

**The UNCG Excellence
Foundation, Inc.
(A Component Unit of The
University of North Carolina
at Greensboro)**

Financial Report
Year Ended June 30, 2011

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Independent Auditor's Report

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

We have audited the accompanying statements of net assets of The UNCG Excellence Foundation, Inc. (the "Foundation"), a component unit of The University of North Carolina at Greensboro, as of June 30, 2011 and 2010, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011 and 2010, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011 on our consideration of the Foundation'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 3 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Greensboro, North Carolina
October 12, 2011

The UNCG Excellence Foundation, Inc.

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2011

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, 2011. This discussion, along with the following 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 assets and the statements of changes in net assets. The Foundation is blended in The University of North Carolina at Greensboro (the "University") financial report and therefore is prepared in accordance with Governmental Accounting Standards Board ("GASB") principles.

Statement of Net Assets

The statement of net assets is a "point of time" financial statement that presents the assets, liabilities, and net assets 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 statement of net assets also provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the Foundation. Net assets are divided into three major categories: invested in capital assets, net of related debt; unrestricted net assets; and restricted net assets, which are reflected in two subcategories – expendable and nonexpendable. These three categories of net assets are discussed further in the footnotes to the financial statements.

	2011	2010	2009
Assets	\$ 98,734,470	\$ 80,751,633	\$ 71,824,971
Liabilities	8,057,032	6,375,389	5,591,046
Net assets			
Invested in capital assets	62,889	80,011	71,492
Restricted, nonexpendable	52,955,265	48,202,430	44,698,803
Restricted, expendable	30,831,803	20,348,396	15,725,361
Unrestricted	6,827,481	5,745,407	5,738,269
	\$ 90,677,438	\$ 74,376,244	\$ 66,233,925

The total assets of the Foundation changed by approximately \$18 million, \$8.9 million and (\$18.5) million for the years ended June 30, 2011, 2010 and 2009, respectively. The changes in total assets are attributable primarily to new gifts to the Foundation and investment performance.

The endowments of the Foundation are invested through The University of North Carolina at Greensboro Investment Fund, Inc. (the "Fund").

The UNCG Excellence Foundation, Inc.

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2011

The Fund invests endowment monies for five affiliated organizations. The pooled investments total approximately \$204.6 million at June 30, 2011. At June 30, 2011, the Foundation owns 40% of the pooled investments totaling \$82.1 million. The University Investment Fund pool assets are diversified with 85.0% equities (of which 43.3% are in hedge fund and alternative investments), 14.5% bonds, and 0.5% in cash. The total assets of the Fund increased by approximately \$33.8 million for the year. The Fund returned 21.1% for the fiscal year, underperforming the 25.1% return of a passive benchmark consisting of 80% S&P 500 Index plus 20% Barclays Capital Aggregate Bond Index, underperforming the 25.0% return of a passive benchmark consisting of 80% MSCI World Index plus 20% Barclays Capital Aggregate Bond and outperforming the 18.7% return of a custom benchmark based on the Investment Fund's target asset allocation.

Statements of Changes in Net Assets

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

	2011	2010	2009
Additions	\$ 19,011,805	\$ 10,358,713	\$ (13,678,017)
Deductions	2,710,611	2,216,394	3,884,490
Increase (decrease) in net assets	16,301,194	8,142,319	(17,562,507)
Net assets:			
Beginning	74,376,244	66,233,925	83,796,432
Ending	<u>\$ 90,677,438</u>	<u>\$ 74,376,244</u>	<u>\$ 66,233,925</u>

The 2011 and 2010 statements of changes in net assets reflect an increase in the net assets at the end of each year; the 2009 statement reflects a decrease in the net assets at the end of the year. The increase in 2011 and 2010 is due mostly to gains on endowment investments, noncapital gifts and additions to permanent endowments. The decrease in 2009 was due to losses on endowment investments. The most significant expenditures are 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 2011-12 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 Assets
June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 926,474	\$ 857,605
Investments	307,629	334,969
Restricted cash and cash equivalents	579,307	539,624
Restricted investments	2,936,485	2,433,239
Accrued interest receivable	1,809	1,181
Pledges receivable, net	83,994	138,914
Endowment cash	46,354	29,295
Endowment investments	80,279,013	65,649,407
Other long-term investments	12,501,831	9,580,205
Capital assets, net	62,889	80,011
Other assets	983,876	1,093,504
Other receivables	24,809	13,679
Total assets	98,734,470	80,751,633
Liabilities		
Accounts payable and accrued liabilities	1,232	843
Other liabilities	12,172	27,152
Deferred revenue, split interest agreements	160,802	131,736
Funds held for others	33,836	92,072
Liabilities under unitrust agreements	2,702,448	2,168,708
Annuities payable	5,146,542	3,954,878
Total liabilities	8,057,032	6,375,389
Net Assets		
Invested in capital assets, net	62,889	80,011
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	33,620,322	30,539,381
Professorships	921,680	878,196
Departmental uses	12,916,816	12,070,506
Art	1,384,479	1,381,944
Other	4,111,968	3,332,403
Expendable:		
Scholarships and fellowships	19,273,853	12,244,164
Professorships	1,594,965	1,273,686
Departmental uses	6,380,497	3,903,290
Art	756,941	480,502
Other	2,825,547	2,446,754
Unrestricted	6,827,481	5,745,407
Total net assets	\$ 90,677,438	\$ 74,376,244

See Notes to Financial Statements.

The UNCG Excellence Foundation, Inc.

**Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010**

	2011	2010
Additions:		
Contributions:		
Gifts	\$ 514,924	\$ 715,648
Additions to permanent endowments	2,931,717	2,748,670
Total contributions	3,446,641	3,464,318
Investment income:		
Net increase in fair value of endowment investments	14,850,345	6,325,660
Net change in value of split-interest agreements	252,241	(45,371)
Interest, dividends, and other	789,174	965,707
	15,891,760	7,245,996
Less investment expense	326,596	351,601
	15,565,164	6,894,395
Total additions	19,011,805	10,358,713
Deductions:		
Transportation expense	5,868	9,777
Depreciation expense	17,121	16,886
Administrative expense	55,786	48,835
Transfers to the University	2,553,636	2,063,753
Transfers to Weatherspoon Art Foundation	78,200	77,143
Total deductions	2,710,611	2,216,394
Increase in net assets	16,301,194	8,142,319
Net assets:		
Beginning of year	74,376,244	66,233,925
End of year	\$ 90,677,438	\$ 74,376,244

See Notes to Financial Statements.

The UNCG Excellence Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

The UNCG Excellence Foundation, Inc. (the "Foundation") exists to aid and promote excellence in education for the exclusive benefit of The University of North Carolina at Greensboro (the "University"). Although legally separate from the University, the Foundation is reported as if it were part of the University because its sole purpose is to benefit the University. The Foundation is a component unit of the University; therefore, the Foundation's financial statements are blended with those of the University.

Significant accounting policies relative to the Foundation are:

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 accounting: 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 assets: The Foundation's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the Foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

Unrestricted net assets: Unrestricted net assets include resources derived from unrestricted gifts and earnings on those gifts. Similar net assets are 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.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

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, 2011 and 2010. Investment in the investment pool is determined on a market unit valuation basis.

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 statement of net assets.

Capital assets: Capital assets consist of vehicles, which are stated at cost. Depreciation is determined by the straight-line method and is based on a 5-year estimated useful life. Depreciation expense amounted to \$17,121 and \$16,886 in fiscal years 2011 and 2010, respectively.

Reclassifications: The Foundation's policy is to reclassify amounts reported in prior year financial statements when necessary for conformity with the classification of similar amounts reported in the current year financial statements. When made, such reclassifications do not affect the change in net assets or total net assets.

Note 2. Deposits

Deposits include bank accounts totaling \$776,644 and \$409,932 at June 30, 2011 and 2010, respectively, for which the bank balance was \$763,155 and \$423,991, respectively. Of the bank balances, \$250,000 was covered by federal depository insurance with the remaining balance being uncollateralized for each year.

In addition, the Foundation, in accordance with North Carolina General Statutes, deposits cash with the State Treasurer of North Carolina. At June 30, 2011 and 2010, the Foundation's portion of cash deposited with the State Treasurer was \$774,741 and \$1,016,592, respectively. It is the State Treasurer's policy and practice for the deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State.

The UNCG Excellence Foundation, Inc.

Notes to Financial Statements

Note 3. Investments

Investments consist of the following at June 30:

	Fair Value	
	2011	2010
Investment pool	\$ 82,078,825	\$ 67,294,891
Assets held under annuity trust agreements	6,851,021	4,694,440
Assets held under unitrust agreements	5,309,504	4,576,991
Adelaide Fortune Holderness Fund	1,264,316	976,112
Pooled life income fund	341,306	308,775
Cash value of life insurance contracts	388,853	368,481
H. Michael Weaver Investment Fund	181,794	146,611
	<u>\$ 96,415,619</u>	<u>\$ 78,366,301</u>

The above investments, exclusive of the cash value of life insurance contracts and the investment pool, are diversified as follows at June 30:

	Fair Value	
	2011	2010
Cash and cash equivalents	\$ 704,241	\$ 188,816
Mutual funds	11,924,070	9,484,252
Corporate securities:		
Common stocks	1,319,630	1,029,861
	<u>\$ 13,947,941</u>	<u>\$ 10,702,929</u>

The investment pool is managed and invested by The University of North Carolina at Greensboro Investment Fund, Incorporated (the "Investment Fund"). The UNCG Excellence Foundation, Inc., The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Incorporated, The Endowment Fund of The University of North Carolina at Greensboro, The Alumni Association 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, 2011 and 2010, the total rates of return were gains of 21.1% and 10.8%, respectively. As of June 30, 2011 and 2010, total units of 57,923.46 and 58,556.93 had a market value of \$3,531.85 and \$2,916.78 per unit, and the Foundation owned 23,241.84 and 23,076.87 units, respectively.

The Foundation realized net gains of \$3,432,140 and \$420,350 from the sale of investments for the years ended June 30, 2011 and 2010, 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, 2011 and 2010 was \$11,418,205 and \$5,905,310, 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, 2011 and 2010 is \$20,136,287 and \$8,718,082, respectively.

The UNCG Excellence Foundation, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

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

	Fair Value	
	2011	2010
Short-term investments	\$ 1,046,457	\$ 1,145,122
Receivable for investments	1,014,825	-
Corporate securities:		
Common stocks	9,451,438	7,893,993
International	2,564,651	945,443
Mutual funds:		
International equity	38,734,695	30,846,137
Inflation hedging	16,218,088	10,971,575
Fixed income	26,274,925	29,307,798
Fixed income global	-	8,166,502
U.S. Equities	6,339,628	-
Partnerships:		
Fixed income global	3,318,814	-
Hedge funds	48,022,393	44,329,001
Inflation hedging	714,465	-
Real estate securities	6,166,919	4,767,890
U.S. Equities	27,466,000	20,008,499
Venture capital	17,222,119	12,488,910
Payable for investments	-	(123,734)
	\$ 204,555,417	\$ 170,747,136

Investments in the investment pool are stated at fair value. Equity securities and mutual funds are stated at quoted value. Investments in partnerships are stated at net unit value based on the fair value of the partnerships' assets (determined based on values supplied by pricing services, market quotations and other pricing sources believed to be reliable). The Investment Fund invested in partnerships during the period that place funds with various managers who invest primarily in derivatives. These partnerships consist primarily of a broadly diversified group of equity long/short managers with a small allocation to distressed and merger arbitrage managers. Detailed information regarding the derivative investments is not available to the Investment Fund.

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, 2011 and 2010, 4.25% of the average market value at December 31 of the three previous years was distributed.

The UNCG Excellence Foundation, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

At June 30, 2011 and 2010, the Foundation held the following investments, measured at fair value, which are subject to credit and interest rate risk.

Investment Type	2011				
	Investment Maturities (in Years)				Fair Value
	Less Than 1	1 to 5	6 to 10	More Than 10	
Money market funds	\$ 99,309	\$ -	\$ -	\$ -	\$ 99,309
Mutual bond fund	-	-	3,932,444	-	3,932,444
	<u>\$ 99,309</u>	<u>\$ -</u>	<u>\$ 3,932,444</u>	<u>\$ -</u>	<u>\$ 4,031,753</u>
Allocation	2.5%	0.0%	97.5%	0.0%	100.0%

Investment Type	2010				
	Investment Maturities (in Years)				Fair Value
	Less Than 1	1 to 5	6 to 10	More Than 10	
Money market funds	\$ 67,162	\$ -	\$ -	\$ -	\$ 67,162
Mutual bond fund	-	-	3,720,611	-	3,720,611
	<u>\$ 67,162</u>	<u>\$ -</u>	<u>\$ 3,720,611</u>	<u>\$ -</u>	<u>\$ 3,787,773</u>
Allocation	1.8%	0.0%	98.2%	0.0%	100.0%

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 limits the majority of fixed income holdings to those investments that have a high quality rating (AA/Aa or better) and those with a sufficient duration (4 years or more) to provide effective protection in a deflationary environment.

The UNCG Excellence Foundation, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

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

Investment Type	2011					Fair Value
	Credit Rating					
	AAA	AA	A	BBB		
Money market funds	\$ 99,309	\$ -	\$ -	\$ -	\$ 99,309	
Mutual bond fund	-	3,932,444	-	-	3,932,444	
	<u>\$ 99,309</u>	<u>\$ 3,932,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,031,753</u>	
Allocation	2.5%	97.5%	0.0%	0.0%	100.0%	

Investment Type	2010					Fair Value
	Credit Rating					
	AAA	AA	A	BBB		
Money market funds	\$ 67,162	\$ -	\$ -	\$ -	\$ 67,162	
Mutual bond fund	-	3,720,611	-	-	3,720,611	
	<u>\$ 67,162</u>	<u>\$ 3,720,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,787,773</u>	
Allocation	1.8%	98.2%	0.0%	0.0%	100.0%	

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. 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, 2011 and 2010, outstanding pledges to the Foundation totaled \$838,640 and \$1,235,224, respectively. Of the total pledges, \$754,646 and \$1,082,504, respectively, are endowment fund pledges and \$83,994 and \$138,914, 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 \$4,592 and \$7,636 allowance for doubtful accounts reported in the statement of financial position as of June 30, 2011 and 2010, respectively. The pledges receivable are due over the next four years as follows: \$47,747; \$24,237; \$17,355 and \$2,500. The discount on the pledges due at June 30, 2011 was \$3,253.

The UNCG Excellence Foundation, Inc.

Notes to Financial Statements

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.

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 are reported in expendable or unrestricted net assets, were \$9,517 and \$791,856 as of June 30, 2011 and 2010, 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 possible 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 through the University via a combination of methods, including participation in various risk pools administered by the State of North Carolina, 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.