Depreciation are estimates based on amounts reported on the audited financial statements for the Fiscal Years ending June 30, 2016 and 2017.

**Note 2** - This statement does not include many year end entries required by GASB for university financial reporting, such as tuition discounting, internal sales elimination, capitalization of fixed asset expenses greater than $5,000, blending of the NCSU Partnership, and other year end entries.
Who is a Responsible Employee?

A responsible employee includes any employee:
- who is a Campus Security Authority (CSA);
- who has the authority to take action to redress sex discrimination,
- who has been given the duty of reporting incidents of sex discrimination or any other misconduct to the Title IX coordinator or other appropriate school designee; or
- an employee whom a person could reasonably believe has this authority or duty.

Your Responsibilities

If you are a responsible employee, you must:
- report all incidents of potential sex discrimination (including sexual harassment and sexual violence) that you know about, or should have known about, to the Title IX coordinator;
- communicate to students, faculty and staff who are considering disclosing or have disclosed information about sexual discrimination or sexual violence that, as a Responsible Employee, you are required to report such information to the Title IX coordinator;
- contact the Title IX coordinator with questions or concerns;
- complete all applicable NC State training on reporting requirements and stay current on training requirements.

Key Points to Remember

- Report concerning behaviors or incidents whether or not they occur on campus.
- Do not attempt to investigate. Instead, seek basic information and report the incident as soon as possible.
- Do not judge or use judgmental language when taking a report.
- Do not confront the alleged perpetrator.
- Sexual violence is only one form of conduct that responsible employees must report. Responsible employees must also report any discrimination, harassment or violence related to sex, pregnancy, sexual orientation or gender identity to the Title IX coordinator.
When You Receive a Report

COLLECT INFORMATION

Remember, as a responsible employee, you CANNOT be a confidential resource, as you have an obligation to report the incident. Before an individual reveals information to you that they may wish to keep confidential, you should ensure that they understand:

• your obligation to report the incident to the Title IX coordinator, lead deputy Title IX coordinator or OIED’s Equal Opportunity and Equity unit.
• the individual’s option to request that NC State maintain their confidentiality (which NC State will consider); and
• the individual’s ability to share information confidentially with the Counseling Center, Student Health Center or a religious counselor.

REPORT THE INCIDENT

Responsible employees must report the incident to the Title IX coordinator or lead deputy Title IX coordinator. Responsible employees may also report it to OIED’s Equal Opportunity and Equity unit. Reports must be made within 24 hours or as soon as possible. If you are a CSA, you are also obligated to make a CSA report to NC State Police.

The specific Responsible Employee Report should include all relevant details shared about the alleged incident. This includes:

• name of the alleged;
• perpetrator (if known);
• individual who experienced the alleged conduct;
• other individuals involved in the alleged conduct;
• date, time and location of the incident.

PROVIDE INFORMATION & RESOURCES

1. Inform the individual of resolution options and provide them with a copy of the Resources and Reporting guide:
   • criminal investigation by NC State Police;
   • filing an administrative Title IX complaint with the Office for Institutional Equity and Diversity (OIED);
   • Title IX investigation by OIED’s Equal Opportunity and Equity unit; and/or
   • Information about a conduct hearing by the Office of Student Conduct.

2. Connect the survivor to resources:
   • Safe at NC State website (go.ncsu.edu/safe)
   • Sexual Assault Helpline (919.555.4444)
   • Women’s Center
   • Counseling Center
   • Student Health Center
   • Violence Prevention and Threat Management
   • Faculty and Staff Assistance Program

REPORTING OPTIONS

Office for Institutional Equity and Diversity
Equal Opportunity and Equity (all sex related complaints, responsible employee reports)
919.513.0574, web: go.ncsu.edu/complaint

NC State Police (all crimes)
919.515.3000 or 911, web: go.ncsu.edu/cleryreport

Definitions

Consent

an affirmative decision to engage in sexual activity given by clear action or words. It is an informed decision made freely, willingly and actively by all parties. Behavior will be considered “without consent” if no clear consent, verbal or nonverbal, is given. Consent cannot be procured by physical force, compelling threats, intimidating behavior or coercion. A person cannot give consent if incapacitated as a result of alcohol or drug consumption (voluntary or otherwise), unconscious, unaware or asleep during the act, under the legal age to provide consent, or otherwise lacking the capacity to consent. A lack of protest or resistance is not a valid form of consent. Silence is not a valid form of consent. A prior relationship or prior sexual activity is not sufficient to demonstrate consent. Consent can be revoked or withdrawn at any time, even during a sexual act. If consent is withdrawn, the sexual act is no longer consensual.
Definitions

Dating Violence
conduct arising out of a social, personal, romantic or intimate relationship or a dating relationship that inflicts physical injury upon another person or is a pattern of coercive behavior that is used by one person to gain power and control over another; may include the use of physical and sexual violence, verbal and emotional abuse or any conduct that places another in fear of, or at risk of, physical injury or danger.

Domestic Violence
conduct arising out of a personal, romantic or intimate relationship where the parties are current or former spouses, persons who live together or have lived together, have child in common, are current or former household members that: inflicts physical injury upon person fitting this definition; or is a pattern of coercive behavior that is used by one person to gain power and control over another. It may include the use of physical and sexual violence, verbal and emotional abuse, or any conduct that places another in fear of, or at risk of, physical injury or danger.

Hostile Environment
severe and pervasive conduct that interferes with a person’s regular activities.

Quid Pro Quo
benefits are offered in exchange for the giving of sexual favors or the denial of benefits when sexual advances are refused.

Relationship or Interpersonal Violence
includes dating violence, domestic violence and stalking; occurs when one person in a social relationship of a romantic or an intimate nature uses abuse to maintain power over a partner. Abusive behaviors can be physical or emotional, including but not limited to threats of self-harm or hard to others, pervasive and derogatory name calling, belittling, isolation or engaging in sexual acts while in a dating or domestic relationship when one of the individuals does not consent.

(continued on previous page)

Sex Discrimination
unequal treatment based on sex, sexual orientation or gender identity; for example, groping or other inappropriate touching; offensive photographs or comments; verbal or physical attacks based on sex, sexual orientation or gender identity; pregnancy discrimination; unequal compensation based on sex, sexual orientation or gender identity; failure to hire or promote based on sex, sexual orientation or gender identity; sexual assault, domestic or dating violence or stalking.

Sexual Harassment
unwelcome conduct of a sexual nature.

Sexual Violence
contact without consent; for example, rape, sodomy (oral or anal sex), sexual battery (e.g., grabbing breasts, buttocks, private areas, forcible fondling).

Stalking
engaging in a course of conduct directed at a specific person, whether in the context of a social or intimate relationship or otherwise, that would cause a reasonable person to feel fear for their safety or the safety of others or suffer substantial emotional distress. Stalking, including cyber-stalking, may include, for example, non-consensual communication, including in-person communication or contact, surveillance, telephone calls, voice messages, text messages, emails, social networking site postings, instant messages, postings of pictures or information on websites, written letters, gifts or any other communications that are undesired and/or place another person in fear of, or at risk of, physical injury or danger.

NC STATE
Office for Institutional Equity and Diversity
Equal Opportunity and Equity
231 Winslow Hall
May 2017
If You Have Experienced Sexual Violence, Relationship Violence or Stalking

**IMMEDIATE STEPS**

- Go to a safe place, such as your RA’s room, a friend’s room or any open office on campus.
- Call someone you trust, such as a friend, family member or survivor advocate. You do not have to go through this alone.
- You may want to preserve evidence. After sexual violence, do not shower until you have considered whether to have a no-cost forensic sexual assault examination at the hospital. Save the clothes you were wearing (unwashed) in a paper or cloth bag. Take photos of any damage or injury and keep communication records.

**WITHIN 24 HOURS**

- Seek out confidential support. You may want to turn to a confidential advocate or counselor for support and advice. They will talk with you about your options for additional support services and reporting.
- After unwanted physical contact, get medical attention. A medical provider can check for and treat physical injury, sexually transmitted infections and pregnancy. You do not need to make a formal report or press charges to receive medical care.

**ANY TIME**

- Consider making a formal report. You are encouraged to report to both the police and the Office for Institutional Equity and Diversity’s Equal Opportunity and Equity unit. You can decide how much you would like to participate in any investigation process. Reporting to police ensures that the survivor receives appropriate medical treatment and tests. Reporting to both EOE and Police will ensure that the survivor has access to important resources.
- NC State can help. Campus-based resources can help you with changes to your housing, classes, work and more. You do not need to make a formal report or press charges to receive help from NC State.

RESOURCES AND REPORTING

Sexual Violence
Relationship Violence
Stalking

go.ncsu.edu/safe
What is sexual violence?

Sexual violence is contact without consent; for example, rape, sodomy (oral or anal sex), sexual battery (e.g., grabbing breasts, buttocks, private areas, forcible fondling).

What is relationship violence?

Relationship or interpersonal violence occurs when one person in a social relationship of a romantic or an intimate nature uses abuse to maintain power over a partner. Abusive behaviors can be physical or emotional, including but not limited to threats of self-harm or harm to others, pervasive and derogatory name calling, belittling, isolation or engaging in sexual acts while in a dating or domestic relationship when one of the individuals does not consent.

What is stalking?

Stalking is engaging in a course of conduct directed at a specific person, whether in the context of a social or intimate relationship or otherwise, that would cause a reasonable person to feel fear for their safety or the safety of others or suffer substantial emotional distress. Stalking, including cyberstalking, may include, for example, non-consensual communication, including in-person communication or contact, surveillance, telephone calls, voice messages, text messages, emails, social networking site postings, instant messages, postings of pictures or information on websites, written letters, gifts or any other communications that are undesired and/or place another person in fear of, or at risk of, physical injury or danger.

What is consent?

“Consent” means an affirmative decision to engage in sexual activity given by clear action or words. It is an informed decision made freely, willingly and actively by all parties. Behavior will be considered “without consent” if no clear consent, verbal or nonverbal, is given. Consent cannot be procured by physical force, compelling threats, intimidating behavior or coercion. A person cannot give consent if incapacitated as a result of alcohol or drug consumption (voluntary or otherwise), unconscious, unaware or asleep during the act, under the legal age to provide consent, or otherwise lacking the capacity to consent. A lack of protest or resistance is not a valid form of consent. Silence is not a valid form of consent. A prior relationship or prior sexual activity is not sufficient to demonstrate consent. Consent can be revoked or withdrawn at any time, even during a sexual act. If consent is withdrawn, the sexual act is no longer consensual.

Help and Resources

CONFIDENTIAL RESOURCES

Counseling Center, 919.515.2423
2815 Cates Avenue, 2nd Floor
Confidential counseling services 8:00 a.m. - 5:00 p.m. weekdays; after hours on-call services for emergencies or crisis situations 24 hours a day, every day of the year.

Student Legal Services, 919.515.7091
1107 Pullen Hall
Information on all legal options related to sex discrimination and/or gender-based violence.

Student Health Services, 919.515.7107
Women's Health, 919.515.7762
2815 Cates Avenue
On-campus medical services for NC State students.

Faculty and Staff Assistance Program, 866.467.0467
Confidential counseling to help employees, partners and dependent family members cope with personal problems.

ADDITIONAL CAMPUS RESOURCES

Sexual Assault Helpline, 919.515.4444
24/7/365 hotline available to anyone impacted by dating violence, sexual assault, rape, stalking or other forms of gender-based violence.

Women's Center, 919.515.2012
5210 Talley Student Union
Advocacy and support for sexual and relationship violence survivors.

Violence Prevention and Threat Management, 919.513.4224, Administrative Services III, Suite 108
Provides effective intervention in situations that pose or may pose a threat to the safety of the community and safety planning assistance for faculty, staff and students.
**PRIVATE RESOURCES**

**NC State Police, 919.515.3000**  
NC State Police enforce North Carolina law, investigate crimes, respond to emergencies, patrol university property and provide safety education.

**Office for Institutional Equity and Diversity, 919.513.0574**  
OIED is home to NC State’s Title IX coordinator as well as the Equal Opportunity and Equity unit, which investigates complaints, takes reports, offers resources and provides interim measures and accommodations.

**Office of Student Conduct, 919.515.2963**  
The Office of Student Conduct contributes to NC State's educational mission and supports a safe environment conducive to academic excellence.

**EXTERNAL RESOURCES**

**InterAct, 919.828.7740**  
InterAct, located near campus, is a non-profit United Way Agency that provides services to survivors of domestic violence and rape/sexual assault, including information, short-term counseling, court assistance, support groups, referrals and S.A.F.E. Center accompaniment.

**Solace Center, 919.828.3067**  
The Solace Center, located at InterAct at 1012 Oberlin Road, is a designated area for the forensic examination and treatment of survivors of rape/sexual assault.

**Filing a Report or Complaint**

**WHERE TO FILE**

Any person may report alleged misconduct involving acts of interpersonal violence to:

**Office for Institutional Equity and Diversity (OIED), Equal Opportunity and Equity** for investigation and response at 919.513.0574 or online at go.ncsu.edu/safe. Anonymous reports can be made online at go.ncsu.edu/safe.

**NC State Police, 919.515.3000**, enforce North Carolina law, investigate crimes and respond to emergencies.

Individuals who have experienced interpersonal violence will receive referrals to appropriate resources, such as advocacy, counseling and/or medical treatment.

**Your Rights**

You have the following rights:

- **Confidentiality:**

  We understand that confidentiality can be particularly important to individuals reporting acts of interpersonal violence. Your confidentiality will be protected in accordance with NC State policies to the extent possible (including any accommodations or protective measures provided to the reporting individual and record-keeping that excludes personally-identifiable information).

  Complete confidentiality cannot be guaranteed unless you utilize confidential resources; however, every effort will be made to maintain confidentiality on a “need to know” basis. Certain circumstances may require NC State to override a request for confidentiality to meet its Title IX obligations.
**Protective Measures**

**INTERIM PROTECTIVE MEASURES**

As part of NC State's response to a report of sexual discrimination or sexual violence, regardless of whether there has been a request for formal disciplinary or law enforcement action, NC State must provide interim measures or offer accommodations to address issues that impact the reporting party and accused party's educational, living or work environments. These interim measures can often be put in place very quickly, prior to the resolution of any report or a criminal proceeding. Examples of interim measures and accommodations available include "no-contact" orders, changes to work schedules, job assignments or class schedules, access to counseling or other NC State resources, legal resources and support, academic support services, housing relocation, attendance in addressing off-campus living or withdrawing from courses without penalty.

**CIVIL PROTECTION**

You may seek a civil "no-contact" protective order (known as a 50C order). These orders are for a determined period of time, and you may have to petition the court to have the time extended. A civil no-contact order (also known as a 50C order) is a court order that aims to protect you from unwanted sexual conduct or stalking by someone with whom you do not have an intimate or familial relationship (such as an acquaintance, co-worker, neighbor or stranger). For further information, students may contact Student Legal Services.

**CRIMINAL PROTECTION**

If you had a personal relationship with the perpetrator, you may be able to seek a domestic violence protective order (also known as a 50B order). A domestic violence protective order can help you by ordering the assailant not to assault, threaten, abuse, follow, harass or interfere with you or your children either in person, at work, on the telephone or by other means. For further information, students may contact Student Legal Services or the NC State Women's Center.

**Title IX Coordinator — Dr. Linda McCabe Smith**

Vice Provost for Institutional Equity and Diversity
Office for Institutional Equity and Diversity
June 2017
NORTH CAROLINA STATE UNIVERSITY
INTERNAL AUDIT DIVISION

AUDIT PLAN
FISCAL YEAR 2019

Photo by Nancy Burgart
<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Audit Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>University-wide</td>
<td>Assess the effectiveness of the processes governing and ensuring Title IX compliance</td>
</tr>
<tr>
<td>Title IX Governance Processes</td>
<td></td>
</tr>
<tr>
<td>University-wide</td>
<td>Review the effectiveness of the University's hiring process controls to prevent unallowable hires such as persons trespassed from the University or flagged as &quot;Do Not Hire&quot; due to prior disciplinary actions</td>
</tr>
<tr>
<td>Hiring Process - Controls to Prevent Unallowable Hires</td>
<td></td>
</tr>
<tr>
<td>University-wide</td>
<td>Test financial expenditures at the end of federal grant awards for allowability, allocability, reasonableness, compliance with applicable regulations and provisions of the award agreements</td>
</tr>
<tr>
<td>Grant Expenses at Award End</td>
<td></td>
</tr>
<tr>
<td>University-wide</td>
<td>Perform follow-up activities on all audit issues reported in the NSF external audit</td>
</tr>
<tr>
<td>Corrective Actions for National Science Foundation (NSF) Audit</td>
<td></td>
</tr>
<tr>
<td>Office of Finance and Administration – Facilities</td>
<td>Review Facilities small construction contract awards for favoritism or conflict of interest</td>
</tr>
<tr>
<td>Small Construction Contract Award Process</td>
<td></td>
</tr>
<tr>
<td>Office of Finance and Administration - Environmental Health and Public Safety – Security Applications and Technology (SAT) Services</td>
<td>Assess services for granting, revoking, and managing the physical access for campus locations supported by SAT</td>
</tr>
<tr>
<td>Physical Access Services</td>
<td></td>
</tr>
<tr>
<td>College of Agriculture and Life Sciences (CALS) - Cooperative Extension Services (CES)</td>
<td>Assess the effectiveness of CALS governance and business process guidance provided to CES offices</td>
</tr>
<tr>
<td>College of Humanities and Social Sciences - Institute for Nonprofits</td>
<td>Evaluate effectiveness and efficiency of business processes and compliance to federal, state, and University requirements</td>
</tr>
<tr>
<td>College of Sciences (COS) General Information Technology (IT) Controls</td>
<td>Evaluate governance over processes and procedures that apply to the overall COS IT operations</td>
</tr>
</tbody>
</table>

**Fiscal Year 2018 Engagements In Progress on July 1, 2018**

The Audit Plan includes estimated time for engagements that we anticipate will still be in progress as of July 1, 2018.

**Investigations**

The Audit Plan includes estimated time for analysis of allegations reported through the Internal Audit Division Hot Line, the Office of the State Auditor Hot Line, or other internal and external sources and subsequent investigation.

**Prior Year's Follow-up Audits**

The Internal Audit Division performs follow-up activities on all audit issues reported by our office or the Office of the State Auditor. As of March 9, 2018, we will follow up on corrective actions for issues noted in the following audit reports in fiscal year 2019:

- Campus Enterprises - NCSU Dining Timesheet Investigation – Follow-up
- Campus Enterprises - University Dining Vendor Processes Fraud Risk – Follow-up
- College of Agriculture and Life Sciences – Business Processes - Follow-up
- User Controls Over Ultra-Sensitive Data – Follow-up
<table>
<thead>
<tr>
<th>Consulting</th>
<th>Internal Audit Division is consulting with</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Office of State Auditor Information Technology General Controls Audit</td>
<td>The Office of Information Technology Security and Compliance to facilitate the Office of State Auditor's audit of NCSU's Information Technology general controls. The State Auditor's audit includes review of Internal Audit Division Information Technology audit reports.</td>
</tr>
<tr>
<td>College of Agriculture and Life Sciences - Integrated Pest Management Research</td>
<td>The Integrated Pest Management - Research management regarding an issue with non-compliance with University policy on compensation</td>
</tr>
<tr>
<td>Implementation of Accounts Payable Vendor Management System Application</td>
<td>The University Controller's Office on their implementation of a vendor management system application</td>
</tr>
<tr>
<td>University Compliance and Integrity Initiative</td>
<td>The University Compliance Steering Committee, the Compliance Officials Working Group, the Compliance Manager, and the Deputy General Counsel to enhance University-wide compliance activities by increasing collaboration and expanding reporting opportunities for students, faculty, and staff that have ethical or compliance related concerns</td>
</tr>
<tr>
<td>Various Minor Consulting Activities</td>
<td>Time is allowed on the Audit Plan for consulting activities lasting less than 1 hour and up to 3 days</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Special Assignments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National Institute of Standards and Technology (NIST) 800-171 Compliance Steering Team</td>
<td>Internal Audit Division is providing advisory and consulting services to the Office of Research, Innovation and Economic Development, Office of Finance and Administration, Office of General Counsel, and Office of Information Technology as they develop a collaborative compliance process to assist the University in achieving its research goals while maintaining compliance with NIST 800-171 &quot;Protecting Controlled Unclassified Information in Nonfederal Information Systems and Organizations&quot; and NIST 800-53 &quot;Security and Privacy Controls for Federal Information Systems and Organizations&quot;. The goal is to raise awareness of research compliance, provide compliance educational opportunities, assess the impact of compliance, and create and provide quality resources that will optimize compliance activity.</td>
</tr>
<tr>
<td>Research Administration Systems Replacement - eRA (electronic Research Administration)</td>
<td>Assistant Director is providing advisory and consulting services to the Office of Research, Innovation and Economic Development and the Office of Finance and Administration in their replacement of legacy systems used for electronic research administration activities.</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Information Technology (IT) Governance Committees</td>
<td>Chief Audit Officer &amp; Director, Assistant Director and Audit Staff are providing objective, independent input to various IT governance committees for ensuring that changes, new directions, and planning are done in a coordinated and collaborative fashion.</td>
</tr>
</tbody>
</table>

**Continuous Risk Assessment and Audit Planning**

All team members visit faculty and staff across the University throughout the year to discuss their units’ strategic plans, goals, and risk posture. This includes new and on-going activities related to their academic, research, and outreach missions and potential concerns or emerging risks to both strategic and tactical goals at the unit and University level. This process supports the identification of potential audit and consulting engagements and is used as an objective tool in the development of our Annual Audit Plan.
NCSU Internal Audit Division
Continuous Risk Assessment and Audit Planning Process

Audit Risk Universe
Current best practices relating to development of the audit universe contend that a risk-based internal audit function considers all risks that affect their enterprise, not just the "auditable risks." Specifically, at NCSU, this broader concept of the audit universe begins with the core elements of the NC State Mission: academics, research, and engagement. The NC State Internal Audit Division (IAD) identifies three integral activities necessary for the achievement of our mission:

1) Governing – performed by our University leadership team and the Board of Trustees who set the direction and ethical expectations for University constituents
2) Doing – performed by our faculty, engagement agents, and staff around the globe
3) Supporting – performed by University units through various processes and practices carefully designed to manage risk and ensure the University meets its goals, objectives, and requirements

Risks to these mission-critical activities and the ways in which risks are mitigated are the focus of our continuous Risk Assessment (RA) Process that leads to the development of our Audit Risk Inventory and Audit Plan. (See Audit Risk Universe, page 8).

Continuous Risk Assessment Process
IAD continuously performs risk assessment activities across the Audit Risk Universe to identify areas of high risk to the University "enterprise" in relation to achieving both its strategic and tactical goals and objectives. The RA process is at the core of our audit and consulting engagements and is used as an objective tool in the development of our risk-based Audit Plans. We use our Audit Risk Inventory to compile and track risk exposures to the University’s governance, operations, and information systems that relate to components such as the:

- Reliability and integrity of research, financial, and operational information
- Effectiveness and efficiency of operations
- Safe-guarding of assets
- Compliance with University and UNC System policy
- Compliance with legal, regulatory, and contractual obligations
- Detection and prevention of fraud
- Effectiveness of information technology security and compliance

Audit Plan Development
All objective and subjective information and data gathered through our continuous RA process is analyzed when received and at weekly RA staff meetings. This on-going analysis process allows IAD to determine areas that may need immediate attention, areas that are potential near-term or future audits, and areas that we will continue to watch and monitor through our process.

Our Audit Plan reflects the results of our continuous assessment and analysis process as of the end of the first quarter of each calendar year. Each year’s Plan is presented for approval at the regularly scheduled April meeting of the NC State Board of Trustees and is implemented at the start of the new fiscal year on July 1. (See Risk Inventory and Audit Plan Development, page 7).
Risk Assessment and Audit Planning Process
Continuous Risk Inventory and Audit Plan Development

Risk Inventory
- Risk Assessment Meetings
- Informal Conversations
- Out of scope items from audit fieldwork
- Allegations/Hotline
- State & Federal Audits
- Trends in Higher Education

Audit Planning Begins in February
List of potential audits

Risk Ranking
Risk Criteria
- Compliance
- Financial
- Fraud
- Operational
- Reputational
- Security
Likelihood & impact severity analysis (1-5)
Final score for each potential audit (0-60)

Capacity Analysis
Estimate project hours per potential audit
Estimate hours for follow-ups, investigations, etc.
Estimate FTE resources

Audit Plan
Potential audits with highest risk scores within capacity
Potential audits that do not make the plan

Monitor
Mitigated
NCSU Internal Audit Division
Continuous Risk Assessment and Audit Planning Process
Audit Risk Universe as of March 13, 2018

- FY19 Planned Engagements, 23
- Active Audits, Investigations, and Follow-Up, 18
- Active Consulting, Special Assignments, and OnGoing Engagements, 16
- Emerging Risks, 8
- Auditable Risks, 18
- Monitored Risks, 33
NCSU Internal Audit Division
Staff Bios

Chief Audit Officer & Director

Cecile M. Hinson, CCEP, CFE, CISA
Cecile joined the Internal Audit Division in February 2001. Prior, she worked for Lockheed Martin and PricewaterhouseCoopers, LLP, in the areas of financial, operational, and information technology auditing. Cecile received her Bachelor of Science in Business with an emphasis in Accounting from Meredith College. She is a Certified Compliance and Ethics Professional (CCEP), a Certified Information Systems Auditor (CISA) and a Certified Fraud Examiner (CFE). She is also a graduate of the NC State Equal Opportunity Institute and holds an Information Technology Audit Certificate from the MIS Training Institute.

Assistant Director

Nancy L. Burgart, CFE, CISA
Nancy re-joined the Internal Audit Division in October 2010 after working as an IT Compliance Auditor in the NC Office of the State Chief Information Officer. Nancy began her career at NC State in August 1994 and worked in various departments across campus, including Telecommunications, NCSU Libraries, and Internal Audit. Nancy has a Bachelor of Science in Accounting from East Carolina University. She is a Certified Information Systems Auditor (CISA) and a Certified Fraud Examiner (CFE).

Staff

Neil Holloway, MBA, CFE, CGFM, PMP
Neil joined the Internal Audit Division in February 2015. Previously, he worked as a financial management consultant for IBM and an auditor for the U.S. Department of Defense, Office of the Inspector General. Neil earned his Bachelor of Science in Accounting from Juniata College in 2007. He earned his Master of Business Administration (MBA) from NC State in 2017. He is a Project Management Professional (PMP), a Certified Government Financial Manager (CGFM), and a Certified Fraud Examiner (CFE).

Frank J, Dziepak, CIA, CFE
Frank joined the Internal Audit Division on April 2016. He has experience both in the public and private sector beginning his career in health care audit and then as a Reimbursement Manager for a national healthcare provider in Atlanta. After relocating to North Carolina, he worked for the NC Department of Justice as a Medicare Fraud Investigator, the NC Office of the State Auditor as an Investigation Supervisor as well as the Department of Health and Human Services as the Special Investigations Manager. Frank has a Bachelor of Business Administration degree in Accounting from the University of Georgia. He is a Certified Internal Auditor (CIA) and a Certified Fraud Examiner (CFE).

M'Shiela R. Hawthorne, CFE
M'Shiela joined the Internal Audit Division in December 2014. She has over 20 years of accounting experience in various industries including the military. M'Shiela has a Bachelor of Science Degree in Accounting with a concentration in Internal Audit from NC State University. She is a Certified Fraud Examiner (CFE). M'Shiela is in pursuit of a Certified Internal Auditor (CIA) certification.
Sandra J. Soto, CFE
Sandra joined the Internal Audit Division in December 2017. She has over 20 years of accounting experience in various industries. Sandra graduated with honors and has a Bachelor of Science Degree in Accounting with a concentration in Internal Audit from NC State University. She is currently enrolled in the MBA program at NC State. Sandra is a Certified Fraud Examiner (CFE). She is also trilingual, speaking English, Spanish and French.

Denise W. Hall
Denise joined the Internal Audit Division in September 2012. Prior, she worked for the Office of General Counsel on the NC State campus as an Administrative Assistant. Denise is a Certified Paralegal and a graduate of the NC State Equal Opportunity Institute.
<table>
<thead>
<tr>
<th>Entity Description</th>
<th>Total Net Assets June 30, 2017</th>
<th>Un合格审计意见</th>
<th>管理层审核信</th>
<th>签订经营协议</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENT ENTITY:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NC State Investment Fund, Inc.</td>
<td>$1,059,431</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>FUNDRAISING ENTITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The North Carolina Agricultural Foundation, Inc.</td>
<td>161,599</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State Engineering Foundation, Inc.</td>
<td>113,037</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>North Carolina State University Foundation, Inc.</td>
<td>382,788</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State Executive Education, LLC (a, b, c)</td>
<td>(156)</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
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<tr>
<td>North Carolina Tobacco Foundation, Inc.</td>
<td>9,757</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State Natural Resources Foundation, Inc.</td>
<td>34,930</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>North Carolina Veterinary Medical Foundation, Inc.</td>
<td>75,982</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>North Carolina State University College of Sciences Foundation, Inc.</td>
<td>23,207</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State University Alumni Association, Inc.</td>
<td>37,834</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State University Student Aid Association, Inc.</td>
<td>81,136</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Wolfpack Club Student Housing Foundation, LLC (a, f)</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>North Carolina Textile Foundation, Inc.</td>
<td>45,429</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>SOCIAL CLUB ENTITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Carolina State University Club (d)</td>
<td>6,672</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>The NC State Alumni Club, Inc.(d)</td>
<td>176</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>OTHER ENTITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NC State University Partnership Corporation</td>
<td>66</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Leaders in Innovation and Nonwovens Commercialization, LLC (a, e)</td>
<td>5,637</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State University Centennial Development, LLC (a, e)</td>
<td>17,283</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State Upfit, LLC (a, e)</td>
<td>2</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>Bell Tower Holdings LLC (a, e)</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State CBC Land I, LLC (a, e)</td>
<td>12</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>NC State CC Holdings I, LLC (a, e)</td>
<td>56</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>Wolfpack Investor Network, LLC (a, e)</td>
<td>3</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(a) LLC's are wholly owned by aforementioned entity
(b) Net Assets also included in NCSU Fdn Total Net Assets
(c) Operating Agreement is between LLC and NC State University Foundation
(d) December 31 year end; numbers are as of December 31, 2016
(e) Operating Agreement is between LLC and NC State University Partnership Corporation
(f) Entity dissolved on 2/28/2017

N/A - Not applicable
University Debt Update

North Carolina State University
Audit, Risk Management and Finance Committee
April 19, 2018

Lori Johnson
Senior Director
Strategic Debt and Financial Management
Debt Outstanding
10 year history
Debt Outstanding by Type
June 30, 2018

FY2017 Cost of Funds = 3.68%
Debt Outstanding by Purpose
June 30, 2018

- Athletics
- Campus Recreation
- Centennial Campus
- Dining
- Energy Savings
- Housing
- Reynolds
- Student Health
- Talley Student Union
- Terry Hospital
- Thompson Theater
- Transportation
- Other
# Upcoming Borrowing

*(Estimates as of March, 2018)*

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost (millions)</th>
<th>Debt (millions)</th>
<th>Date</th>
<th>Source of Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carmichael Renovation</td>
<td>$45</td>
<td>$38</td>
<td>2019 or 2020</td>
<td>Student Fees</td>
</tr>
<tr>
<td>Engineering Oval</td>
<td>$154</td>
<td>$20-40*</td>
<td>2019 or 2020</td>
<td>Gifts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$17</td>
<td></td>
<td>Energy Savings</td>
</tr>
<tr>
<td>Plant Sciences</td>
<td>$160</td>
<td>$16-18*</td>
<td>2019 or 2020</td>
<td>Gifts</td>
</tr>
</tbody>
</table>

Commercial Paper is used during the design and construction phase to reduce borrowing costs. It is anticipated that we will borrow permanently in 2019 or 2020 for these projects depending on pledge receipts and construction cash needs.

* Amount dependent on timing and amount of pledge receipts
Tax Cuts and Jobs Act of 2017

- **Final Bond Provisions**
  - Eliminated advance refunding
  - Corporate tax rate reduced to 21%
  - Corporate AMT eliminated

- **Early Impact**
  - Deal volume is down, too early to tell if corporate investor interest will change
  - Margin rate factor adjustment increased interest rate on series 2015
    - \( \frac{1-21\%}{1-35\%} = 1.21538\% \) (22% increase in rate)
Tax Cuts and Jobs Act of 2017

- Options going forward
  - Renegotiate rate on 2015 privately placed debt
  - Refund 2015 series
  - Use shorter no-call periods when issuing fixed
  - Issue more variable rate debt instead of fixed
  - Issue shorter termed bonds
  - Issue taxable debt
Private Use and the State of North Carolina

• Beginning with the NC Connect Bond series
  – No private use in that portion of building funded with State of NC tax-exempt debt
  – Agreement required prior to disbursement of funds
  – Annual report required detailing all private use

• Private use can arise from:
  – Leases, naming rights, research agreements, management contracts, other “beneficial use” agreements
  – Governmental bonds have a 10% private use limit
North Carolina State University at Raleigh, North Carolina; CP; Public Coll/Univ - Unlimited Student Fees

Primary Credit Analyst:
Jessica A Matsumori, San Francisco (1) 415-371-5083; jessica.matsumori@spglobal.com

Secondary Contact:
Phillip A Pena, San Francisco (415) 371-5039; phillip.pena@spglobal.com

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Rationale
Outlook
Enterprise Profile
Financial Profile
North Carolina State University at Raleigh, North Carolina; CP; Public Coll/Univ - Unlimited Student Fees

Credit Profile

<table>
<thead>
<tr>
<th>North Carolina St Univ at Raleigh ICR</th>
<th>AA/Stable</th>
<th>Affirmed</th>
</tr>
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</table>

The Brd of Governors of the Univ of North Carolina, North Carolina
North Carolina St Univ at Raleigh, North Carolina

University of North Carolina Brd of Governors (North Carolina St Univ at Raleigh) var rate gen rev bnds ser 2003B

<table>
<thead>
<tr>
<th>Long Term Rating</th>
<th>AA/A-1+ /Stable</th>
<th>Affirmed</th>
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</table>


<table>
<thead>
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<th>Long Term Rating</th>
<th>AA/Stable</th>
<th>Affirmed</th>
</tr>
</thead>
</table>

Univ of North Carolina Brd of Governors (North Carolina St Univ at Raleigh) (CP)

<table>
<thead>
<tr>
<th>Short Term Rating</th>
<th>A-1+</th>
<th>Affirmed</th>
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</thead>
</table>

Rationale

S&P Global Ratings affirmed its 'AA' long-term rating and underlying rating (SPUR) on North Carolina State University at Raleigh's (NC State) existing revenue bonds. In addition, we affirmed our 'A-1+' short-term rating on the university's outstanding commercial paper (CP) notes. The outlook, where applicable, is stable.

We assessed NC State's enterprise profile as very strong, characterized by solid demand metrics, excellent retention, good student quality, and a capable management team. We assessed the university's financial profile as very strong, characterized by robust financial performance and good financial policies offsetting a moderately high debt load and modest financial resources for the rating. Combined, we believe these credit factors lead to an indicative stand-alone credit profile of 'aa' and a long-term rating of 'AA'. The short-term rating is based on the ample liquidity provided by UNC-Chapel Hill to pay the purchase price of CP notes if they are not remarketed.

More specifically, the ratings are supported by our view of the university's:

- Role as North Carolina's land-grant university and one of two comprehensive research institutions in the 17-campus University of North Carolina (UNC) System;
- Stable enrollment, coupled with highly competitive admissions at both the undergraduate and graduate levels;
- Good financial management, as evidenced by past solid operating performances; and
- Historically healthy funding for operations and capital from North Carolina.

In our opinion, partly offsetting credit factors include the university's:

- Low financial resources for the rating category, with adjusted unrestricted net assets (UNA) of $368.4 million as of
June 30, 2017, accounting for 22% of adjusted operating expenses and 64% of total debt; and
• Growing endowment of $1.12 billion, as of fiscal year-end 2017, most of which is restricted.

The university's outstanding general revenue bonds are payable from, and secured by, available funds of the university. The available funds pledge includes a broad range of university funds, which we consider to be equivalent to the university's unlimited student fee pledge.

North Carolina State University at Raleigh was established in 1887 as a land-grant institution by the North Carolina General Assembly. Today, it is a comprehensive research university organized into 10 schools and colleges spread across the 2,100-acre campus. The university offers programs in agriculture and life sciences, design, education, engineering, humanities and social sciences, management, natural resources, sciences, textiles, and veterinary medicine and is currently the largest four-year institution in the UNC System.

Outlook

The stable outlook reflects our expectation that, during the next two years, the university's financial performance and demand for programs will remain healthy, and financial resources will remain slightly below average for the rating category.

Downside scenario
We could consider a negative outlook if financial resources ratios were to decline significantly relative to current levels, based on the university's capital plans that it expects to fund with additional debt, or if there was a trend of weakened operating results.

Upside scenario
A higher rating would require a significant increase in financial resource ratios levels and continuation of solidly positive operating performance, coupled with the maintenance of stabilized state appropriations.

Enterprise Profile

Industry risk
Industry risk addresses the higher education sector's overall cyclical and competitive risk and growth by applying various stress scenarios and evaluating barriers to entry, levels and trends of profitability, substitution risk, and growth trends observed in the industry. We believe the higher education sector represents a low credit risk when compared with other industries and sectors.

Economic fundamentals
In our view, the university's geographic diversity is limited by the board of governors' policy requiring an 18% cap on non-residents at the undergraduate level. As such, our assessment of NC State's economic fundamentals is anchored by the state of North Carolina's gross domestic product (GDP) per capita.
Market position and demand
NC State is the largest university in the UNC System with approximately 34,400 students enrolled. Enrollment has been relatively flat over the past six years, and for the fall 2017 semester, total headcount was 34,432, a 1.4% increase from the previous year. Graduate enrollment has become a somewhat larger portion of enrollment in recent years and accounted for 30% of total students for fall 2017, up from 27% in fall 2010. Management anticipates enrollment will remain stable for the near future, though the graduate student population may continue to grow.

First-year applications totaled 26,733 in fall 2017, a 2.2% increase from the previous year. In fall 2016, the university adopted the common app, when applications increased by nearly 25%. The university's selectivity ratio in fall 2017 was 50.8%, compared with 47.0% and 49.8% for fall 2016 and fall 2015, respectively. A solid 34.8% matriculated for fall 2017, about as many as in fall 2016. Management reports that out-of-state applicants have increased, although the Board of Governors policy dictates that they represent less than 18% of the first-year class. Student quality, as measured by standardized test scores, is above average, with SAT scores of 1,302 for fall 2017. First-year retention rates are also excellent at approximately 94%, and graduation rates remain well above the public university national average. For the 2017-2018 academic year, undergraduate tuition and fees for state residents is $9,058 and for out-of-state students is $27,406, which we consider modes compared to peers. Next year, tuition will be frozen for those resident undergraduate students staying a contiguous eight semesters.

Graduate admissions are also highly competitive. For fall 2017, the university received 15,049 applications for admission and selected a low 25.9% of those applicants. Fall 2017 was the first year that a residency requirement for first-year students was instituted, with 98% occupancy for University Housing.

A major strategic initiative at the university is fundraising. The alumni participation rate remains low at around and 12%. The university completed a successful capital campaign in 2008, under which it raised $1.37 billion. We understand it launched the public phase of its "Think And Do the Extraordinary" capital campaign in October 2016. The goal of the campaign is $1.6 billion, with funds geared toward the university endowment, programs and professorships, and scholarships. The campaign is expected to conclude in December 2021 and management reports $1.16 billion in pledges have been received to date.

Management
The NC State Board of Trustees comprises 13 members--eight of whom are elected by the UNC Board of Governors, four of whom are appointed by the governor, and one who is the president of the student government (ex-officio). The board's purpose is to advise on matters pertaining to the university and to serve as advisers to the chancellor. Certain responsibilities of the board involve approvals as delegated by the UNC Board of Governors.

We view positively the continued progress on the strategic plan, which improves efficiencies and reallocates resources at both the academic and operational level. In addition, we view positively management's conservative budgeting practices. Recent changes in management include new deans, but executive management is stable. Given the strength of the current management team and strong policies and plan already in place, we expect a smooth transition.

Research
NC State's campus includes a central campus; the Biomedical Centennial Campus; and Centennial Campus, a 1,334-acre research and technology-transfer park that includes corporate and government research, as well as
development centers and business incubators. The university, along with the UNC-Chapel Hill and Duke University, constitute the backbone of the Research Triangle. Research Triangle is a world-leading research development park, which we believe provides long-term stability to the university's role. In our opinion, the university conducts a high level of research for an institution without a medical school. For fiscal 2017, 19% of revenues were generated from grants and contracts, the largest contributor of which is the National Science Foundation. The university's indirect cost recovery rate is 52%.

**Financial Profile**

**Financial management polices**
The university has formal policies for endowment, investments, and debt. It operates according to a 10-year strategic plan and has an unwritten reserve liquidity policy. The university meets standard annual disclosure requirements. The financial policies assessment reflects our opinion that, while there may be some areas of risk, the organization's overall financial policies are not likely to weaken its future ability to pay debt service. Our analysis of financial policies includes a review of the organization's financial reporting and disclosure, investment allocation and liquidity, debt profile, contingent liabilities, and legal structure and a comparison of these policies to comparable providers.

**Financial performance**
Operations have historically been robust with positive operations on a full-accrual basis being another key credit factor. The trend of positive operations continued in fiscal 2017 with a 2.9% adjusted net operating margin, which is comparable to prior years. Total net assets for fiscal 2016 were $2.05 billion. Expense cuts, as well as increased tuition revenue resulted in surplus operations on a Generally Accepted Accounting Principle (GAAP) basis in fiscal years 2010 through 2016. Adjusted net income before capital appropriations and additions to endowment totaled $46.2 million in fiscal 2017. Management has shared that operations are expected to continue to produce a healthy surplus, though margins may be thinner than prior years due to growth in instructional expenses. Management anticipates its future performance will modestly improve over time but that it will generally be in line with fiscal 2017 results.

State appropriations continue to grow and were $506 million in fiscal 2017 with $512.0 million anticipated for fiscal 2018. Capital appropriations have historically been modest and were $6.1 million in fiscal 2017 and are expected to be $9.0 million in fiscal 2018.

**Available resources**
The university's financial resources have been improving but remain low for the rating category, in our opinion. Adjusted UNA totaled $368.4 million as of June 30, 2017, equal to just 21.9% of adjusted operating expenses and 64.3% of total debt.

Total market value for the NC State associated entities and the university endowment fund was $1.12 billion as of fiscal year-end 2017. Management attributes the increase in 2017 to successful fundraising as part of its capital campaign as well as solid investment returns of 12.07% for the year. The majority of the university's endowments are pooled into the North Carolina State Investment Fund (NCSIF). About 90% of these funds are managed by the UNC Management Co. Inc. Annual distributions are about 5% of the average market value of the endowment during the previous 20 quarters. NC State has sufficient liquidity as part of its long-term investment portfolio, in our view.
Operating funds are generally invested in the state treasurer's investment fund, which provides same-day funds, and to a lesser degree, in NC State investment Fund's Intermediate Term Fund.

**Debt and contingent liabilities**

As of fiscal year-end 2017, the university has approximately $573.1 million in total debt outstanding. Of the $573.1 million, $448.1 million are revenue bonds secured by a pledge of available funds. We view the self-supporting nature of the general revenue bonds and internal policy of 1.2x debt service coverage (per project) as positive and believe they help mitigate some of the risk associated with the large overall debt level. A majority of the university's debt is fixed rate with about $103.0 million in variable-rate debt, a portion of which is synthetically fixed.

The university's series 2003B bonds are variable rate demand bonds supported by a standby bond purchase agreement with Wells Fargo Bank (not rated by S&P Global Ratings) that expires in 2020. The series 2008A were refunded in November 2015 and the university entered into a direct-placement loan with BB&T Bank (monthly rate). Additionally, the university entered into a $50 million direct-placement loan with PNC in 2017. We have reviewed the terms of the loans and view them as on parity with general revenue bonds, which means there are no additional rate covenants, immediate acceleration, or cross-defaults as is stipulated in the general trust indenture. The university has an adopted debt and swap management policy, and it actively manages the swap portfolio internally. Involuntary termination risk for the university is remote, in our view, due to the very broad ratings trigger spread between its current rating and the event of default. The university does not plan to issue any further debt until 2019 or 2020, when they may issue up to $115 million.

**Table 1**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount</td>
<td>34,432</td>
<td>33,956</td>
<td>34,015</td>
<td>33,989</td>
<td>34,009</td>
<td>MNR</td>
</tr>
<tr>
<td>Full-time equivalent</td>
<td>30,954</td>
<td>30,329</td>
<td>29,874</td>
<td>29,937</td>
<td>29,864</td>
<td>32,506</td>
</tr>
<tr>
<td>Freshman acceptance rate (%)</td>
<td>50.80</td>
<td>47.00</td>
<td>49.80</td>
<td>51.40</td>
<td>46.90</td>
<td>69.30</td>
</tr>
<tr>
<td>Freshman matriculation rate (%)</td>
<td>34.80</td>
<td>34.40</td>
<td>40.30</td>
<td>41.90</td>
<td>41.10</td>
<td>MNR</td>
</tr>
<tr>
<td>Undergraduates as a % of total enrollment (%)</td>
<td>70.10</td>
<td>66.10</td>
<td>66.00</td>
<td>67.40</td>
<td>68.00</td>
<td>77.70</td>
</tr>
<tr>
<td>Freshman retention (%)</td>
<td>N.A.</td>
<td>93.80</td>
<td>93.70</td>
<td>93.00</td>
<td>92.60</td>
<td>86.00</td>
</tr>
<tr>
<td>Graduation rates (six years) (%)</td>
<td>N.A.</td>
<td>76.00</td>
<td>76.00</td>
<td>N.A.</td>
<td>N.A.</td>
<td>MNR</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income statement</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating revenue ($000s)</td>
<td>N.A.</td>
<td>1,553,792</td>
<td>1,559,235</td>
<td>1,508,039</td>
<td>1,449,841</td>
<td>MNR</td>
</tr>
<tr>
<td>Adjusted operating expense ($000s)</td>
<td>N.A.</td>
<td>1,507,568</td>
<td>1,530,726</td>
<td>1,452,024</td>
<td>1,375,947</td>
<td>MNR</td>
</tr>
<tr>
<td>Net adjusted operating income ($000s)</td>
<td>N.A.</td>
<td>46,224</td>
<td>28,509</td>
<td>56,015</td>
<td>73,894</td>
<td>MNR</td>
</tr>
<tr>
<td>Net adjusted operating margin (%)</td>
<td>N.A.</td>
<td>3.07</td>
<td>1.86</td>
<td>3.86</td>
<td>5.37</td>
<td>1.46</td>
</tr>
<tr>
<td>Estimated operating gain/loss before depreciation ($000s)</td>
<td>N.A.</td>
<td>141,867</td>
<td>117,230</td>
<td>138,094</td>
<td>151,760</td>
<td>MNR</td>
</tr>
<tr>
<td>Change in unrestricted net assets (UNA; $000s)</td>
<td>N.A.</td>
<td>(3,984)</td>
<td>23,327</td>
<td>(39,135)</td>
<td>25,439</td>
<td>MNR</td>
</tr>
</tbody>
</table>
### Table 1

| North Carolina State University at Raleigh*: Enterprise And Financial Statistics (cont.) |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| State operating appropriations ($000s) | N.A. | 506,419 | 502,534 | 481,548 | 473,005 | MNR |
| State appropriations to revenue (%) | N.A. | 32.60 | 32.20 | 31.90 | 32.60 | 19.40 |
| Student dependence (%) | N.A. | 19.80 | 24.60 | 23.90 | 23.10 | 41.80 |
| Research dependence (%) | N.A. | 18.60 | 17.90 | 17.80 | 17.10 | MNR |
| Endowment and investment income dependence (%) | N.A. | 2.30 | 0.60 | 1.30 | 1.80 | 0.80 |

**Debt**

| Outstanding debt ($000s) | N.A. | 573,146 | 574,449 | 561,961 | 579,658 | 698,540 |
| Current debt service burden (%) | N.A. | 2.51 | 1.93 | 2.03 | 2.47 | MNR |
| Current MADS burden (%) | N.A. | 2.97 | 2.70 | 2.84 | 3.00 | 3.60 |

**Financial resource ratios**

| Endowment market value ($000s) | N.A. | 1,122,900 | 998,600 | 984,000 | 885,100 | 748,837 |
| Related foundation market value ($000s) | N.A. | 625,523 | 569,822 | 576,686 | 547,585 | 606,279 |
| Cash and investments ($000s) | N.A. | 611,322 | 594,841 | 446,080 | 723,537 | MNR |
| UNA ($000s) | N.A. | 236,449 | 240,433 | 217,106 | 256,241 | MNR |
| Adjusted UNA ($000s) | N.A. | 351,171 | 346,854 | 348,529 | 299,799 | MNR |
| Cash and investments to operations (%) | N.A. | 40.60 | 38.90 | 30.70 | 52.60 | 54.70 |
| Cash and investments to debt (%) | N.A. | 106.70 | 103.50 | 79.40 | 124.80 | 159.60 |
| Adjusted UNA to operations (%) | N.A. | 23.30 | 22.70 | 24.00 | 21.80 | 31.90 |
| Adjusted UNA plus debt service reserve to debt (%) | N.A. | 64.30 | 63.00 | 65.40 | 54.70 | 89.70 |
| Average age of plant (years) | N.A. | N.A. | 10.30 | 10.30 | 10.10 | 12.90 |
| OPEB liability to total liabilities (%) | N.A. | N.A. | N.A. | N.A. | N.A. | MNR |

N.A.—Not available. MNR—Median not reported. MADS—Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense.

**Ratings Detail (As Of January 24, 2018)**

North Carolina State University at Raleigh

*Long Term Rating* AA/Stable Affirmed
MARTKET COMMENTARY

Calendar 2017 closed on a high note, as most major equity and fixed income indices posted positive gains with record low volatility for the year. Equity markets experienced a particularly strong quarter, after the passage of significant tax reform in the U.S. Year-over-year GDP growth in the U.S. also reached 3.2%, its highest level since Q1 2015 and unemployment finished the year near an all-time low of 4.1%. With strong corporate earnings growth and near-target inflation readings, the Federal Reserve Bank continued to execute its tightening plan, increasing the Fed Funds rate by 0.25% in December to a range of 1.25%-1.5%.

The Eurozone as well appeared to continue on its path of economic recovery, with GDP increasing by 0.6% and unemployment falling to its lowest point since January 2009 (8.6%). The European Central Bank detailed its plan to reduce its pace of bond purchases from €60 billion/month to €30 billion/month, while extending quantitative easing through at least September 2018. In the UK, the economy continued to show evidence of recovery and the Bank of England raised interest rates for the first time since November 2007.

Domestic equities moved higher in Q4 2017, with the S&P 500 returning 6.6%. Small-cap stocks, as measured by the Russell 2000 Index, lagged modestly, netting a 3.3% gain. For the one-year period ended December 31, 2017 the S&P 500, Russell Mid-Cap, and Russell 2000 indices returned 21.8%, 18.5%, and 14.7% respectively.

International equities, as measured by the MSCI EAFE Free Index, produced a return of 4.2% during the quarter, resulting in a one-year gain of 25.0%. International markets were boosted by numerous tailwinds including low unemployment, accommodative central bank policy, and strong corporate earnings. Japanese equities produced some of the strongest returns during the quarter, gaining 8.7%. Japanese markets benefited from the expectation of continued monetary and fiscal stimulus policies following the results of the country’s snap elections held in October.

Emerging markets (EM), as measured by the MSCI Emerging Markets Index, posted another strong quarter, returning more than 7.5%. The index returned 37.8% during Calendar 2017, aided by a weaker U.S. dollar (largest annual decline since 2007), a relatively benign political climate and a sustained rebound in commodity prices.

Fourth quarter 2017 saw the U.S. yield curve continue to flatten, with 3-month yields increasing by 33bps while 30-year treasury yields fell by 12bps, closing the year at 1.39% and 2.74%, respectively. As a result, longer dated U.S. treasuries performed well during the period, gaining 2.6%. Long U.S. corporate bonds, as measured by the Bloomberg Barclays U.S. Long Corporate Index, were the strongest fixed income performers during the quarter, gaining 3.3%.

Going forward, geopolitical uncertainty continues to dominate headlines, although the effects of a potential conflict are difficult to predict, particularly on equity and fixed income price movement. Both fundamental valuations (in public and private markets) and investor confidence remain near all-time highs. Although we are more than nine years into this economic expansion (the third longest in history), there are no immediate inflection points that point to a near-term recession. The path of least resistance in the near term continues to be up. Nonetheless, given stretched valuations in equity markets and tight spreads in fixed income markets, any shock to the system could result in a correction.

PERFORMANCE

<table>
<thead>
<tr>
<th>Date</th>
<th>Market Value</th>
<th>Participants</th>
<th>Market Value</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2017</td>
<td>$962,911,212</td>
<td>9</td>
<td>$962,911,212</td>
<td>9</td>
</tr>
</tbody>
</table>

Note 1: Policy Index= NCSIF’s Strategic Investment Policy Portfolio Index (SIPP). For the Note 2: Global Index= 70% ACWI; 30% Barclays Aggregate
Note 3: BNY Mellon Endowment & Foundation Universe Median Return—166 portfolios are represented for the one-year period ended December 31, 2017

FUND PERFORMANCE

The NCSIF (Fund) is a large, diversified investment pool with a long-term perspective. At December 31, 2017 the $963 million market value pool was invested with several managers in a wide variety of asset classes. The largest manager for the Fund, UNCMC, managed 87.9% of the Fund’s assets and the UNC Investment Fund (UNCF) produced a 3.5% three-month return and an 13.1% 12-month return for the period ended December 31, 2017. The NCSIF employs three additional private equity managers, who oversee 1.9% of the portfolio. This portion of the Fund produced a strong three-month and 12-month return of 2.7% and 15.0%, respectively, for the period ended December 31, 2017. The remainder of the pool, the Fund’s Liquid Policy Portfolio (LPP), managed by Blackrock, was another 8.8% of the portfolio. This investment returned 4.1% for the three months and 15.9% for the 12 months ended December 31, 2017. The remaining 1.4% of the portfolio is invested in cash with the State Treasurer’s Short-Term Investment Fund (STIF).

RISK METRICS

<table>
<thead>
<tr>
<th>3 Year Period</th>
<th>Fund</th>
<th>UNCF</th>
<th>Policy Index</th>
<th>MSCI ACWI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualized Return</td>
<td>7.6%</td>
<td>7.5%</td>
<td>6.5%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Annualized Volatility</td>
<td>4.5%</td>
<td>4.6%</td>
<td>4.1%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Annual Sharpe Ratio (1)</td>
<td>1.69</td>
<td>1.63</td>
<td>1.59</td>
<td>0.89</td>
</tr>
<tr>
<td>Correlation to Global Index</td>
<td>0.87</td>
<td>0.85</td>
<td>0.94</td>
<td>0.99</td>
</tr>
<tr>
<td>Max Drawdown</td>
<td>-6.3%</td>
<td>-6.8%</td>
<td>-5.0%</td>
<td>-13.4%</td>
</tr>
</tbody>
</table>

Note 1: Sharpe Ratio: Excess return per unit of risk

This report is based on information available at the time of distribution. The information comprising this report has not been audited and is subject to change.

Second Quarter Fiscal Year 2018
**INVESTMENT STRATEGY**

The Fund is managed as a broadly diversified portfolio with exposure to seven primary asset classes and many sub-strategies within each asset class. The Fund seeks to diversify exposure to the sub-strategies through the use of multiple investment managers that utilize a variety of investment approaches. The purpose of diversification is to provide reasonable assurance that no single security, class of securities, or investment manager has a disproportionate impact on the Fund’s aggregate results. At times, the Fund invests in passive strategies. In working toward the Fund’s investment strategy, through UNCMC, the Fund invests in a number of niche managers that can employ different types of hedging strategies such as short-selling and derivative investing to help reduce the volatility of the Fund. The focus on controlling volatility preserves capital and benefits Fund participants through the power of compounding.

**ASSET ALLOCATION**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Biased Equity</td>
<td>5.7%</td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>5.5%</td>
</tr>
<tr>
<td>Diversifying</td>
<td>18.7%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>12.4%</td>
</tr>
<tr>
<td>Cash</td>
<td>6.8%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>14.5%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>14.5%</td>
</tr>
<tr>
<td>Energy &amp; Natural Resources</td>
<td>14.5%</td>
</tr>
</tbody>
</table>

**ALLOCATION BY MANAGER**

<table>
<thead>
<tr>
<th>Manager</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>87.9%</td>
</tr>
<tr>
<td>STIF-NCSIF</td>
<td>0.9%</td>
</tr>
<tr>
<td>SEI Private Equity</td>
<td>0.8%</td>
</tr>
<tr>
<td>Blackrock LPP</td>
<td>0.2%</td>
</tr>
<tr>
<td>JPMorgan Private Equity</td>
<td>1.9%</td>
</tr>
<tr>
<td>UNCMC</td>
<td>1.4%</td>
</tr>
<tr>
<td>UNCIF</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

**UNC MANAGEMENT CO.**

The UNCMC was established on January 1, 2003 as an exempt 501 (c)(3) organization. It is a professionally-staffed asset management company created to provide investment services to the University of North Carolina at Chapel Hill and its affiliated entities, to the constituent institutions of the UNC system and system affiliated foundations, associations, trusts, and endowments. With nearly 40 employees, UNCMC has two teams, Investment Management and Operations. The Investment Management team manages all public and private investments of the UNCF. Their responsibilities include evaluating and monitoring investment managers, recommending changes to investment objectives and asset allocation, monitoring risk, and implementing investment decisions approved by Chapel Hill Investment Fund’s (CHIF) Executive Committee. The Operations Team performs all administrative, legal, compliance, accounting, and performance reporting duties.

**HISTORY OF THE FUND**

The NC State Investment Fund, Inc., (Fund) was established in April 1999 to combine NC State University's and its affiliated entities’ endowments in an external pooled investment vehicle. The goal of the investment program for the Fund is to provide a real total return from assets invested that will preserve the purchasing power of Fund capital, while generating an income stream to support the spending needs of the University. Effective July 2008, the Fund partnered with UNC Management Company (UNCMC) to invest in the UNC Investment Fund (UNCIF), with the remaining investments committed to a Liquid Policy Portfolio (LPP) of Exchange Traded Funds (ETF’s), and to 3 private equity managers which includes an allocation for cash to fund capital calls. The transition of assets to UNCMC was completed December 2009.

*This report is based on information available at the time of distribution. The information comprising this report has not been audited and is subject to change.*

Second Quarter Fiscal Year 2018
**FUND HISTORY AND PHILOSOPHY**

As a pooled fund for the collective investment of operating funds, the NC State Intermediate Term Fund (ITF) consists of Participants’ excess cash balances, which are defined as funds not needed for normal operating purposes. Generally, the ITF will not include operating funds needed within the next year, endowed funds or those funds that are specifically excluded by law or contractual agreement.

The decision to invest funds takes into account various factors including duration, credit, concentration, and manager risk, along with total return, suitability, and the experiences, quality and capability of external managers.

The primary investment objectives of the ITF are: 1) Preservation and safety of principal; 2) Liquidity; and 3) Maximization of returns within acceptable levels of risk. Because of current concerns about potential changes in monetary policy and rising interest rates, duration is limited. The investment policy calls for an average weighted maturity between one and five years, with an overall credit rating in general of A+/A as rated by a nationally-recognized rating agency. However, for any mutual funds selected by the ITF, their respective approved investment policy guidelines supersede those of the ITF.

The ITF was established on July 3, 2014 with an initial investment of $122 million. Additional investments were made during FY 2015 & FY 2017, bringing the total invested to $193.83 million. The ITF can be compared with the State Treasurer's Short-Term Investment Fund (STIF) on both a total return and on an SEC yield basis. In order to provide a buffer for changes in the NAV of the different investments, some of the excess earnings are being used to create a loss reserve. FMV fluctuates on a day-to-day basis.

BlackRock’s SIO was liquidated from the fund on June 30, 2016. Proceeds were invested in Vanguard's Short Term Fund and DoubleLine's Total Return Fund on July 1, 2016. Additionally, a small position with PIMCO Income was initiated on November 2, 2016. The ITF's position in JP Morgan was liquidated on September 27, 2017 and PIMCO Low Duration was liquidated on October 2, 2017. The proceeds from these liquidations were reinvested into Vanguard's Short Term Fund and PIMCO Income, bringing the total cost basis to $190.4 million.

**PERFORMANCE**

<table>
<thead>
<tr>
<th>Market Value</th>
<th>$188,564,096</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Performance</th>
<th>QTD</th>
<th>FYTD</th>
<th>1 Year</th>
<th>3 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITF Fund</td>
<td>0.3%</td>
<td>1.0%</td>
<td>2.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Barclays 1-3 yr Treasury</td>
<td>-0.3%</td>
<td>1.0%</td>
<td>0.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Barclays Universal 1-5 yr</td>
<td>-0.2%</td>
<td>0.4%</td>
<td>1.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td>DoubleLine</td>
<td>0.2%</td>
<td>1.3%</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>PIMCO Income</td>
<td>1.1%</td>
<td>3.2%</td>
<td>8.6%</td>
<td></td>
</tr>
<tr>
<td>Vanguard Short Term</td>
<td>0.0%</td>
<td>0.6%</td>
<td>2.2%</td>
<td>2.0%</td>
</tr>
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</table>

**STATISTICS**

<table>
<thead>
<tr>
<th>Index (1)</th>
<th>Volatility</th>
<th>Sharpe Ratio</th>
<th>SEC Yield</th>
<th>Effective Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>1.1%</td>
<td>1.4</td>
<td>3.0%</td>
<td>2.7</td>
</tr>
</tbody>
</table>

| FYTD Net Interest & Dividends** | $2,384,245 |
| Net Interest & Dividends Since Inception** | $14,463,093 |

**SECTOR ALLOCATION**

ITF: 30%
- Gov Related: 10%
- Sec Assets: 20%
- IG Credit: 5%
- Cash: 0%
- Municipals: 0%
- Foreign: 0%

iShares Core 1-5 Year USD Bond ETF: 60%

**MANAGERS**

JP Morgan’s Short Term Fund is based on bottom-up fundamental analysis, while retaining a high quality bias.

Vanguard’s Short Term Fund has a low tracking error and is a low cost portfolio option consisting primarily of investment grade corporates.

PIMCO’s Income Fund is a portfolio of a broad range of intermediate-duration bonds that is actively managed to maximize current income while maintaining a relatively low risk profile.

DoubleLine’s Total Return Fund seeks to maximize total return by exploiting inefficiencies within the subsectors of the mortgage market while maintaining active risk management constraints.

**MANAGER ALLOCATION**

PIMCO Income, 25%
DoubleLine, 15%
Vanguard Short Term, 60%

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