

# McGladrey & Pullen

Certified Public Accountants

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

Financial Report  
Year Ended June 30, 2009

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# McGladrey & Pullen

Certified Public Accountants

## 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, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows 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 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 opinion.

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, 2009 and 2008, and the changes in its net assets and its cash flows 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 September 24, 2009 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 3 through 5 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  
September 24, 2009

## The UNCG Excellence Foundation, Inc.

### Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2009

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#### **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, 2009. 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 three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. 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 30<sup>th</sup>).

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.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>	<b>\$ 71,824,971</b>	<b>\$ 90,356,099</b>	<b>\$ 91,692,715</b>
<b>Liabilities</b>	<b>5,591,046</b>	<b>6,559,667</b>	<b>6,140,373</b>
<b>Net assets</b>			
Invested in capital assets	71,492	80,264	84,622
Restricted - nonexpendable	44,698,803	44,491,401	42,225,870
Restricted - expendable	15,725,361	31,500,364	35,658,483
Unrestricted	5,738,269	7,724,403	7,583,367
	<b>\$ 66,233,925</b>	<b>\$ 83,796,432</b>	<b>\$ 85,552,342</b>

## The UNCG Excellence Foundation, Inc.

### Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2009

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The total assets of the Foundation changed by approximately (\$18.5) million, (\$1.3) million and \$16.8 million for the years ended June 30, 2009, 2008 and 2007, 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. At June 30, 2009, the Foundation owns 39% of the pooled investments totaling \$152.3 million. The University Investment Fund pool assets are diversified with 71.8% equities (of which 37.8% are in hedge fund and alternative investments), 22.6% bonds, and 5.6% in cash. The Fund lost 20.7% for the fiscal year, underperforming the 20.2% loss of a passive benchmark consisting of 80% S&P 500 Index plus 20% Barclays Capital Aggregate Bond Index.

#### **Statement of Revenues, Expenses and Changes in Net Assets**

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues earned by the Foundation, both operating and nonoperating, and the expenses incurred by the Foundation, operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by the Foundation.

Nonoperating revenues are revenues earned for which goods and services are not provided such as noncapital gifts and investment gains. Nonoperating expenses are expenses not directly related to the normal operations of the Foundation (e.g., investment expenses). Additions to the principal of permanent endowments are reported separately after nonoperating revenues and expenses.

	2009	2008	2007
Operating expenses	\$ (150,389)	\$ (103,308)	\$ (149,575)
Nonoperating revenues	(15,946,187)	(795,949)	13,758,218
Additions to permanent endowments	2,268,170	3,325,819	4,402,113
Transfers to Weatherspoon Art Foundation	(119,393)	(76,283)	(215,970)
Transfers to the University	(3,614,708)	(4,106,189)	(2,386,151)
<b>Increase (decrease) in net assets</b>	<b>(17,562,507)</b>	<b>(1,755,910)</b>	<b>15,408,635</b>
<b>Net assets:</b>			
Beginning	<b>83,796,432</b>	85,552,342	70,143,707
Ending	<b>\$ 66,233,925</b>	\$ 83,796,432	\$ 85,552,342

The 2009 and 2008 Statement of Revenues, Expenses, and Changes in Net Assets reflects a decrease in the net assets at the end of the years; the 2007 statement reflects an increase in the net assets at the end of the year. The 2009 and 2008 decreases were due to losses on endowment investments. The increases in 2007 are due mostly to gains on endowment investments, noncapital gifts and additions to permanent endowments. The most significant expenditures are transfers to the University for scholarships, fellowships, and departmental spending.

## The UNCG Excellence Foundation, Inc.

### Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2009

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#### **Statement of Cash Flows**

The final statement presented by the Foundation is the Statement of Cash Flows. This statement is divided into four sections and presents detailed information about the cash activity of the Foundation during the year. The first section deals with operating cash flows and shows the net cash used in the operating activities of the Foundation. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flows from capital financing activities. The fourth section reflects the cash flows from investing activities and shows the net purchases, proceeds and earnings from investing activities.

	2009	2008	2007
Net cash used in operating activities	\$ (99,636)	\$ (98,271)	\$ (197,093)
Net cash provided by (used in) noncapital financing activities	(1,319,599)	(122,899)	5,215,576
Net cash provided by (used in) capital financing activities	237,970	480,705	(24,200)
Net cash provided by (used in) investing activities	1,194,461	(1,038,376)	(4,855,820)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,196</b>	<b>(778,841)</b>	<b>138,463</b>
Cash and cash equivalents:			
Beginning	1,811,033	2,589,874	2,451,411
Ending	<u>\$ 1,824,229</u>	<u>\$ 1,811,033</u>	<u>\$ 2,589,874</u>

In 2009, 2008 and 2007, the major use of funds in noncapital financing activities is endowment return that is transferred to the University for scholarships, fellowships, and departmental spending. The major sources of funds are gifts and additions to permanent endowments. The major use of funds included in operating activities is payments to vendors and suppliers.

#### **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 2009-10 beyond those unknown variations having a global effect on virtually all types of business operations. We anticipate that investment returns and performance for the current fiscal year will be better than the 2008-09 fiscal year due to a general economic stabilization and recovery. Regardless, 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, 2009 and 2008**

	2009	2008
<b>Assets</b>		
Cash and cash equivalents	\$ 862,351	\$ 1,006,263
Investments	328,101	361,816
Restricted cash and cash equivalents	609,571	623,800
Restricted investments	1,731,568	2,858,560
Accrued interest receivable	929	1,511
Pledges receivable, net	169,707	150,172
Endowment cash	352,307	180,970
Endowment investments	58,342,776	73,147,713
Other long-term investments	8,230,708	10,532,570
Capital assets, net	71,492	80,264
Other assets	1,125,115	1,411,741
Other receivables	346	719
<b>Total assets</b>	<b>71,824,971</b>	<b>90,356,099</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	586	1,115
Other liabilities	15,602	22,121
Deferred revenue - split interest agreements	179,243	204,799
Funds held for others	105,759	305,735
Liabilities under unitrust agreements	1,636,191	2,363,873
Annuities payable	3,653,665	3,662,024
<b>Total liabilities</b>	<b>5,591,046</b>	<b>6,559,667</b>
<b>Net Assets</b>		
Invested in capital assets, net	71,492	80,264
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	27,970,770	27,139,185
Professorships	859,251	1,189,313
Departmental uses	11,140,023	11,052,025
Art	1,407,909	1,560,808
Other	3,320,850	3,550,070
Expendable:		
Scholarships and fellowships	8,934,994	20,277,230
Professorships	1,194,526	1,187,054
Departmental uses	2,854,366	6,614,704
Art	374,583	1,074,056
Other	2,366,892	2,347,320
Unrestricted	5,738,269	7,724,403
<b>Total net assets</b>	<b>\$ 66,233,925</b>	<b>\$ 83,796,432</b>

See Notes to Financial Statements.

The UNCG Excellence Foundation, Inc.

**Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended June 30, 2009 and 2008**

	2009	2008
Expenses:		
Operating expenses:		
Transportation	\$ 11,561	\$ 14,223
Depreciation	17,867	19,926
Other administrative	120,961	69,159
<b>Operating loss</b>	<b>(150,389)</b>	<b>(103,308)</b>
Nonoperating revenues (expenses):		
Noncapital gifts, net	524,822	637,282
Investment loss, net of investment expense 2009 \$514,820; 2008 \$493,874	<b>(16,021,725)</b>	<b>(1,215,635)</b>
Change in value of split-interest agreements	<b>(548,504)</b>	<b>(391,296)</b>
Other nonoperating revenues	99,220	173,700
<b>Net nonoperating expenses</b>	<b>(15,946,187)</b>	<b>(795,949)</b>
<b>Loss before additions to permanent       endowments and transfers to the University</b>	<b>(16,096,576)</b>	<b>(899,257)</b>
Additions to permanent endowments	2,268,170	3,325,819
Transfers to Weatherspoon Art Foundation	<b>(119,393)</b>	<b>(76,283)</b>
Transfers to the University	<b>(3,614,708)</b>	<b>(4,106,189)</b>
<b>Decrease in net assets</b>	<b>(17,562,507)</b>	<b>(1,755,910)</b>
Net assets:		
Beginning	83,796,432	85,552,342
Ending	<b>\$ 66,233,925</b>	<b>\$ 83,796,432</b>

See Notes to Financial Statements.

The UNCG Excellence Foundation, Inc.

**Statements of Cash Flows**  
**Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows Used In Operating Activities</b>		
Payments to vendors and suppliers	\$ (99,636)	\$ (98,271)
<b>Cash Flows From Noncapital Financing Activities</b>		
Noncapital gifts	814,138	1,669,029
Additions to permanent endowments	2,268,166	3,075,819
Payments to annuitants	(767,022)	(858,975)
Other receipts	99,220	173,700
Transfers to the Weatherspoon Art Foundation	(119,393)	(76,283)
Transfers to the University	(3,614,708)	(4,106,189)
<b>Net cash used in noncapital financing activities</b>	<b>(1,319,599)</b>	<b>(122,899)</b>
<b>Cash Flows From Capital Financing Activities</b>		
Acquisition of capital assets	(9,095)	(15,568)
Proceeds from the sale of other assets	247,065	496,273
<b>Net cash provided by capital financing activities</b>	<b>237,970</b>	<b>480,705</b>
<b>Cash Flows From Investing Activities</b>		
Interest on investments	148,937	174,675
Net sales (purchases) of investments	1,045,524	(1,213,051)
<b>Net cash provided by (used in) investing activities</b>	<b>1,194,461</b>	<b>(1,038,376)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,196</b>	<b>(778,841)</b>
<b>Cash and cash equivalents:</b>		
Beginning	1,811,033	2,589,874
Ending	<b>\$ 1,824,229</b>	<b>\$ 1,811,033</b>

(Continued)

The UNCG Excellence Foundation, Inc.

Statements of Cash Flows (Continued)  
Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Net Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (150,389)	\$ (103,308)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	17,867	19,926
Changes in assets and liabilities:		
Decrease in other assets	39,561	20,040
(Increase) decrease in other receivables	373	(719)
Increase (decrease) in accounts payable and accrued liabilities	(529)	838
Decrease in other liabilities	(6,519)	(35,048)
<b>Net cash used in operating activities</b>	<b>\$ (99,636)</b>	<b>\$ (98,271)</b>
Supplementary Schedule of Noncash Investing, Capital and Noncapital Financing Activities		
Change in fair value of investments for realized and unrealized gains	<u>\$ (16,614,714)</u>	<u>\$ (1,318,584)</u>
Change in value of split-interest agreements	<u>\$ (548,504)</u>	<u>\$ (391,296)</u>
Liabilities assumed through split-interest agreements	<u>\$ 318,851</u>	<u>\$ 1,098,722</u>
Noncash receipt of land	<u>\$ 10,000</u>	<u>\$ 250,000</u>
Reconciliation of Cash and Cash Equivalent Balances		
Cash and cash equivalents	\$ 862,351	\$ 1,006,263
Restricted cash and cash equivalents	609,571	623,800
Endowment cash and cash equivalents	352,307	180,970
<b>Total cash and cash equivalent balances</b>	<b>\$ 1,824,229</b>	<b>\$ 1,811,033</b>

See Notes to Financial Statements.

## The UNCG Excellence Foundation, Inc.

### Notes to Financial Statements

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#### 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"). The full scope of the Foundation's activities is considered to be a single business-type activity ("BTA") and, accordingly, is reported within a single column in the basic financial statements.

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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Foundation follows all GASB pronouncements as well as all Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

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**

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**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 and money market accounts.

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, 2009 and 2008. 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 \$17,867 and \$19,926 in fiscal years 2009 and 2008, 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 \$824,229 and \$1,811,033 at June 30, 2009 and 2008, respectively, for which the bank balance was \$821,201 and \$1,994,375, respectively. Of the bank balance, \$250,000 and \$325,351, respectively, was covered by federal depository insurance with the remaining balance being uncollateralized.

In addition, the Foundation, in accordance with North Carolina General Statutes, deposits cash with the State Treasurer of North Carolina. At June 30, 2009 and 2008, the Foundation's portion of cash deposited with the State Treasurer was \$1,000,000 and \$-0-, 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:

	Fair Value	
	2009	2008
Investment pool	\$ 59,446,978	\$ 75,021,902
Assets held under annuity trust agreements	4,094,062	5,315,491
Assets held under unitrust agreements	3,751,618	4,747,461
Adelaide Fortune Holderness Fund	817,666	1,140,322
Pooled life income fund	385,028	469,617
Cash value of life insurance contracts	355,115	365,302
H. Michael Weaver Investment Fund	137,802	205,866
	<u>\$ 68,988,269</u>	<u>\$ 87,265,961</u>

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

	Fair Value	
	2009	2008
Cash and cash equivalents	\$ 224,292	\$ 500,533
Mutual funds	5,025,304	10,051,928
Corporate securities:		
Corporate bonds	51,437	52,653
Common stocks	3,885,142	1,273,643
	<u>\$ 9,186,175</u>	<u>\$ 11,878,757</u>

The investment pool is managed and invested by The University of North Carolina at Greensboro Investment Fund, Incorporated. 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 University of North Carolina at Greensboro Investment Fund, Incorporated.

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, 2009 and 2008, the total rates of return were losses of 20.7% and 0.2%, respectively. As of June 30, 2009 and 2008, total units of 57,979.34 and 55,690.18 had a market value of \$2,626.04 and \$3,304.30 per unit, and the Foundation owned 22,637.39 and 22,704.19 units, respectively.

The Foundation realized net losses of \$1,723,728 and net gains of \$2,348,496 from the sale of investments for the years ended June 30, 2009 and 2008, respectively. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. The net decrease in the fair value of investments during the years ended June 30, 2009 and 2008 was \$14,890,986 and \$4,417,104, 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, 2009 and 2008 is \$2,812,772 and \$17,703,758, respectively.

The UNCG Excellence Foundation, Inc.

Notes to Financial Statements

**Note 3. Investments (Continued)**

The University of North Carolina at Greensboro Investment Fund, Incorporated investment pool is diversified as follows:

	Fair Value	
	2009	2008
Short-term investments	\$ 8,464,080	\$ 4,396,494
Corporate securities:		
Common stocks	7,085,525	13,911,884
International	732,498	2,457,931
Mutual funds:		
International equity	28,904,979	41,079,979
Inflation hedging	2,498,948	-
Fixed income	25,332,925	20,452,445
Fixed income global	8,563,558	8,749,051
Partnerships		
Hedge funds	38,664,641	45,401,916
Inflation hedging	-	5,564,019
Real estate securities	7,681,162	14,299,670
US equities	17,038,958	22,787,969
Venture capital	7,283,528	4,789,830
	<b>\$ 152,250,802</b>	<b>\$ 183,891,188</b>

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 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 Fund.

Investment earnings are distributed based on policy administered by The University Investment Committee. Any excess return over the established policy is reinvested by the Fund. For the years ended June 30, 2009 and 2008, 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, 2009 and 2008, the Foundation held the following investments, measured at fair value, which are subject to credit and interest rate risk.

Investment Type	2009				Fair Value
	Investment Maturities (in Years)				
	Less Than 1	1 to 5	6 to 10	More Than 10	
Money market funds	\$ 70,092	\$ -	\$ -	\$ -	\$ 70,092
Mutual bond fund	-	-	3,135,937	-	3,135,937
Domestic corporate bonds	51,437	-	-	-	51,437
	<b>\$ 121,529</b>	<b>\$ -</b>	<b>\$ 3,135,937</b>	<b>\$ -</b>	<b>\$ 3,257,466</b>

Allocation	3.7%	0.0%	96.3%	0.0%	100.0%
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Investment Type	2008				Fair Value
	Investment Maturities (in Years)				
	Less Than 1	1 to 5	6 to 10	More Than 10	
Money market funds	\$ 63,316	\$ -	\$ -	\$ -	\$ 63,316
Mutual bond fund	-	-	3,930,669	-	3,930,669
Domestic corporate bonds	-	52,653	-	-	52,653
	<b>\$ 63,316</b>	<b>\$ 52,653</b>	<b>\$ 3,930,669</b>	<b>\$ -</b>	<b>\$ 4,046,638</b>

Allocation	1.6%	1.3%	97.1%	0.0%	100.0%
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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 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 investments in U. S. Treasury notes and money market funds are unrated. The Foundation's annuity investments are rated by Standard & Poor's and Moody's Rating Services as follows:

Investment Type	2009				Fair Value
	Credit Rating				
	AAA	AA	A	BBB	
Money market funds	\$ 70,092	\$ -	\$ -	\$ -	\$ 70,092
Mutual bond fund	-	3,135,937	-	-	3,135,937
Domestic corporate bonds	-	25,320	26,117	-	51,437
	<b>\$ 70,092</b>	<b>\$ 3,161,257</b>	<b>\$ 26,117</b>	<b>\$ -</b>	<b>\$ 3,257,466</b>
Allocation	2.2%	97.0%	0.8%	0.0%	100.0%

Investment Type	2008				Fair Value
	Credit Rating				
	AAA	AA	A	BBB	
Money market funds	\$ 63,316	\$ -	\$ -	\$ -	\$ 63,316
Mutual bond fund	-	3,930,669	-	-	3,930,669
Domestic corporate bonds	-	26,052	26,601	-	52,653
	<b>\$ 63,316</b>	<b>\$ 3,956,721</b>	<b>\$ 26,601</b>	<b>\$ -</b>	<b>\$ 4,046,638</b>
Allocation	1.6%	97.8%	0.6%	0.0%	100.0%

## The UNCG Excellence Foundation, Inc.

### Notes to Financial Statements

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#### **Note 4. Pledges to the Foundation**

As of June 30, 2009 and 2008, outstanding pledges to the Foundation totaled \$3,089,421 and \$2,688,440, respectively. Of the total pledges, \$2,906,264 and \$2,533,722, respectively, are endowment fund pledges and \$169,707 and \$150,172, respectively, are current fund pledges. 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 \$9,115 and \$-0- allowance for doubtful accounts reported in the statement of financial position as of June 30, 2009 and 2008, respectively. The pledges receivable are due over the next five years as follows: \$101,622; \$45,861; \$28,432, \$5,719, and \$523.

#### **Note 5. Administrative Expenses**

Certain administrative costs related to the Foundation, including accounting services, fund-raising expenses and gift receiving 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 6. 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 7. Income Taxes**

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