

THE UNCG EXCELLENCE FOUNDATION, INC.

(A Component Unit of The University
of North Carolina at Greensboro)

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2022 AND 2021



THE UNCG EXCELLENCE FOUNDATION, INC.

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Independent Auditor's Report

To the Board of Directors
The UNCG Excellence Foundation, Inc.
Greensboro, North Carolina

Opinion

We have audited the accompanying financial statements of The UNCG Excellence Foundation, Inc., which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The UNCG Excellence Foundation, Inc. as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of The UNCG Excellence Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The UNCG Excellence Foundation, Inc.'s ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may arise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UNCG Excellence Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The UNCG Excellence Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of cash flows ("supplementary information") for the year ended June 30, 2022, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of cash flows is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 3, 2022

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

Introduction

The UNCG Excellence Foundation, Inc. (the "Foundation") provides the following Management Discussion and Analysis ("MD&A") as an overview of the financial activities for the fiscal year ended June 30, 2022. This discussion, along with the accompanying financial statements and related footnote disclosures, have been prepared by management and comprise the Foundation's complete financial report. The financial statements, footnotes and this discussion are the responsibility of management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. However, this discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes.

Using the Financial Report

The Foundation's financial report includes two financial statements: the statements of net position and the statements of changes in net position. The Foundation is blended in The University of North Carolina at Greensboro's (the "University") financial report and therefore is prepared in accordance with Governmental Accounting Standards Board ("GASB") principles.

Statements of Net Position

The statements of net position is a point of time financial statements that presents the assets, liabilities, and net position of the Foundation. The purpose of this financial statement is to present to the readers of the Foundation's financial report a fiscal snapshot as of the end of the fiscal year (i.e., June 30th).

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the Foundation. The statements of net position also provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the Foundation. Net position is divided into three major categories: invested in capital assets, net of related debt; unrestricted net position; and restricted net position, which are reflected in two subcategories – expendable and nonexpendable. These three categories of net position are discussed further in the footnotes to the financial statements.

	<u>2022</u>	<u>2021</u>
Assets	<u>\$ 187,420,574</u>	<u>\$ 201,510,007</u>
Liabilities	<u>\$ 5,055,385</u>	<u>\$ 6,255,668</u>
Deferred Inflows of Resources	<u>88,390</u>	<u>86,841</u>
Net Position		
Invested in capital assets	34,000	34,000
Restricted, nonexpendable	102,634,817	98,459,382
Restricted, expendable	68,467,049	83,576,057
Unrestricted	<u>11,140,933</u>	<u>13,098,059</u>
Total net position	<u>182,276,799</u>	<u>195,167,498</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 187,420,574</u>	<u>\$ 201,510,007</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

Statements of Net Position (Continued)

The total assets of the Foundation decreased by approximately \$14 million for the year ended June 30, 2022 and increased by approximately \$46 million for the year ended June 30, 2021. The changes in total net position are attributable primarily to new gifts to the Foundation and investment performance.

On May 31, 2019, the affiliated entities of the Alumni Association of the University of North Carolina at Greensboro, Incorporated ("Alumni Association") and the Weatherspoon Art Museum Association ("WAMA") merged with the UNCG Excellence Foundation, Inc. Also on this date, the Human Environmental Sciences Foundation, Incorporated ("HES Foundation") was dissolved and its remaining unrestricted and endowment assets were placed in the UNCG Excellence Foundation, Inc. This action was undertaken to realign the activities of the affiliated entities to UNC Greensboro's new strategic plan and mission, increase efficiency in the support of UNC Greensboro and its students and alumni, and reduce annual costs.

The endowments of the Foundation are invested through The University of North Carolina at Greensboro Investment Fund, Inc. (the "Investment Fund"). The Investment Fund invests endowment monies for three affiliated organizations. The pooled investments total approximately \$368 million at June 30, 2022. The Investment Fund invests in UNCG Endowment Partners, LP which is a professionally managed portfolio. External investment managers utilize a highly diversified mixture of capital appreciation strategies to achieve returns. The strategy includes investment vehicles of stocks, partnerships and private equity. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements. The Investment Fund pooled total assets decreased by approximately \$24 million for the year. The Investment Fund decreased 7 percent for the fiscal year.

Statements of Changes in Net Position

Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of changes in net position. The purpose of this statement is to present the additions, deductions and net increase to the Foundation.

	<u>2022</u>	<u>2021</u>
Additions	\$ 5,401,662	\$ 7,977,350
Deductions	7,737,110	7,750,072
Investment income (loss)	<u>(10,555,251)</u>	43,417,487
Increase (decrease) in net position	<u>(12,890,699)</u>	43,644,765
Beginning net position	<u>195,167,498</u>	151,522,733
Ending net position	<u>\$ 182,276,799</u>	<u>\$ 195,167,498</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

Statements of Changes in Net Position (Continued)

The statements of changes in net position reflect a decrease in 2022 and an increase in 2021. The decrease is due to losses on endowment investments and the prior year increase is due mostly to gains on endowment investments, noncapital gifts and additions to permanent endowments. The most significant deductions are investment losses and transfers to the University for scholarships, fellowships, and departmental spending.

Economic Outlook

Management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the Foundation's financial position or results of operations during fiscal year 2021-2022 beyond those unknown variations having a global effect on virtually all types of business operations. We will maintain a close watch over resources so that the Foundation will be able to react appropriately to currently unknown internal and external issues.

Management will continue to employ the Foundation's long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the Foundation's operations from temporary market volatility.

While it is not possible to predict ultimate results, we believe that the Foundation's overall financial condition is strong enough to weather most economic uncertainties.

THE UNCG EXCELLENCE FOUNDATION, INC.

Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,413,984	\$ 1,935,980
Investments	512,422	479,304
Restricted cash and cash equivalents	1,111,152	1,437,399
Restricted investments	4,773,830	4,677,576
Accrued interest receivable	2,108	1,842
Pledges receivable, net	251,680	114,328
Other receivables	379	98,230
Endowment cash	209,192	445,691
Endowment investment	171,158,291	181,117,086
Other long-term investments	6,689,058	10,105,674
Other assets	1,298,478	1,096,897
Total assets	<u>\$ 187,420,574</u>	<u>\$ 201,510,007</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Liabilities:		
Accounts payable and other liabilities	\$ 45,634	\$ 57,536
Funds held for others	1,240,658	1,289,680
Liabilities under unitrust agreements	1,072,117	1,894,253
Annuities payable	2,696,976	3,014,199
Total liabilities	<u>5,055,385</u>	<u>6,255,668</u>
Deferred Inflows of Resources:		
Deferred revenue, split interest agreements	88,390	86,841
	<u>88,390</u>	<u>86,841</u>
Net Position:		
Net investment in capital assets	34,000	34,000
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	65,839,154	64,191,934
Professorships	1,481,830	1,478,947
Departmental uses	28,478,173	26,335,975
Art	2,006,045	1,601,772
Other	4,829,615	4,850,754
Expendable:		
Scholarships and fellowships	43,080,664	52,916,922
Professorships	2,423,701	2,786,585
Departmental uses	16,104,346	20,591,138
Art	2,196,915	2,174,775
Other	4,661,423	5,106,637
Unrestricted	11,140,933	13,098,059
Total net position	<u>182,276,799</u>	<u>195,167,498</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 187,420,574</u>	<u>\$ 201,510,007</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Statements of Changes in Net Position
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Additions:		
Contributions:		
Gifts	\$ 372,813	\$ 808,790
Additions to permanent endowments	5,028,849	7,168,560
Total additions	<u>5,401,662</u>	<u>7,977,350</u>
Deductions:		
Office expense	5,752	4,961
Administrative expense	669,265	354,862
Transfers to the University	6,928,570	7,295,387
Transfers to Weatherspoon Art Foundation	133,523	94,862
Total deductions	<u>7,737,110</u>	<u>7,750,072</u>
Investment income (loss):		
Net increase (loss) in fair value of investments	(10,562,827)	44,996,327
Net change in value of split-interest agreements	314,449	(1,457,007)
Interest, dividends and other	658,772	800,351
	<u>(9,589,606)</u>	<u>44,339,671</u>
Less investment expense	965,645	922,184
Total investment income (loss)	<u>(10,555,251)</u>	<u>43,417,487</u>
Changes in net position	(12,890,699)	43,644,765
Net position - beginning of year	<u>195,167,498</u>	<u>151,522,733</u>
Net position - end of year	<u>\$ 182,276,799</u>	<u>\$ 195,167,498</u>

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Financial Statements

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Net Position

Restricted net position, nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted net position, expendable - Expendable restricted net position includes resources in which the Foundation is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties. Expendable net position also includes amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board.

Unrestricted net position - Unrestricted net position includes resources derived from unrestricted gifts and earnings on those gifts. Similar net position is quasi-endowment net assets (net assets functioning as endowment) which the Board of Directors has determined are to be retained and invested. Because these net assets are internally designated rather than externally restricted, the Board of Directors has the right to decide at any time to expend the principal.

Cash and Cash Equivalents

In addition to cash in bank accounts and undeposited receipts, this classification includes all short-term investments, such as savings accounts, money market accounts, as well as amounts on deposit with the State Treasurer.

Capital Assets

Capital assets include collectibles historically held by the Alumni Association of the University of North Carolina at Greensboro that are considered non-depreciable capital assets.

Investments

Investments are stated at fair value. Equity securities, mutual funds, bonds and U.S. Treasury notes are stated at quoted value as of June 30, 2022 and 2021. Investment in the investment pool is determined on a market unit valuation basis.

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split Interest Agreements

The Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of annuities, life income agreements or charitable remainder trusts. The terms of the agreements are the lifetimes of the respective distribution recipients. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuitant or trust beneficiary. The projected future distributions are recorded as annuities payable and liabilities under unitrust agreements on the statements of net position.

NOTE 2 - DEPOSITS

Deposits include bank accounts totaling \$2,734,328 and \$3,819,070 at June 30, 2022 and 2021, respectively, for which the bank balance was \$2,720,097 and \$3,781,810, respectively. Of the bank balances, \$250,000 was covered by federal depository insurance with the remaining balance being uncollateralized for each year.

NOTE 3 - INVESTMENTS

Investments consist of the following at June 30:

	Fair Value	
	2022	2021
Investment pool	\$ 173,729,662	\$ 183,135,024
Assets held under annuity trust agreements	3,058,824	5,951,748
Assets held under unitrust agreements	3,460,705	3,964,555
Adelaide Fortune Holderness Fund	2,717,038	3,141,699
Pooled life income fund	167,372	186,614
Cash value of life insurance contracts	295,478	295,478
	<u>\$ 183,429,079</u>	<u>\$ 196,675,118</u>

The investments listed in the previous chart include investments not held in the investment pool or held as life insurance contracts. These investments are diversified as follows at June 30:

	Fair Value	
	2022	2021
Cash and cash equivalents	\$ 244,114	\$ 233,826
Mutual funds	6,544,450	9,961,705
Corporate securities:		
Common stocks	2,615,375	3,049,085
	<u>\$ 9,403,939</u>	<u>\$ 13,244,616</u>

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 3 - INVESTMENTS (Continued)

The investment pool is managed and invested by The University of North Carolina at Greensboro Investment Fund, Inc. (the "Investment Fund"). The UNCG Excellence Foundation, Inc., The Endowment Fund of The University of North Carolina at Greensboro, and The Associated Campus Ministries of The University of North Carolina at Greensboro are the sole members of the Investment Fund.

Assets and ownership interests of the investment pool are determined on a market unit valuation basis. The original basis was \$1,000.00 per unit. For the years ended June 30, 2022 and 2021, the total rates of return were a loss of 7% and a gain of 24.7%, respectively. As of June 30, 2022 and 2021, total units of 51,502.46 and 52,100.69 had a market value of \$7,157.71 and \$7,535.39 per unit, and the Foundation owned 24,271.67 and 24,302.67 units, respectively.

The Foundation invests in a professionally managed portfolio that contains common shares and bonds of publicly-traded companies and mutual funds as well as the Investment Fund. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The Foundation realized net gains of \$4,786,594 and \$2,281,444 from the sale of investments for the years ended June 30, 2022 and 2021, respectively. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. The net change in the fair value of investments during the years ended June 30, 2022 and 2021 was a decrease of \$13,619,379 and an increase of \$39,563,478, respectively. This amount takes into account all changes in the fair value (including purchases and sales) that occurred during the period. The cumulative unrealized gain on investments held at June 30, 2022 and 2021, is \$74,360,319 and \$87,979,698, respectively.

The Investment Fund investment pool is diversified as follows at June 30:

	Fair Value	
	2022	2021
UNCG Endowment Partners, LP	<u>\$ 368,639,796</u>	<u>\$ 392,609,634</u>

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 3 - INVESTMENTS (Continued)

Investments in the investment pool are stated at fair value. The Investment Fund invests in UNCG Endowment Partners, LP which is a professionally managed portfolio that contains domestic and foreign common shares of publicly-traded companies, mutual funds, and investment partnerships.

	<u>2022</u>	<u>2021</u>
US Equity	25.9%	25.9%
Global ex US Equity	9.4%	11.5%
Emerging Markets Equity	6.9%	6.8%
Global Equity	0.5%	0.4%
Private Equity	26.5%	21.3%
US Government Securities	-	-
Diversifying Strategies	15.0%	15.2%
Inflation Sensitive	-	-
Deflation Hedging	12.8%	12.2%
Cash and Cash Equivalents	3.0%	6.7%
	<u>100.0%</u>	<u>100.0%</u>

Investment earnings are distributed based on policy administered by The Board of Directors of the Investment Fund. Any excess return over the established policy is reinvested by the Investment Fund. For the years ended June 30, 2022 and 2021, 3.9% and 4.0%, respectively, of the average market value at June 30th.

At June 30, 2022 and 2021, the Foundation held the following investments, measured at fair value, which are subject to credit and interest rate risk.

		2022				
		Investment Maturities (In Years)				
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	<u>Fair Value</u>
Mutual bond						
funds		\$ -	\$ 498,097	\$ 1,712,604	\$ -	\$ 2,210,701
		<u>\$ -</u>	<u>\$ 498,097</u>	<u>\$ 1,712,604</u>	<u>\$ -</u>	<u>\$ 2,210,701</u>
Allocation		0.0%	22.5%	77.5%	0.0%	100.0%
		2021				
		Investment Maturities (In Years)				
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	<u>Fair Value</u>
Mutual bond						
funds		\$ -	\$ 760,250	\$ 2,492,385	\$ -	\$ 3,252,635
		<u>\$ -</u>	<u>\$ 760,250</u>	<u>\$ 2,492,385</u>	<u>\$ -</u>	<u>\$ 3,252,635</u>
Allocation		0.0%	23.4%	76.6%	0.0%	100.0%

THE UNCG EXCELLENCE FOUNDATION, INC.**Notes to Financial Statements**

NOTE 3 - INVESTMENTS (Continued)

Credit Risk and Interest Rate Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk of a debt investment's exposure to fair value fluctuations arising from changing interest rates. The Foundation's formal policy states that some of the fixed income holdings will be in a diversified, high quality (AA/A or better average credit rating) U.S. fixed income portfolio of sufficient duration (four years or more) to provide effective protection in a deflationary environment.

Foreign Currency Risk: The risk that changes in exchange rates will adversely affect the value of an investment. The Fund does not have a formal policy for foreign currency risk.

Credit Risk: The Foundation's annuity investments are rated by Standard & Poor's and Moody's Rating Services as follows:

	2022		
	Credit Rating		
	AAA	AA	A
Mutual bond funds	<u>\$ 649,259</u>	<u>\$ 638,824</u>	<u>\$ 781,280</u>
Allocation	29.4%	28.9%	35.3%

	2022			
	Credit Rating			Fair Value
	BBB	BB	B	
Mutual bond funds	<u>\$ -</u>	<u>\$ 141,338</u>	<u>\$ -</u>	<u>\$ 2,210,701</u>
Allocation	0.0%	6.4%	0.0%	100.0%

	2021		
	Credit Rating		
	AAA	AA	A
Mutual bond funds	<u>\$ 975,945</u>	<u>\$ 7,159</u>	<u>\$ 1,509,281</u>
Allocation	30.0%	0.2%	46.4%

	2021			
	Credit Rating			Fair Value
	BBB	BB	B	
Mutual bond funds	<u>\$ 540,833</u>	<u>\$ 219,417</u>	<u>\$ -</u>	<u>\$ 3,252,635</u>
Allocation	16.6%	6.8%	0.0%	100.0%

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 3 - INVESTMENTS (Continued)

The Foundation invests in a professionally managed portfolio that contains common shares and bonds of publicly-traded companies and mutual funds as well as the Investment Fund. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

NOTE 4 - PLEDGES TO THE FOUNDATION

As of June 30, 2022 and 2021, outstanding pledges to the Foundation totaled \$3,432,670 and \$1,647,931, respectively. Of the total pledges, \$3,146,280 and \$1,518,834, respectively, are endowment fund pledges and \$286,390 and \$122,950, respectively, are current fund pledges, net of discounts and allowances for doubtful accounts. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment fund pledges are not recorded and recognized until received due to the passage of the restrictions associated with the pledges. Pledges that are expected to be collected and available for expenditures, that are both verifiable and measurable, are reported on the accompanying financial statements as part of pledges receivable. In accordance with accounting principles generally accepted in the United States of America, the original amount pledged has been discounted based on a projected interest rate for the outstanding periods. There is a \$13,840 and \$6,147 allowance for doubtful accounts reported in the statements of net position as of June 30, 2022 and 2021, respectively. The pledges receivable due over the next five years are as follows: \$718,361; \$931,452; \$719,760; \$628,831; and \$71,443. The discount on the pledges due at June 30, 2022 and 2021 was \$15,676 and \$2,475, respectively.

NOTE 5 - ENDOWMENTS AND QUASI ENDOWMENTS

Foundation endowments consist of donor-restricted funds established to support scholarships and fellowships, endowed professorships, departmental uses and various other purposes. The Foundation's Board of Directors also maintains various other board-designated endowments (quasi endowments), which are designated for long-term investment.

If a donor has not provided specific instructions, State law permits the Board of Directors to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly in March 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the Foundation's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds in order to preserve the value of the endowment over time.

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 5 - ENDOWMENTS AND QUASI ENDOWMENTS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the book value of the original gift amount. The excess of book value over market value of these funds reported in expendable or unrestricted net assets, was \$399,540 and \$2 as of June 30, 2022 and 2021, respectively. This excess was the result of unfavorable market fluctuations.

NOTE 6 - ADMINISTRATIVE EXPENSES

Certain administrative costs related to the Foundation, including accounting services, fund-raising expenses and gift receipting services, have been absorbed by the University. It is not feasible to determine the amount of such costs from services arising between the University and the Foundation.

NOTE 7 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; and natural disasters. These exposures to loss are handled via a combination of methods, including purchase of commercial insurance and self-retention of certain risks.

There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Additional details on the University's risk management programs are disclosed in the financial report of the University.

NOTE 8 - INCOME TAXES

The Foundation is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

SUPPLEMENTARY INFORMATION

THE UNCG EXCELLENCE FOUNDATION, INC.
Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:	
Changes in net position	\$(12,890,699)
Adjustments to reconcile changes in net position to net cash used in operating activities:	
Net decrease in fair value of investments	10,562,827
Investment earnings reinvested in investments	(286,633)
(Increase) decrease in:	
Accrued interest receivable	(266)
Pledges receivable	(137,352)
Other receivables	97,851
Other assets	(201,581)
Increase (decrease) in:	
Accounts payable and other liabilities	(11,902)
Liabilities under unitrust agreements	(822,136)
Annuities payable	(317,223)
Deferred revenue, split interest agreements	1,549
Net cash used in operating activities	<u>(4,005,565)</u>
Cash flows from investing activities:	
Proceeds on the sale of investments	8,001,662
Purchases of investments	<u>(5,031,817)</u>
Net cash provided by investing activities	<u>2,969,845</u>
Cash flows from financing activities:	
Increase in funds held for others	<u>(49,022)</u>
Net cash used in financing activities	<u>(49,022)</u>
Decrease in cash	(1,084,742)
Cash, cash equivalents, and restricted cash - beginning	<u>3,819,070</u>
Cash, cash equivalents, and restricted cash - ending	<u><u>\$ 2,734,328</u></u>
Cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 1,413,984
Restricted cash and cash equivalents	1,111,152
Endowment cash	209,192
	<u><u>\$ 2,734,328</u></u>

THE UNCG EXCELLENCE FOUNDATION, INC.

Time and Costs for the Audit

Years Ended June 30, 2022 and 2021

The UNCG Excellence Foundation, Inc.'s audit was conducted in approximately 100 hours at a total cost of \$14,000 and \$14,700 for the years ended June 30, 2022 and 2021, respectively.