

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overall the Statement of Revenues, Expenses, and Changes in Net Assets provides information relative to the University's management of its operations and its ability to maintain its financial strength.

The Statement of Cash Flows provides information relative to the University's sources and uses of cash funds for operating activities, noncapital financing activities, capital financing activities, and investing activities. This statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of activity reported on the Statement of Revenues, Expenses, and Changes in Net Assets as adjusted for changes in beginning and ending balances of noncash accounts on the Statement of Net Assets.

The Financial Statement Note Disclosures provide information relative to the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed information on long-term liabilities, detailed information on accounts receivable, accounts payable, revenues and expenses, required information on pension plans and other post employment benefits, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the University's financial statement period. Overall, the Financial Statement Note Disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the Financial Statements.

Analysis of Financial Position and Results of Operations

The University's financial position remains strong with net assets of \$667,426,000, an increase of \$7,924,000. The strength of the University's financial position is attributed to factors including enrollment growth, significant improvements to campus facilities, a strong research program, the evolution of Centennial Campus, advancements provided through the University's endowments and its affiliated foundations, and appropriated funds from the State of North Carolina.

During the fiscal year 2001-02, student enrollment increased from 23,586 FTE (full time equivalent) to 24,339 FTE. The average SAT score for incoming freshmen for the same period was 1175 and the average High School GPA was 3.91. Centennial campus plans continued to evolve with the ground breaking for relocation of the College of Engineering, Phase I on October 25, 2001. Capital improvements to buildings totaled \$28,266,000 with commitments of \$38,230,000 outstanding at June 30th. Research grants totaled 5,522 in number and \$140,607,000 in amount. Endowment gifts received by the University during the period were \$4,254,000 and support received by the University from its affiliated foundations was \$25,427,000.

State funding for operations decreased from \$352,462,000 to \$328,187,000. However, the tuition rates were increased 13% and enrollment was up 2%, which helped offset the decrease in State funding.