

The UNCG Excellence Foundation, Inc.

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

Financial Report
Year Ended June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The UNCG Excellence Foundation, Inc. (the Foundation), a component unit of The University of North Carolina at Greensboro, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of changes in net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The UNCG Excellence Foundation, Inc. as of June 30, 2013 and 2012, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Greensboro, North Carolina
October 15, 2013

The UNCG Excellence Foundation, Inc.

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2013

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, 2013. 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 Position and the Statements of Revenues, Expenses and Changes in Net Position. The Foundation's financial statements are blended with The University of North Carolina at Greensboro financial report and therefore, are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Statement of Net Position

The Statement of Net Position is a point of time financial statement 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 statement of net position also provides a picture of the net position (assets minus liabilities and deferred inflows of resources) and their availability for expenditure by the Foundation. Net position is divided into three major categories: net investment in capital assets; unrestricted; and restricted which is reflected in two subcategories – expendable and nonexpendable. These three categories of net position are discussed further in the footnotes to the financial statements.

Assets	2013	2012	2011
Assets	<u>\$ 106,888,213</u>	<u>\$ 95,329,439</u>	<u>\$ 98,734,470</u>
Liabilities, Deferred Inflows of the Resources and Net Position			
Liabilities	<u>\$ 8,155,935</u>	<u>\$ 7,546,615</u>	<u>\$ 7,896,230</u>
Deferred Inflows of Resources	<u>150,378</u>	<u>153,389</u>	<u>160,802</u>
Net position			
Net investment in capital assets	9,755	36,918	62,889
Restricted, nonexpendable	59,294,439	54,423,250	52,955,265
Restricted, expendable	32,342,886	26,929,803	30,831,803
Unrestricted	6,934,820	6,239,464	6,827,481
Total net position	<u>98,581,900</u>	<u>87,629,435</u>	<u>90,677,438</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 106,888,213</u>	<u>\$ 95,329,439</u>	<u>\$ 98,734,470</u>

The UNCG Excellence Foundation, Inc.

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2013

The total assets of the Foundation increased by approximately \$11.6 million and \$18.0 million for 2013 and 2011, respectively, and decreased by approximately \$3.4 million for the year ended June 30, 2012. The changes in total position 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 Fund invests endowment monies for five affiliated organizations. The pooled investments total approximately \$223.2 million at June 30, 2013. At June 30, 2013, the Foundation owns 40.5 percent of the pooled investments totaling \$89.6 million. The Fund pooled assets are diversified with 84.0 percent equities (of which 41.6 percent are in hedge fund and alternative investments), 14.9 percent bonds, and 1.1 percent in cash. The total assets of the Fund increased by approximately \$25.3 million for the year. The Fund gained 11.2 percent for the fiscal year, underperforming the 14.4 percent gain of a passive benchmark consisting of 85 percent MSCI World Index plus 15 percent Barclays Capital Aggregate Bond Index and outperforming the 10.4 percent gain of a custom benchmark based on the Fund's target asset allocation.

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 (decrease) to the Foundation.

	2013	2012	2011
Additions	\$ 14,172,978	\$ 178,146	\$ 19,011,805
Deductions	3,220,513	3,226,149	2,710,611
Increase (decrease) in net position	10,952,465	(3,048,003)	16,301,194
Beginning net position	87,629,435	90,677,438	74,376,244
Ending net position	\$ 98,581,900	\$ 87,629,435	\$ 90,677,438

The Statements of Changes in Net Position reflect an increase at the end of 2013 and 2011 and a decrease at the end of 2012. The increases in 2013 and 2011 are due mostly to gains on endowment investments, noncapital gifts and additions to permanent endowments. The decrease in 2012 was primarily due to investment losses. 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 2013-14 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, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	\$ 962,672	\$ 777,283
Investments	332,782	323,959
Restricted cash and cash equivalents	524,920	587,374
Restricted investments	3,547,494	2,989,852
Accrued interest receivable	1,957	1,827
Pledges receivable, net	125,624	106,912
Endowment cash	151,986	25,892
Endowment investments	87,245,759	77,879,407
Other long-term investments	13,142,052	11,584,343
Capital assets, net	9,755	36,918
Other assets	842,975	1,015,201
Other receivables	237	471
Total assets	\$ 106,888,213	\$ 95,329,439
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Accounts payable and accrued liabilities	\$ 221	\$ 644
Other liabilities	119,654	14,089
Funds held for others	160,470	31,065
Liabilities under unitrust agreements	2,644,581	2,336,180
Annuities payable	5,231,009	5,164,637
Total liabilities	8,155,935	7,546,615
Deferred Inflows of Resources		
Deferred revenue, split interest agreements	150,378	153,389
Net Position		
Net investment in capital assets	9,755	36,918
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	37,934,200	34,879,631
Professorships	918,759	902,333
Departmental uses	15,281,955	13,837,065
Art	1,504,674	1,401,564
Other	3,654,851	3,402,657
Expendable:		
Scholarships and fellowships	20,581,566	16,820,161
Professorships	1,608,026	1,462,450
Departmental uses	6,537,332	5,338,880
Art	793,500	671,851
Other	2,822,462	2,636,461
Unrestricted	6,934,820	6,239,464
Total net position	98,581,900	87,629,435
Total liabilities, deferred inflows of resources and net position	\$ 106,888,213	\$ 95,329,439

See Notes to Financial Statements.

The UNCG Excellence Foundation, Inc.

**Statements of Changes in Net Position
Years Ended June 30, 2013 and 2012**

	2013	2012
Additions:		
Gain on sale of vehicle	\$ 7,190	\$ -
Contributions:		
Gifts	802,124	433,773
Additions to permanent endowments	2,971,775	2,006,670
Total contributions	3,781,089	2,440,443
Investment income:		
Net increase (decrease) in fair value of endowment investments	8,795,542	(2,348,294)
Net change in value of split-interest agreements	820,079	(416,728)
Interest, dividends, and other	1,104,458	911,738
	10,720,079	(1,853,284)
Less investment expense	328,190	409,013
	10,391,889	(2,262,297)
Total additions	14,172,978	178,146
Deductions:		
Transportation expense (net of reimbursement)	-	4,990
Depreciation expense	10,853	16,026
Administrative expense	37,771	63,715
Transfers to the University	3,070,594	3,083,118
Transfers to Weatherspoon Art Foundation	101,295	58,300
Total deductions	3,220,513	3,226,149
Increase (decrease) in net position	10,952,465	(3,048,003)
Net position:		
Beginning of year	87,629,435	90,677,438
End of year	\$ 98,581,900	\$ 87,629,435

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 position: The Foundation's net position is classified as follows:

Net investment in capital assets: Represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted: Represents the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted includes resources derived from unrestricted gifts and earnings on those gifts. Also included in this classification are quasi-endowment assets (assets functioning as endowment) which the Board of Directors has determined are to be retained and invested. Because these 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.

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, 2013 and 2012. 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 position.

The UNCG Excellence Foundation, Inc.

Notes To Financial Statements

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

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 five-year estimated useful life. Depreciation expense amounted to \$10,853 and \$16,026 in fiscal years 2013 and 2012, respectively.

Reclassifications: The Foundation's policy is to reclassify amounts reported in prior year financial statements when necessary for conformity with the classifications adopted in the current year with no change in total net position or change in net position.

Recent accounting pronouncements: The Foundation implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

Note 2. Deposits

Deposits include bank accounts totaling \$927,189 and \$629,787 at June 30, 2013 and 2012, respectively, for which the bank balance was \$928,898 and \$624,805, respectively. Of the bank balances, \$276,106 and \$278,195, respectively, was covered by federal depository insurance with the remaining balance being uncollateralized for each year.

In addition, the Foundation deposits cash with the State Treasurer of North Carolina. At June 30, 2013 and 2012, the Foundation's portion of cash deposited with the State Treasurer was \$712,389 and \$760,762, 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.

Note 3. Investments

Investments consist of the following at June 30:

	Fair Value	
	2013	2012
Investment pool	\$ 89,557,900	\$ 79,758,366
Assets held under annuity trust agreements	6,799,937	6,403,044
Assets held under unitrust agreements	5,978,953	4,838,408
Adelaide Fortune Holderness Fund	1,378,408	1,269,217
Pooled life income fund	363,162	342,892
Cash value of life insurance contracts	199,953	264,178
H. Michael Weaver Investment Fund	189,727	165,634
	<u>\$ 104,468,040</u>	<u>\$ 93,041,739</u>

The UNCG Excellence Foundation, Inc.

Notes To Financial Statements

Note 3. Investments (Continued)

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	
	2013	2012
Cash and cash equivalents	\$ 781,454	\$ 467,138
Mutual funds	12,444,442	11,231,074
Corporate securities:		
Common stocks	1,428,735	1,320,983
Other assets	55,556	-
	<u>\$ 14,710,187</u>	<u>\$ 13,019,195</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, 2013 and 2012, the total rates of return were a gain of 11.2 percent and a loss of 2.8 percent, respectively. As of June 30, 2013 and 2012, total units of 57,665.41 and 57,353.50 had a market value of \$3,834.78 and \$3,452.91 per unit, and the Foundation owned 23,347.64 and 23,097.52 units, respectively.

The Foundation realized net gains of \$3,890,984 and \$1,941,477 from the sale of investments for the years ended June 30, 2013 and 2012, 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 year ended June 30, 2013 was an increase of \$4,911,750 and a decrease of \$4,289,771 in 2012. 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, 2013 and 2012, is \$20,758,266 and \$15,846,516, 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	
	2013	2012
Short-term investments	\$ 2,422,423	\$ 2,082,088
Receivable for investments	-	7,571,624
Corporate securities:		
Domestic common stocks	7,209,381	5,695,283
International stocks	787,875	1,058,479
Mutual funds:		
International equity	48,478,187	33,317,101
Inflation hedging	12,419,182	11,827,414
Fixed income	33,380,133	24,717,940
U.S. Equity	10,832,487	6,955,966
Partnerships:		
Fixed income global	-	3,401,261
Hedge funds	48,557,175	46,443,798
Inflation hedging	1,958,072	1,294,536
Real estate securities	4,429,791	5,302,319
U.S. Equity	26,810,725	25,378,334
Venture capital	25,966,603	22,833,543
	220,829,611	188,225,974
Payable for investments	(2,128,116)	-
	\$ 221,123,918	\$ 197,879,686

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, 2013 and 2012, 4.25 percent 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, 2013 and 2012, the Foundation held the following investments, measured at fair value, which are subject to credit and interest rate risk.

Investment Type	2013				Fair Value
	Investment Maturities (in Years)				
	Less Than 1	1 to 5	6 to 10	More Than 10	
Money market funds	\$ 108,612	\$ -	\$ -	\$ -	\$ 108,612
Mutual bond funds	-	858,913	2,680,261	-	3,539,174
	\$ 108,612	\$ 858,913	\$ 2,680,261	\$ -	\$ 3,647,786
Allocation	3.0%	23.5%	73.5%	0.0%	100.0%

Investment Type	2012				Fair Value
	Investment Maturities (in Years)				
	Less Than 1	1 to 5	6 to 10	More Than 10	
Money market funds	\$ 87,131	\$ -	\$ -	\$ -	\$ 87,131
Mutual bond funds	-	1,609,077	2,370,522	-	3,979,599
	\$ 87,131	\$ 1,609,077	\$ 2,370,522	\$ -	\$ 4,066,730
Allocation	2.1%	39.6%	58.3%	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 states that some of the fixed income holdings will be in a diversified, high quality (AA/Aa 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.

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	2013				
	Credit Rating				Fair Value
	AAA	AA	A	B	
Money market funds	\$ 108,612	\$ -	\$ -	\$ -	\$ 108,612
Mutual bond funds	228,742	-	3,071,071	239,361	3,539,174
	\$ 337,354	\$ -	\$ 3,071,071	\$ 239,361	\$ 3,647,786
Allocation	9.2%	0.0%	84.2%	6.6%	100.0%

Investment Type	2012				
	Credit Rating				Fair Value
	AAA	AA	A	BBB	
Money market funds	\$ 87,131	\$ -	\$ -	\$ -	\$ 87,131
Mutual bond funds	877,569	2,370,522	714,072	17,436	3,979,599
	\$ 964,700	\$ 2,370,522	\$ 714,072	\$ 17,436	\$ 4,066,730
Allocation	23.7%	58.3%	17.6%	0.4%	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 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, 2013 and 2012, outstanding pledges to the Foundation totaled \$641,102 and \$642,869, respectively. Of the total pledges, \$502,093 and \$527,434, respectively, are endowment fund pledges and \$125,624 and \$106,912, 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 \$6,950 and \$5,772 allowance for doubtful accounts reported in the statement of financial position as of June 30, 2013 and 2012, respectively. The pledges receivable are due over the next four years as follows: \$76,009; \$48,900; \$13,900 and \$200. The discount on the pledges due at June 30, 2013 was \$6,435.

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 \$5,758 and \$30,236 as of June 30, 2013 and 2012, 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.