

**UNIVERSITY OF THE DISTRICT OF  
COLUMBIA**

**FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(WITH REPORT OF INDEPENDENT PUBLIC  
ACCOUNTANTS)**



**OIG**

**FISCAL YEARS ENDED  
SEPTEMBER 30, 2015 AND 2014**

**DANIEL W. LUCAS  
INSPECTOR GENERAL**

## Mission

The mission of the Office of the Inspector General (OIG) is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District administration and operations; and
- recommend and track the implementation of corrective actions.

## Vision

To be a world class Office of Inspector General that is customer-focused, and sets the standard for oversight excellence!

### Report Fraud, Waste, Abuse, or Mismanagement



Email: [hotline.oig@dc.gov](mailto:hotline.oig@dc.gov)

Telephone: (202) 724-TIPS (8477) or  
(800) 521-1639

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**



**Inspector General**

March 31, 2016

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 316  
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report issued by SB & Company, LLC (SBC) on the University of the District of Columbia financial statement for the years ended September 30, 2015, and 2014 (OIG No. 16-1-03GG). SBC submitted this component report as part of our overall contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2015.

SBC opined that the financial statements present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America. SBC identified no weaknesses in internal control.

If you have any questions concerning this report, please contact me or Toayoa D. Aldridge, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Lucas', is positioned above the printed name of the Inspector General.

Daniel W. Lucas  
Inspector General

DWL/lw

Enclosure

cc: See Distribution List

Mayor Bowser and Chairman Mendelson  
University of the District of Columbia Financial  
Statement for FYs 2015 and 2014 (with  
Independent Public Accountants' Report  
Thereon)  
OIG No. 16-1-03GG  
March 31, 2016  
Page 2 of 2

**DISTRIBUTION:**

The Honorable Jack Evans, Chairperson, Committee on Finance and Revenue, Council of the District of Columbia (via email)  
The Honorable David Grosso, Chairperson, Committee on Education, Council of the District of Columbia (via email)  
Mr. Rashad M. Young, City Administrator, Attention: Mr. Barry Kreiswirth (via email)  
Mr. John Falcicchio, Chief of Staff, Office of the Mayor (via email)  
Mr. Michael Czin, Director, Office of Communications, (via email)  
Mr. Matthew Brown, Director, Mayor's Office of Budget and Finance (via email)  
Ms. Nyasha Smith, Secretary to the Council, Council of the District of Columbia (1 copy and via email)  
Mr. Jeffrey DeWitt, Chief Financial Officer, Office of the Chief Financial Officer (via email)  
Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (via email)  
The Honorable Kathleen Patterson, D.C. Auditor, Office of the D.C. Auditor, Attention: Candace McCrae (via email)  
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)  
Mr. Graylin (Gray) Smith, Partner, SB and Company, LLC



## **Basic Financial Statements**

**September 30, 2015 and 2014**

**(With Independent Public Accountant's Report Therein)**

**A Component Unit of the Government of the District of Columbia**

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

**Table of Contents**

	<b>Page(s)</b>
Members of the Board of Trustees	ii
Finance Staff	iii
Report of Independent Public Accountants	1 – 2
Management’s Discussion and Analysis	3 – 9
Basic Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Basic Financial Statements	13 – 29

**UNIVERSITY OF THE DISTRICT OF COLUMBIA  
MEMBERS OF THE BOARD OF TRUSTEES**



Dr. Elaine A. Crider  
(Chair)



Christopher Bell, Esq  
(Vice Chair)



Dr. Gabriela Lemus  
(Secretary)



Reginald M. Felton  
(Treasurer)



Alejandra Castillo



Jerome Shelton



Rev. Dr. Kendrick Curry



Jim W. Dyke Jr., Esq



Barrington Scott



Major Gen. Errol  
Schwartz



Theodore Wilhite  
(Student Representative)



Gwendolyn Hubbard  
Lewis



Dr. Anthony C. Tardd



Joshua S. Wyner



Ronald F. Mason  
(President Ex-Officio)



Ms. Beverly Franklin  
(Executive Secretary)

**DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER**

**Bill Slack**  
Deputy Chief Financial Officer  
Financial Operations and Systems

**Jeffrey S. DeWitt**  
Chief Financial Officer

**Deloras Shepherd**  
Associate Chief Financial Officer  
Education Cluster

**UNIVERSITY OF THE DISTRICT OF COLUMBIA  
FINANCE STAFF**

**Donald L. Rickford**  
Chief Financial Officer

**David Franklin**  
Budget Officer

**Shaina Cooper**  
Accounting Officer

**David Garnett**  
Director of Student Accounts

Ann Cole  
Anthony Jiminez  
Tiffany Marshall  
Raamonda Massie  
Lori Vasquez

Max Fano  
Binod Gupta  
Paul Johnson  
Wilma Raynor

Gloria Betts  
Shantae Jones  
Erick Myrick

**Marie Nkumbe**  
Program Systems Specialist

**Robin Sharps**  
Accounts Payable Supervisor

**Cashiers**  
Charice Gamble  
Supervisor

**Corrie Welch**  
Administrative Support

Monica Lewis

**Internal Audit**  
Krishna Saraiya



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Board of Trustees  
University of the District of Columbia  
Washington, D.C. 20008

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

We have audited the accompanying financial statements of the University of the District of Columbia (the University), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University, as of September 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Prior Year Balances*

The financial statements of the University as of and for the year ended September 30, 2014, were audited by other auditors who expressed an unmodified opinion on those financial statements on February 3, 2015.

#### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Washington, DC  
January 19, 2016

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2015 and 2014

Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the University of the District of Columbia (the University) as of and for the fiscal years ended September 30, 2015 and 2014. This discussion and analysis should be read in conjunction with management's basic financial statements and the related note disclosures. The financial statements, disclosures, and management's discussion and analysis are the responsibility of management.

**Basic Financial Statements**

The basic financial statements are prepared in accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. These financial statements focus on the financial condition, the results of operations, and cash flows of the University as a whole.

The Statements of Net Position present the financial position of the University and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the various categories of net position. Net position is defined as assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, and represents the institutional equity of the University.

Net position is presented in three major categories. The first category, net investment in capital assets, represents the equity in property, plant and equipment owned and/or controlled by the University. The University does not have any debt related to its capital assets. The main University campus resides on property owned by the Federal government. The University uses several buildings owned by the District and Federal governments, as well as several privately owned buildings. The second category is restricted net position. Nonexpendable restricted net position represents the endowment corpus from the Federal government in lieu of land. Expendable restricted net position represents funds received from grantors and contracts, which are available for expenditure, but have not been obligated as of the reporting date. The third category is unrestricted net position which is available to the University for any lawful purpose determined by the Board of Trustees of the University.

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year, both operating and non-operating. These statements also reconcile the amount of beginning net position to the amount of ending net position as presented in the Statements of Net Position.

Operating revenues are received for goods and services provided to the various customers, students and other constituents of the University. Operating expenses are those expenses paid or accrued to acquire or produce the goods and services in return for the operating revenues and to carry out the mission of the University. Non-operating revenues are received from legislative and/or investment sources in order to carry out the mission and goals set by the Board of Trustees. For example, appropriations from the District of Columbia Government (the District) are non-operating revenues because they are provided by the District to the University and the District Council does not directly receive commensurate goods and/or services for those revenues.

The Statements of Cash Flows present the inflows and outflows of cash and cash equivalents during the year. The cash flow activity is summarized by operating, noncapital, capital and related financing activities and investing activities. The statements reconcile the amount of beginning cash and cash equivalents to the ending amount of cash and cash equivalents, which is shown on the Statements of Net Position. These statements also reconcile the operating loss as shown on the Statements of Revenues, Expenses, and Changes in Net Position to the net cash used in operating activities.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2015 and 2014

**Financial Highlights**

***Condensed Financial Information***

Table 1 – Condensed Statements of Net Position as of September 30, 2015, 2014 and 2013 (\$000):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>			
Current assets	\$ 54,769	\$ 60,579	\$ 48,257
Noncurrent assets:			
Investments and notes receivable, net of allowance	38,405	41,474	37,774
Capital assets, net of depreciation	195,367	156,700	137,481
Other	107	1,195	2,212
Total assets	<u>\$ 288,648</u>	<u>\$ 259,948</u>	<u>\$ 225,724</u>
<b>Liabilities:</b>			
Current liabilities	\$ 59,805	\$ 72,176	\$ 62,641
Noncurrent liabilities	-	183	984
Total liabilities	<u>\$ 59,805</u>	<u>\$ 72,359</u>	<u>\$ 63,625</u>
<b>Net position:</b>			
Net investment in capital assets	\$ 195,367	\$ 156,700	\$ 137,481
Nonexpendable restricted	7,568	7,568	7,568
Expendable restricted	4,963	4,407	3,774
Unrestricted	20,945	18,914	13,276
Total net position	<u>\$ 228,843</u>	<u>\$ 187,589</u>	<u>\$ 162,099</u>

The increase of approximately \$41.3 million (22.0%) in total net position from FY 2014 to FY 2015 is primarily attributed to an increase in amounts invested in capital assets of \$38.7 million (24.7%). In 2015, the University's capital appropriation revenue from the District of \$42.8 million increased by 86.8% due to the continued construction activities throughout the University's campus, primarily the new student center building. A majority of the building was completed in FY2015 and is scheduled for its grand opening in January 2016.

The increase of approximately \$25.5 million (15.7%) in total net position from FY 2013 to FY 2014 is primarily attributed to an increase in amounts invested in capital assets of \$19.2 million (14.0%). The University's capital appropriation revenues of \$22.9 million were used to fund continued construction activities throughout the University's campus for the new student center and two buildings (Backus & PR Harris) for the UDC Community College (UDC-CC).

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2015 and 2014

Table 2 – Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2015, 2014 and 2013 (\$000):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues:			
Tuition and fees	\$ 31,083	\$ 30,457	\$ 29,414
Federal, Local and private grants and contracts	21,676	20,456	23,278
Auxiliary enterprises and other sales and services	716	693	1,419
Other	3,379	3,901	2,331
Total operating revenues	<u>56,854</u>	<u>55,507</u>	<u>56,442</u>
Less operating expenses	<u>(139,524)</u>	<u>(134,230)</u>	<u>(141,338)</u>
Net position used in operating activities	<u>(82,670)</u>	<u>(78,723)</u>	<u>(84,896)</u>
Nonoperating revenues:			
District of Columbia appropriations	73,458	66,691	75,405
Investment (loss)/income	(1,253)	3,756	2,715
Other gifts/grants	8,940	10,868	10,689
Total nonoperating revenues	<u>81,145</u>	<u>81,315</u>	<u>88,809</u>
(Decrease)/increase in net position before capital appropriations	(1,525)	2,592	3,913
Capital appropriations	<u>42,779</u>	<u>22,898</u>	<u>19,959</u>
Increase in net position	41,254	25,490	23,872
Net position, beginning of year	<u>187,589</u>	<u>162,099</u>	<u>138,227</u>
Net position, end of year	<u>\$ 228,843</u>	<u>\$ 187,589</u>	<u>\$ 162,099</u>

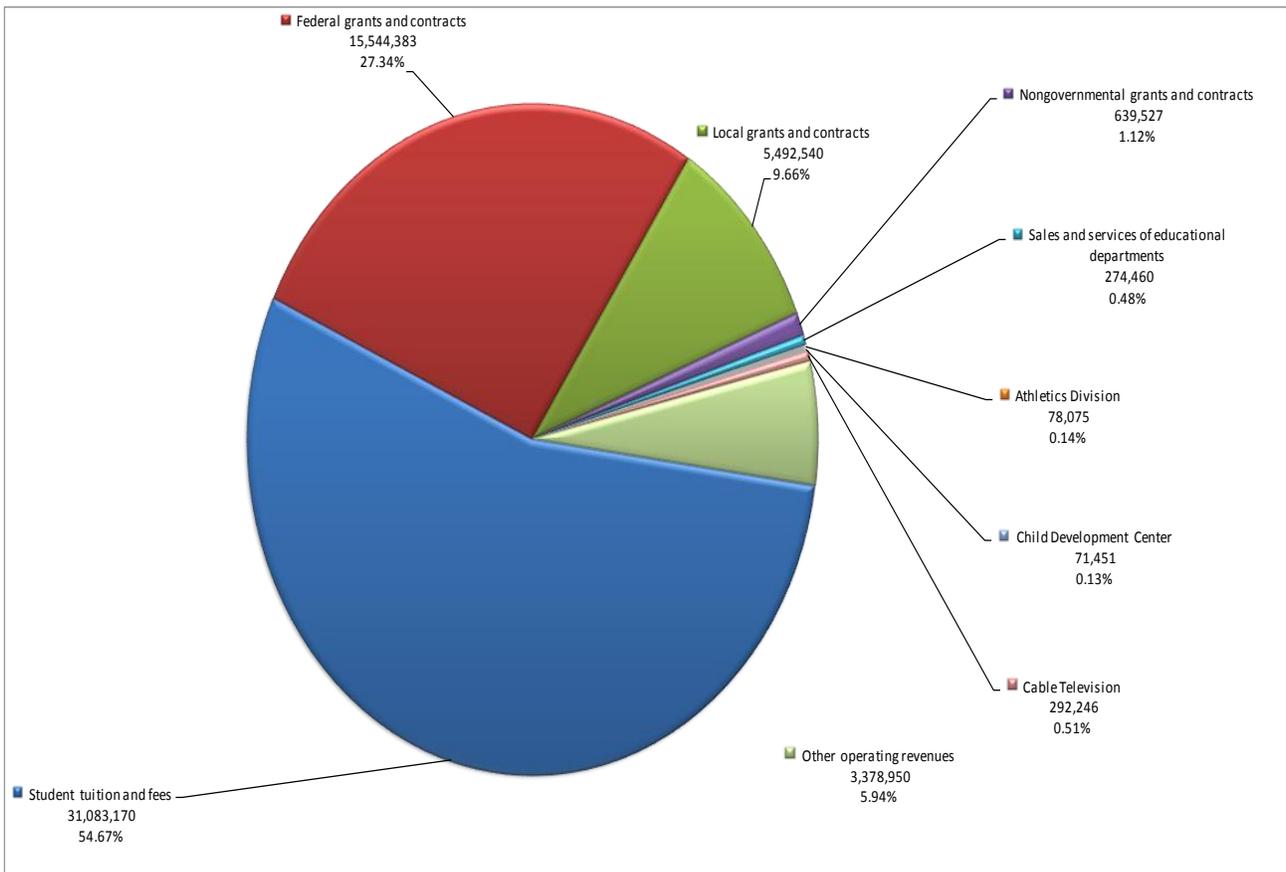
**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
 (A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2015 and 2014

**OPERATING REVENUES BY SOURCE**

\$57 million in FY 2015



The increase in operating revenue of approximately \$1.3 million (2.4%) from FY 2014 to FY 2015 is primarily due to an increase of \$1.2 million in grant revenue.

Net non-operating revenue decreased slightly by approximately \$0.2 million (0.2%) in FY 2015 primarily attributed to an investment loss of \$1.3 million due to a significant drop in points for invested stocks during the last quarter of the fiscal year and a decrease \$1.9 million in Federal non-operating grant revenue. These decreases were offset by an increase of \$6.8 million in District appropriations.

The decrease in operating revenue of approximately \$0.9 million (1.7%) from FY 2013 to FY 2014 is primarily due to an increase of \$1.6 million in other operating revenue transactions. This increase was offset by a \$2.3 million decrease in income derived from grants received from local agencies.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2015 and 2014

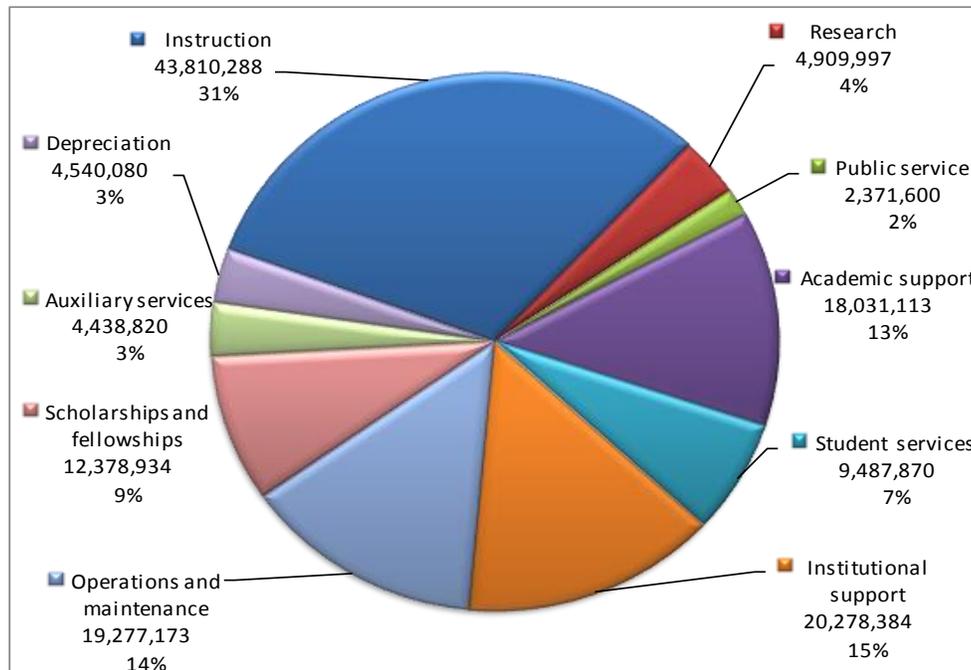
Net non-operating revenue decreased in FY 2014 by approximately \$7.5 million primarily due to the one-time appropriation received in FY 2013 from the District for debt forgiveness resulting from an unspent balance on the University's books from a FY 2008 subsidy.

Table 3 – Expenses by Function for the Years Ended September 30, 2015 and 2014 (\$000):

Expenses by function	FY 2015		FY 2014		Increase/(decrease)	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent change
Instruction	\$ 43,810	31%	\$ 39,510	30%	\$ 4,300	11%
Research	4,910	4	4,832	3	78	2
Public service	2,372	2	2,867	2	(495)	(17)
Academic support	18,031	13	15,964	12	2,067	13
Student services	9,488	7	7,699	6	1,789	23
Institutional support	20,278	15	21,764	16	(1,486)	(7)
Operations and maintenance	19,277	14	20,419	15	(1,142)	(6)
Scholarships and fellowships	12,379	9	13,040	10	(661)	(5)
Auxiliary services	4,439	3	3,646	3	793	22
Depreciation	4,540	3	4,489	3	51	1
	<u>\$ 139,524</u>	<u>100%</u>	<u>\$ 134,230</u>	<u>100%</u>	<u>\$ 5,294</u>	<u>4%</u>

**OPERATING EXPENSES BY FUNCTION**

\$140 million in FY 2015



**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2015 and 2014

The \$5.3 million (3.9%) increase in expense by functional activities from FY 2014 to FY 2015 is primarily caused by a \$4.3 million (11.0%) increase in instruction expense and a \$2.1 million increase in academic support expense. These increases were offset by a \$1.5 million (7.0%) decrease in institutional support. Expenditures primarily increased due to an increase in spending on various needs by Facilities for critical issues, such as snow removal, chemical treatment for boilers, and sprinkler system maintenance. Additionally, there was an increase in spending for the Board of Trustees Alumni election, Presidential search, and Bertie Backus renovations at UDC-CC.

Table 4 – Expenses by Function for the Years Ended September 30, 2014 and 2013 (\$000):

Expenses by function	FY 2014		FY 2013		Increase/(decrease)	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent change
Instruction	\$ 39,510	30%	\$ 45,236	32%	\$ (5,726)	(13)%
Research	4,832	3	5,801	4	(969)	(17)
Public service	2,867	2	2,863	2	4	—
Academic support	15,964	12	17,704	13	(1,740)	(10)
Student services	7,699	6	11,055	8	(3,356)	(30)
Institutional support	21,764	16	19,007	13	2,757	15
Operations and maintenance	20,419	15	18,135	13	2,284	13
Scholarships and fellowships	13,040	10	13,035	9	5	—
Auxiliary services	3,646	3	3,999	3	(353)	(9)
Depreciation	4,489	3	4,503	3	(14)	—
	<u>\$ 134,230</u>	<u>100%</u>	<u>\$ 141,338</u>	<u>100%</u>	<u>\$ (7,108)</u>	<u>(5)%</u>

Total expenses decreased by approximately \$7.1 million (5%), from FY 2013 to FY 2014. The decrease is primarily caused by a \$5.7 million (13%) decrease in instruction expense and a decrease of \$3.4 million (30%) in student services. These decreases in expenditures are mainly attributed to the right sizing measures taken by the University's management during FY 2013 that was completed in FY 2014. This decrease was offset by an increase in the minimum wage for AFSCME members during FY 2013 which was partially paid in FY 2013; however, it was fully paid in FY 2014.

### Enrollment

The University maintains an open admissions policy for its Community College and a rolling admission policy for its Flagship. The undergraduate programs at the University include the Community College and its Flagship. The total official student enrollment for the Fall 2015 and 2014 semesters is 5,118 and 5,118 students, respectively, representing a decrease of 0.0% from the Fall 2014 enrollment of 5,118 students. In Fall 2015 and 2014, the student body was comprised of 68.1% and 70.1% District residents, 9.8% and 11.3% Metro area residents and 22.1% and 18.6% nonresidents, respectively. In Fall 2015, District students comprised 72.0% and 33.1% of the University's total undergraduate and graduate enrollment, respectively. Full time equivalent enrollments are 3,481 for Fall 2015 and 3,786 for Fall 2014.

Total tuition and fee revenue increased by \$0.6 million from \$30.5 million in FY 2014 to \$31.1 million in FY 2015.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2015 and 2014

**Capital Improvement Program**

The University participates in the District's Capital Improvement Program. Accordingly, the University trustees, the District Council and the Congress of the United States have approved a 6-year capital improvement plan totaling \$86.8 million, for FY 2010 through FY 2015, financed through funding sources provided by the District. The execution of the University's capital improvement plan is contingent upon sufficient funding being received from the District, since the University has no separate long term borrowing authority.

**Factors Impacting Future Periods**

There are a number of factors that could impact future financial periods. Many of these factors relate to the sources of the University's funding including the District's appropriation, tuition revenues, grants received, contracts earned, and gifts received. The appropriations from the District provide over 50% of the University's total funding and are therefore a key factor in determining the extent of the programs that the University can offer. Tuition rates are determined pursuant to the University's mission to provide affordable higher education. The level of support that the University is able to obtain from its funding sources determines its ability to maintain or expand programs that meet its mission and ongoing operational needs.

**Requests for Information**

Management's Discussion and Analysis is designed to provide a general overview of the University's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer, University of the District of Columbia, 4200 Connecticut Avenue NW, Building 39, 2<sup>nd</sup> floor, Washington, D.C. 20008.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
**(A Component Unit of the Government of the District of Columbia)**

**Statements of Net Position**  
**September 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 21,643,317	\$ 25,947,078
Accounts receivable, net	8,183,797	3,072,519
Grants and contracts receivable, net	4,858,768	18,963,550
Receivable from the District of Columbia	17,040,846	12,277,210
Accrued interest receivable	26,289	43,703
Other current assets	3,015,747	275,462
Total Current Assets	54,768,764	60,579,522
<b>Noncurrent assets:</b>		
Investments	38,404,471	41,474,144
Notes receivable, net	-	12,670
Capital assets, net	195,367,323	156,699,877
Long-term receivables	107,456	1,181,969
Total Noncurrent Assets	233,879,250	199,368,660
Total Assets	288,648,014	259,948,182
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	14,624,325	14,132,905
Accrued payroll	6,546,854	6,667,339
Litigation contingencies	5,687,944	6,397,500
Compensated absences	4,126,634	4,328,450
Unearned revenue	12,219,068	12,099,860
Due to the District of Columbia	15,104,980	26,864,073
Other current liabilities	1,495,618	1,685,817
Total Current Liabilities	59,805,423	72,175,944
<b>Noncurrent liabilities:</b>		
Refundable advances	-	183,378
Total Noncurrent Liabilities	-	183,378
Total Liabilities	59,805,423	72,359,322
<b>Net Position</b>		
Net Investment in capital assets	195,367,323	156,699,877
Restricted:		
Nonexpendable endowments	7,568,086	7,568,086
Expendable:		
Capital projects	3,330,787	2,708,784
Pre-K enhancement	1,631,795	1,698,333
Unrestricted	20,944,600	18,913,780
Total Net Position	\$ 228,842,591	\$ 187,588,860

See accompanying notes to basic financial statements.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
**(A Component Unit of the Government of the District of Columbia)**

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

**September 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>		
<b>Operating revenues:</b>		
Student tuition and fees, net	\$ 31,083,170	\$ 30,457,329
Federal grants and contracts	15,544,383	12,816,429
Local grants and contracts	5,492,540	6,178,794
Nongovernmental grants and contracts	639,527	1,460,531
Sales and services of educational departments	274,460	238,181
Auxiliary enterprise:		
Athletics division	78,075	68,020
Child development center	71,451	97,143
Cable television	292,246	289,523
Other operating revenues	3,378,950	3,901,249
Total Operating Revenues	56,854,802	55,507,199
<b>Expenses</b>		
<b>Operating expenses:</b>		
Salaries	64,806,101	62,194,397
Benefits	13,966,865	13,870,542
Scholarships and fellowships	15,322,158	17,622,170
Contractual services, supplies and other	27,997,995	23,204,110
Utilities and other	12,891,061	12,849,684
Depreciation	4,540,080	4,488,897
Total Operating Expenses	139,524,260	134,229,800
Operating Loss	(82,669,458)	(78,722,601)
<b>Non-operating revenues:</b>		
District of Columbia appropriations	73,457,573	66,690,620
Investment (loss)/income	(1,252,690)	3,755,768
Gifts for scholarships	895,864	978,109
Federal nonoperating grants	8,043,898	9,889,926
Total Non-operating Revenues	81,144,645	81,314,423
(Loss)/income before other revenues, expenses, gains, or losses	(1,524,813)	2,591,822
Capital appropriations	42,778,544	22,898,093
Change in Net Position	41,253,731	25,489,915
<b>Net position:</b>		
Net Position, Beginning	187,588,860	162,098,945
Net Position, Ending	\$ 228,842,591	\$ 187,588,860

See accompanying notes to basic financial statements.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
**(A Component Unit of the Government of the District of Columbia)**

**Statements of Cash Flows**  
**September 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Tuition and fees	\$ 28,569,900	\$ 29,780,195
Grants and contracts	35,322,833	6,920,050
Payments to vendors	(40,921,638)	(31,655,690)
Payments to employees	(79,095,266)	(76,483,939)
Other payments	(23,525,691)	(7,625,736)
Net cash used by operating activities	(79,649,862)	(79,065,120)
<b>Cash flows from non-capital financing activities:</b>		
District of Columbia appropriations - operating	73,457,573	66,690,620
Change in advances to/from District of Columbia	(5,407,122)	(4,521,922)
Gifts for scholarships	895,864	978,109
Direct loan receipts	38,412,375	14,601,657
Direct loan payments	(38,412,375)	(14,601,657)
Federal Pell grant	8,043,898	9,889,926
Net cash provided by noncapital financing activities	76,990,213	73,036,733
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(43,207,525)	(23,707,510)
Capital appropriations	42,778,544	22,898,093
Net cash used by capital and related financing activities	(428,981)	(809,417)
<b>Cash flows from investing activities:</b>		
Proceeds from sales/maturities of long-term investments	17,134,474	12,032,376
Investment income	676,918	786,000
Purchase of investments	(19,026,523)	(9,416,557)
Net cash (used)/provided by investing activities	(1,215,131)	3,401,819
Net decrease in cash and cash equivalents	(4,303,761)	(3,435,985)
Cash and cash equivalents, beginning	25,947,078	29,383,063
Cash and cash equivalents, ending	\$ 21,643,317	\$ 25,947,078
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (82,669,458)	\$ (78,722,601)
Adjustments to reconcile operating loss to net cash:		
Depreciation	4,540,080	4,488,897
Bad debt expense	3,032,111	1,728,248
Prior year cash receipts, earned as revenue in the current year	-	(4,057,446)
Effect of Changes in:		
Accounts receivable	(5,111,275)	1,629,365
Grants receivable	14,748,267	(12,903,136)
Accrued interest receivable	17,414	20,632
Other current assets	(2,740,285)	16,906
Other noncurrent assets	1,074,513	-
Notes receivable	12,670	-
Accounts payable and accrued liabilities	(338,621)	2,369,812
Unearned revenue	119,208	(482,450)
Other current liabilities	(190,199)	(1,086,211)
Refundable advances	(183,378)	(800,395)
Accrued leave	(201,816)	456,187
Due to District of Columbia	(11,759,093)	8,277,072
Net cash used by operating activities	\$ (79,649,862)	\$ (79,065,120)

See accompanying notes to basic financial statements.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

**(1) Background and History of the University of the District of Columbia**

The University of the District of Columbia (the University) traces its roots to 1851 and the Miner Normal School. Land grant status was awarded in 1968. In 1977, the District of Columbia Teachers College, the Federal City College, and the Washington Technical Institute were consolidated into the University of the District of Columbia. The University currently offers over 75 undergraduate and graduate academic degree programs through the College of Arts and Sciences; School of Business and Public Administration; School of Engineering and Applied Sciences; and the David A. Clarke School of Law. In addition, the University offers a variety of practical, nonacademic educational programs and training through the Division of Community Outreach and Extension Services (COES).

The University is governed by a board of trustees consisting of 15 members appointed by the District's Mayor, three members elected by the alumni, and one member elected by the student body.

The University is located on a 21.8 acre site and includes ten buildings (the Van Ness Campus). Jurisdiction was assigned to the University by the United States General Services Administration (GSA) to be utilized for educational purposes. The estimated value of the Van Ness site has not been recorded in the financial statements as it is property of the U.S. Federal government.

In January 2009, the board of trustees approved the creation of a new University System, which now includes the University and the University of the District of Columbia Community College (UDC-CC). Beginning in Fall 2009, UDC-CC serves District of Columbia (the District or DC) residents by integrating workforce preparation, employability skill development, quality education and remediation, economic development and employer linkages, school-to-career training – providing a seamless transition from K-12 to adult education and literacy to college preparation and continuous lifelong learning. This institution provides new opportunities to DC citizens, employers, the University, and the District of Columbia. UDC-CC is located at 801 N. Capitol Street, NE, Washington, DC 20002.

**(2) Summary of Significant Accounting Policies**

The financial statements of the University are prepared in conformity with U.S. generally accepted accounting principles (GAAP), as applied to governmental colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting standards. The significant accounting policies followed by the University are summarized below:

**(a) *Financial Reporting Entity***

GAAP defines a financial reporting entity as a body that consists of a primary government and its component units. The University is a discretely presented component unit of the Government of the District of Columbia because it meets the following criteria:

- The District holds the corporate powers of the University.
- The District appoints a voting majority of the University's board.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

- The District is able to impose its will on the University.
- The University has the potential to impose a financial burden on, or provide financial benefit to the District.
- The University is fiscally dependent on the District.
- It would be misleading to exclude the University from the District's financial statements.

**(b) Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Thus, the accounting and financial reporting treatment applied to a fund or activity is determined by its measurement focus and basis of accounting.

A majority of the revenues the University receives are from third party grantors. Revenue from government and private grant and contract agreements are recognized as it is earned when expenses are incurred in accordance with the agreements. Any funding received in advance of expenses is recorded as refundable advances on the statement of net position.

The University is considered to be a special-purpose government engaged only in business-type activities and follows the business-type activities reporting requirements of GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34*, which provides a comprehensive look at the University's financial activities and requires that resources be classified for accounting and reporting purposes into three net position categories depending on the presence or absence of externally imposed restrictions. Accordingly, the accompanying comparative financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities are included in the statement of net position. Net position of the University is segregated into three net position categories depending on the presence or absence of externally imposed restrictions as follows:

**Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. As of September 30, 2015 and 2014, the University had no debt outstanding.

**Restricted** – Consists of net position restricted for nonexpendable and instructional endowments, which are subject to externally imposed stipulations that the University maintains them permanently. Expendable restricted net position includes restricted expendable net position, the use of which is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

**Unrestricted** – Consists of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

(c) ***Application of Accounting Standards***

The accompanying financial statements are presented in accordance with GAAP as prescribed by GASB.

Based on the explanations previously provided, when both restricted and unrestricted resources are available for use, the University's policy is to use restricted resources first, and then unrestricted resources, as they are needed.

(d) ***Services Provided by the District***

The District provides certain central administrative services and pays disability and unemployment benefits on behalf of the University's employees. The University reimburses the District for a portion of the administrative costs based on a formula derived by the District. The University receives maintenance, administrative services, and leasing arrangements through other District agencies. The charges for such interagency services are included as expenses in the basic financial statements.

Amounts owed to the University relating to the capital appropriations from the District and services provided by the University for grants and contracts are recorded as Receivables from the District of Columbia.

(e) ***Fund Accounting***

For the purposes of financial reporting, the University is considered to be a single enterprise fund. However, for internal accounting purposes, and to ensure observance of limitations and restrictions placed on the use of the resources available to the University, accounts are maintained in accordance with the principles of fund accounting. Fund accounting principles require classifying resources for accounting purposes into funds that are in accordance with specified activities or objectives.

(f) ***Current and Noncurrent Classifications***

Current assets are used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating business cycle which is usually one year or less. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

**(g) *Operating and Non-operating Revenues and Expenses***

Operating revenues and expenses are generally associated with those activities that relate directly to the core activities of instruction, research, and public service that form the essence of the University's mission (e.g. tuition and fees, Federal and private grants and contracts, auxiliary income). Included in non-operating revenues are District appropriations, investment and endowment income and gifts for scholarships. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, specifically define the District appropriations as non-operating revenues. Expenses are recognized as incurred.

**(h) *Cash and Cash Equivalents***

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, and all highly liquid investments with an original maturity of three months or less; except those deposits and investments representing endowments.

**(i) *Receivables***

Receivables relate to transactions involving student tuition and fees, student loans, and grants and contracts. Receivables have also been recognized for students registered and billed for semesters to be held subsequent to year end. Since the revenue recognition criteria has not been met in this instance, a corresponding amount is recognized as unearned revenue.

**(j) *Investments***

Fair value is established as readily determinable current market value for equities and other debt securities. The fair value of the University's investments in limited partnerships is based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. The University uses net asset value per share as a basis for determining fair value for limited partnerships. Unrealized and realized gains and losses are included in investment income in the statements of revenues, expenses and changes in net position.

**(k) *Capital Assets and Depreciation***

Land, buildings, furniture, fixtures, and equipment are stated at cost at the date of acquisition, estimated historical cost (if actual cost records are not available) or fair market value at the date of donation in the case of gifts. The University capitalizes equipment that has a fair market value or cost of \$5,000 or more at the date of acquisition and an expected useful life of three (3) or more years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred. Capital assets are depreciated or amortized using the straight line method over the estimated useful lives of the assets.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

A summary of useful lives is presented in Table 1 below:

Table 1 – Estimated Useful Lives (by Asset Category)

<u>Category</u>	<u>Depreciation/amortization period</u>
Buildings and improvements	50 years
Leasehold improvements	Lesser of lease term or 10 years
Computers and equipment	5 years
Library books and microform	5 years

(l) ***Compensated Absences***

**Benefit Accumulation Policies**

The University’s policy allows employees to accumulate unused sick leave, with no maximum limitation. Generally, administrative and other non-faculty employees may carry over a maximum of 240 hours of annual leave beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 hours is permitted with the approval of appropriate University officials. The accrued annual leave balance is payable to administrative and other non-faculty employees upon termination of employment.

In accordance with the provisions of the District of Columbia Municipal Regulations (DCMR), Title 8, when an administrative or faculty University employee retires at sixty (60) years of age or older, or upon total disability or death, the employee or the deceased’s estate is entitled to receive a lump sum payment equal to ten percent (10%) of the unused accumulated sick leave computed at the employee’s current base rate of pay.

The University reports a liability for compensated absences that is strictly limited to leave that:

- Is attributable to services already rendered; and
- Is not contingent on a specific event (such as illness) that is outside the control of the employer and employee, except as noted below:

As a matter of University policy, the University is liable for 10% of unused accumulated sick leave upon retirement of eligible employees as described above. This policy eliminates the contingency on a future event outside the control of both the employer and employee. Consequently, the University recognized the sick leave liability for this category of employees using the vesting method to measure such liability.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

Other than as noted above, the University does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, unused sick leave can be used to determine employees' years of service. One month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System and in the District Retirement Program. Expenses for such sick leave are not accrued because it is considered in connection with calculating pension cost.

Administrative and other non-faculty University employees earn annual and sick leave during the year at varying accrual rates, depending on the employee's classification and years of service.

The University records annual leave as an expense and related liability as the benefit accrues to employees. Also, accumulated annual leave of the employees of the University is recorded as an expense and liability as the benefit accrues to employees based on salary rates and accumulated leave hours.

**(m) *Unearned Revenue***

Tuition and fee revenues, as well as program revenues are shown as unearned revenues when related to future financial periods because the earning process has not been completed.

Tuition and fees revenues are proportionately earned in the academic semester to which they relate. Tuition and fees related to the portion of the academic semester falling after the fiscal year end are reported as unearned revenue. The University records grant revenue for intergovernmental grants to the extent that costs have been incurred in accordance with the terms of the grant agreements. Indirect costs recovered are based on predetermined rates by type of expense.

**(n) *Income Tax Status***

As an independent agency of the District, the University is exempt from Federal income taxes. Accordingly, no provision for income taxes has been made. However, the University is subject to Federal income taxes on net unrelated business income, if any, under the provisions of Section 511 of the Internal Revenue Code. The University did not have any unrelated business income subject to income tax for the years ended September 30, 2015 and 2014.

**(o) *Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's estimates.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

**(p) *Scholarship Allowances***

A scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student or by third parties making payments on behalf of the student. Accordingly, some of the student financial aid and scholarships awarded by the University are considered to be scholarship allowances. Tuitions and fees revenue in the statements of revenues, expenses, and changes in net position is reflected net of these allowances.

**(q) *Post-Employment Benefits***

In addition to the pension benefits described in note 7, employees may receive post-retirement health care and life insurance benefits. Employees eligible for such benefits include 52 pre-1987 (Civil Service) and 43 post-1987 (DC Defined Contribution) employees. The cost of providing such benefits to employees hired on or prior to September 30, 1987 is borne by the U.S. Federal government and the University has no liability for this cost. Pursuant to the D.C. Code 1-622, employees hired on or after October 1, 1987, who subsequently retire may be eligible to continue their health care benefits. Furthermore, in accordance with D.C. Code 1-623, these employees may convert their group life insurance to individual life insurance. The University bears responsibility for the cost relating to employees hired on or after October 1, 1987. The University's portion of post-employment benefits actuarial liability is not separately determined from the District's. The entire liability is recorded on the books of the District; therefore, the University does not record a liability for the costs of post-retirement benefits, but records such costs as expenses/expenditures when premiums are paid.

**(r) *Other Post-Employment Benefit (OPEB)***

The University provides health and life insurance benefits to retirees first employed by the University after September 30, 1987. The expense of providing such benefits to employees hired on or prior to September 30, 1987 is borne by the U.S. Federal government and the University has no liability for those employees. The University pays 75% of the cost of health insurance, for eligible retirees, their spouse and dependent(s). In addition, the University pays 33% of the cost of life insurance depending on the election coverage for eligible retirees. The University has recognized \$90,400 and \$84,437 for post-retirement health premiums paid during FY 2015 and 2014, respectively. Eight (8) retirees and nine (9) retirees received post-retirement health benefits during fiscal years ended September 30, 2015 and 2014, respectively. The District, which is legally responsible for the contributions to OPEB plans, conducted an actuarial study of its obligations under the Plan and funded the annual required contribution (ARC) beginning in fiscal year 2008. The University's portion of the OPEB liability is not separately determined from the District's. The entire liability is recorded on the books of the District; therefore, the University does not record a liability.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

**(3) Cash and Cash Equivalents**

The District requires that all cash be deposited with the District Treasurer except for endowment and miscellaneous income funds which are deposited in a postsecondary education fund bank account. However, the University is allowed to maintain funds generated from its own operations in separate bank accounts. The majority of payments are processed centrally by the District.

The University's Postsecondary Education Fund bank account is the depository account for all gifts and contributions, funds for receipt of services rendered, institutional fees, fines and collections including tuition, and all other monies made available to the University, other than the funds included in the annual operating, capital and educational improvement funds appropriated by Congress. These funds are administered by the University's board of trustees to supplement the University's appropriation. Restricted cash represents cash held for the Department of Education Perkins Loan program at the University, as well as state restricted funds.

The University's cash and cash equivalents at September 30, 2015 and 2014 are reflected in Table 2:

Table 2 – Unrestricted and restricted cash and cash equivalents at September 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Cash and cash equivalents:		
Unrestricted:		
Wells Fargo	\$ 11,228,894	\$ 17,544,461
Barclays	5,181,120	3,722,701
Independence Bank	100,539	100,439
Industrial Bank	100,150	100,000
Subtotal unrestricted	16,610,703	21,467,601
Restricted:		
Wells Fargo	4,962,582	4,407,117
US Bank	70,032	72,360
Subtotal restricted	5,032,614	4,479,477
Total cash and cash equivalents	\$ 21,643,317	\$ 25,947,078

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

The University's cash and cash equivalents indicated previously which consist of the following at September 30, 2015 and 2014, are reflected in Table 3:

Table 3 – Summary of cash and cash equivalents at September 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Cash and demand deposits:		
Wells Fargo	\$ 16,191,476	\$ 21,951,578
Barclays	5,181,120	3,722,701
US Bank	70,032	72,360
Subtotal cash and demand deposits	21,442,628	25,746,639
Certificates of deposit:		
Independence Bank	100,539	100,439
Industrial Bank	100,150	100,000
Subtotal certificates of deposit	200,689	200,439
Total cash and cash equivalents	\$ 21,643,317	\$ 25,947,078

As of September 30, 2015 and 2014, the bank balances of cash on deposit were \$21,643,317 and \$25,947,078, respectively with no material reconciling differences noted. The FDIC standard deposit insurance amount is \$250,000 per depositor, per insured bank. Currently, the Wells Fargo account has a balance that exceeds the insured amount, by \$15,941,476, and is collateralized by the District or by its agent in the District's name. The Barclays account balance of \$5,181,120 consists of cash held as investments which are normally in money market products therefore do not require collateralization.

**(4) Receivables and Revenue Adjustments**

The student tuition and fees balance of \$31,083,170 and \$30,457,329 are net of scholarships and discounts of \$1,414,836 and \$1,673,439 in FY 2015 and 2014, respectively.

The University's receivable balances at September 30, 2015 and 2014 are reflected in Table 4:

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

Table 4 – Receivable balances at September 30, 2015 and 2014:

	<b>2015</b>		
	<b>Receivable</b>	<b>Allowance</b>	<b>Net</b>
Accounts receivable	\$ 8,729,070	\$ (545,273)	\$ 8,183,797
Grants receivable	4,960,236	(101,468)	4,858,768
Notes receivable	274,889	(274,889)	-

	<b>2014</b>		
	<b>Receivable</b>	<b>Allowance</b>	<b>Net</b>
Accounts receivable	\$ 3,764,134	\$ (691,615)	\$ 3,072,519
Grants receivable	19,101,718	(138,168)	18,963,550
Notes receivable	275,664	(262,994)	12,670

**(5) Investments**

Investments held by Barclays as of September 30, 2015 and 2014 were approximately \$38.3 million and \$41.4 million, respectively.

**(a) Investments Authorized**

The purpose of the University of the District of Columbia Endowment Policy is to provide direction for the investment, expenditure and management of the University of the District of Columbia's (UDC) endowment funds, consistent with the best interest of the University and the philosophy and practices of the Chief Financial Officer of the District of Columbia. The University's endowment fund include land grant funds appropriated by Congress under the First Morrill Act (P.L. 90-354); gifts, bequests, and other funds directed to be held to support the University program/activities; and funds assigned by the Board of Trustees to function as an endowment. Endowment funds are to be used to support the mission of the University.

The policy applies to all endowment funds of the University, which consist of the following:

- UDC Land Grant Fund: Pursuant to the First Morrill Act of 1862, each eligible state received a total of 30,000 acres of federal land to be used toward establishing and funding educational institutions. Federal City College (FCC), one of the University's predecessor institutions, was considered a land-grant college, and in lieu of the donation of public lands for the endowment, FCC received \$7,241,706. Fund restrictions are as follows: (i) The capital shall remain forever undiminished; (ii) No portion of the fund, including interest, may be applied to the purchase, construction, preservation or repair of any building or buildings; (iii) all expenses of management and taxes shall be paid by the District. The UDC Land Grant Fund shall not be co-invested with any other UDC endowment funds.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

- Post-Secondary Education Fund: Contributions and gifts received by the University and funds in receipt for services. The fund also includes the proceeds from the sale of the University's radio station, WDCU. Other sources of funds donated to the university for Endowment purposes will be consolidated into this Fund unless designated as restricted by the donor. The Post-Secondary Education Fund is an unrestricted fund.

**(b) Asset Allocation / Exposures**

It is a fundamental policy of the CFO or CFO's designee that the investment portfolios of the University's endowment funds should be diversified to reduce the risk of undue exposure to any one sector or security. The asset allocation is based upon on the underlying investment strategy of the manager and not the structure of the investment vehicle. Accordingly, endowment funds must be allocated with the following parameters approved by the CFO or CFO's designee:

ASSET CLASS	ALLOCATIONS		
	Minimum	Target	Maximum
Cash + Short Bonds	0%	8%	20%
Developed Government Bonds	0%	9%	20%
Investment Grade Bonds	0%	4%	20%
High Yield + Emerging Market Bonds	0%	8%	25%
Developed Market Equities	20%	38%	45%
Emerging Market Equities	5%	10%	15%
Commodities	0%	5%	10%
Real Estate	0%	4%	15%
Alternative Trading Strategies	0%	14%	30%

Exception outside of any minimum or maximum range, due potentially to market conditions or other considerations will be assessed by the CFO or the CFO's designee and a written justification will be provided regarding the allocation.

**(c) Interest Rate Risk**

The University is exposed to interest rate risk on its fixed income bonds held. Interest rate risk is measured by the average duration for which bonds are held. The Investment Policy Statement states that fixed income investments must be readily marketable and may not include illiquid securities. The Investment Policy Statement does not have a policy on interest rate risk. Interest rate risk is managed by the investment managers. They have discretion within their portfolios to determine the duration position that best maximizes the performance.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

**(d) Credit Risk**

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The University invests in obligations of corporations, government notes and bonds, government agency securities and money market instruments. The University is exposed to credit risk on its fixed income holdings.

Credit risk is measured by the average quality of the fixed income securities held, which at the end of the University's fiscal year ranged from AAA to nonrated issues. The Investment Policy States targets an exposure to developed government bonds of 9% (maximum: 20%), to investment grade bonds of 4% (maximum: 20%), and high-yield/emerging markets bonds of 8% (maximum: 25%). On September 30, 2015, the actual exposure to each of these asset classes was 7.3%, 4.8% and 4.1% respectively.

**(e) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counter-party, the University would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the University, and are held by either (a) the counter-party or (b) the counter-party's trust department or agent but not in the University's name. The University had no custodial credit risk exposure during the fiscal year.

**(f) Derivative and Alternative Investments**

The University's investment portfolio does not include any outright purchase of derivatives. Some derivatives exposure exists within the investment portfolio; however the derivative position is managed by the investment manager and not the District staff. The Investment Policy Statement authorizes that no more than 30% of the total market value of the endowment may be invested in the alternative asset class. The target exposure is 14%. As of September 30, 2015, 13.0% was invested in alternative strategies.

Table 5 – Summary of University Investments at September 30, 2015 and 2014:

<b>Asset Classes</b>	<b>Fair Market Value</b>	
	<b>2015</b>	<b>2014</b>
Cash & Short Maturity Bonds	\$ 3,869,969	\$ 3,053,471
Developed Government Bonds	3,346,449	5,288,691
Investment Grade Bonds	2,098,584	2,283,411
High Yield & Emerging Market Bonds	1,839,963	1,969,698
Developed Markets Equities	18,353,857	19,181,498
Emerging Markets Equities	4,199,564	3,526,350
Commodities	2,109,641	1,540,499
Real Estate	1,985,136	1,865,973
Alternatives Trading Strategies	5,701,949	6,419,601
<b>Total Investments</b>	<b>\$ 43,505,112</b>	<b>\$ 45,129,192</b>

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

Included in the above investment balances as of September 30, 2015 and 2014, is cash and cash equivalents of \$5,181,120 and \$3,722,701, respectively. The cash and cash equivalent amounts are included in various categories as some cash is held by managers and included in the asset class based on industry standard.

	<b>2015</b>	<b>2014</b>
Cash	\$ 5,181,120	\$ 3,722,701
Accrued Interest Receivable	26,288	44,726
Investments	38,297,704	41,361,765
	\$ 43,505,112	\$ 45,129,192

A reconciliation of the University's investments to the Statements of Net Position is presented below:

	<b>2015</b>	<b>2014</b>
IBM Stock	\$ 106,767	\$ 112,379
Investments	38,297,704	41,361,765
	\$ 38,404,471	\$ 41,474,144

**(6) Capital Assets**

Capital Assets activity for the year ended September 30, 2015, is summarized in Table 6 below:

Table 6 – Capital assets activity for the year ended September 30, 2015:

Capital assets subject to depreciation:					
Furniture and fixtures	\$ 307,328	\$ -	\$ -	\$ -	\$ 307,328
Equipment	13,496,531	493,215	-	-	13,989,746
Library books	21,491,607	-	-	-	21,491,607
Buildings and improvements	225,391,546	40,380,164	-	31,349,595	297,121,305
Total historic cost	260,687,012	40,873,379	-	31,349,595	332,909,986
Less accumulated depreciation	(144,380,986)	(4,540,080)	-	-	(148,921,066)
Subtotal, depreciable capital assets, net	116,306,026	36,333,299	-	31,349,595	183,988,920
Capital assets not subject to depreciation:					
Land	7,531,544	-	-	-	7,531,544
Construction in progress	32,862,307	2,334,147	-	(31,349,595)	3,846,859
Capital assets, net	\$ 156,699,877	\$ 38,667,446	\$ -	\$ -	\$ 195,367,323

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

In FY 2015, the University completed 71% of its ongoing renovation and construction on the main campus, primarily the new student center, which is scheduled for its grand opening in January 2016.

Capital Assets activity for the year ended September 30, 2014, is summarized in Table 7 below:

Table 7 – Capital assets activity for the year ended September 30, 2014:

Capital assets subject to depreciation:					
Furniture and fixtures	\$ 307,328	\$ -	\$ -	\$ -	\$ 307,328
Equipment	12,928,561	567,970	-	-	13,496,531
Library books	21,491,607	-	-	-	21,491,607
Buildings and improvements	218,313,213	4,919,514	-	2,158,819	225,391,546
	<u>253,040,709</u>	<u>5,487,484</u>	<u>-</u>	<u>2,158,819</u>	<u>260,687,012</u>
Total historic cost					
Less accumulated depreciation	<u>(139,892,089)</u>	<u>(4,488,897)</u>	<u>-</u>	<u>-</u>	<u>(144,380,986)</u>
Subtotal, depreciable capital assets, net	<u>113,148,620</u>	<u>998,587</u>	<u>-</u>	<u>2,158,819</u>	<u>116,306,026</u>
Capital assets not subject to depreciation:					
Land	7,531,544	-	-	-	7,531,544
Construction in progress	<u>16,801,100</u>	<u>18,220,026</u>	<u>-</u>	<u>(2,158,819)</u>	<u>32,862,307</u>
Capital assets, net	<u>\$ 137,481,264</u>	<u>\$ 19,218,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,699,877</u>

**(7) Retirement Programs**

The University's full-time employees receive pension benefits either through the federally administered Civil Service Retirement System, the District Retirement System or the University's Retirement Programs.

The University offers retirement plans to its eligible Educational Service and District Service employees. Eligible employees include faculty, administrative and wage grade staff of the University.

**(a) Defined Benefit Pension Plan**

**Civil Service Retirement System (CSRS)**

Career service employees hired prior to October 1987 are covered by the Civil Service Retirement System (CSRS), a cost-sharing multiple-employer public employee retirement system administered by the Federal government's Office of Personnel Management (OPM). The CSRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at [www.opm.gov](http://www.opm.gov).

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

The contributions of 7% of each covered employee's annual salary to the CSRS on behalf of the University. The contribution requirements of plan members are established (and may be amended) by the OPM. The contributions for the years ended September 30, 2015, 2014 and 2013 were \$81,487, \$91,424 and \$108,802, respectively.

**(b) *Defined Contribution Pension Plans***

**District Retirement Program – 401(a)**

Career service employees hired on or after October 1, 1987, are covered by the defined contribution pension plan of the District's Retirement System. The District sponsors the plan under the provisions of D.C. Code 1-627 with a qualified trust under Internal Revenue Code (IRC) Section 401(a).

The University contributes 5% of the annual base salary to a pension account in the employee's name, beginning with the first pay period following completion of one year of creditable service. Contributions are made each pay period based on the employee's pre-tax base salary (excluding overtime, holiday, and Sunday compensation). Employees do not contribute to this plan. Contributions are fully vested after five years of continuous service. The University's contributions were \$78,802 and \$81,882 for the years ended September 30, 2015 and 2014, respectively.

**Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF)**

Eligible Educational Service employees may participate in a contributory pension and retirement plan administered by TIAA/CREF. Under this plan, an employee may contribute a minimum of 5% of his/her base salary. In addition, the University contributes 15% for continuing full-time faculty hired prior to August 16, 2003, and 7% for continuing full time faculty hired on or after August 16, 2003. In addition, the University contributes 7% of the annual salary for the law school faculty and administrative staff. Contributions are transferable to other eligible plans. Total FY 2015 payroll for all employees was approximately \$64.8 million, of which employees with total payroll of approximately \$62.8 million were covered under the plan. The pension cost for the years ended September 30, 2015 and 2014, were \$3,890,322 and \$3,829,661, respectively. Generally, employees are fully vested immediately after start of contribution in both their contributions and in the University's contributions. Approximately 680 employees were covered by this plan during the year.

**(c) *Deferred Compensation Plans***

**Internal Revenue Code Section 403 Plan**

The University sponsors an annuity purchase plan (D. C. Code 31-1252) with insurance companies and other issuers in accordance with IRC Section 403 for public teachers covered by the University Retirement Program. The University does not contribute to the plan and has no liability to the plan. Contributions vest immediately and are not assets of the University.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

**Internal Revenue Code Section 457 Plan**

The University offers its employees a deferred compensation plan (D. C. Code 47-3601) created in accordance with Internal Revenue Code Section 457. Contributions are not assets of the University, and the University has no liability to the plan.

**(8) Commitments and Contingencies**

***Risk Management***

The University, as a component unit of the District, participates in the District's self-insurance activities. The District retains all risk of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The University is only responsible for making annual premium payments for athletic injury insurance. The District reports claims expenditures and liabilities when it is probable that loss has occurred and the amount of that loss can be reasonably estimated.

The District also records a liability for an estimate of claims that have been incurred but not reported. Assets are not set aside to finance claims. A disability compensation accrual for claims from injuries to employees is also recorded in the District's basic financial statements. The District, through a separate appropriation, pays all significant losses arising from a lack of commercially provided insurance at no cost to the University.

**(a) *Grants and Contracts***

The University receives a portion of its revenues from Federal grants and contracts, which are to be used for certain, stated purposes. These Federal grants and contracts are subject to review and audit by government agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of the contract and grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the University. Management of the University is of the opinion that no significant liability, if any, will result from the outcome of these audits.

**(b) *Litigation***

The University is a party to a number of legal actions. Liabilities have been accrued for these cases amounting to approximately \$5.7 million and \$6.4 million for FY 2015 and 2014, respectively. The accrued liability reported as litigation contingencies is based on estimates of the payments that will be made upon judgment or resolution of the claim. As of September 30, 2015 and 2014, various claims and law suits against the University were settled and the University made settlement payments in the amount of \$1,920,361 and \$216,346, respectively. In the opinion of management, based on the information currently available, the expected outcome of legal actions will not have a materially adverse effect on the University's financial statements.

**UNIVERSITY OF THE DISTRICT OF COLUMBIA**  
(A Component Unit of the Government of the District of Columbia)

Notes to Basic Financial Statements

September 30, 2015 and 2014

(c) ***Lease Commitments***

The University leases certain equipment and facilities under operating leases expiring at various dates through September 2020 and beyond. The University uses several buildings owned by the District and Federal governments, as well as several privately owned buildings.

The University currently has a lease agreement with AvalonBay Communities to lease space for the athletic department. The University also leased equipment from various companies. Total rental expense during the years ended September 30, 2015 and 2014, for all operating leases was \$6,641,819 and \$5,767,098, respectively.

The future annual minimum lease payments under non-cancelable operating lease agreements as of September 30, 2015, that have an initial or remaining lease term in excess of one year are shown in the table below:

Table 8 – Operating lease commitments

<b><u>Year ending September 30:</u></b>	<b><u>Amount</u></b>
2016	\$ 3,112,705
2017	3,190,479
2018	3,270,197
2019	3,351,864
2020	3,436,364
Beyond	<u>27,322,177</u>
Total	<u>\$ 43,683,786</u>

