

# McGladrey & Pullen

Certified Public Accountants

## **The University of North Carolina at Greensboro Investment Fund, Incorporated** (A Component Unit of The University of North Carolina at Greensboro)

Financial Report  
Year Ended June 30, 2008

## Contents

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
The University of North Carolina at Greensboro  
Investment Fund, Incorporated  
Greensboro, North Carolina

We have audited the accompanying statements of net assets of The University of North Carolina at Greensboro Investment Fund, Incorporated (the "Fund"), a component unit of The University of North Carolina at Greensboro, as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund'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 University of North Carolina at Greensboro Investment Fund, Incorporated as of June 30, 2008 and 2007, 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 September 5, 2008 on our consideration of The University of North Carolina at Greensboro Investment Fund, Incorporated's internal control over financial reporting and 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 accounting principles generally accepted in the United States of America. 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 5, 2008

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2008

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*Introduction*

The University of North Carolina at Greensboro Investment Fund, Incorporated (the "Fund") provides the following management discussion and analysis ("MD&A") as an overview of the financial activities for the fiscal year ended June 30, 2008. This discussion, along with the following financial statements and related footnote disclosures, have been prepared by management and comprise the Fund'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 Fund's financial report includes two financial statements: the Statement of Net Assets; and the Statement of Revenues, Expenses and Changes in Net Assets. The Fund is blended in The University of North Carolina at Greensboro financial report and therefore is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

*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 Fund. The purpose of this financial statement is to present to the readers of the Fund's Financial Report a fiscal snapshot as of the end of the fiscal year (i.e., June 30<sup>th</sup>). The Statement of Net Assets presents both the current and noncurrent portions of assets and liabilities.

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2008

*Statement of Net Assets (Continued)*

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the Fund. The Statement of Net Assets also provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the Fund. Net assets of the Fund are nonexpendable. This category of net assets is discussed further in the footnotes to the financial statements.

	2008	2007	2006
<b>Assets</b>			
Current Assets	\$ 4,522,868	\$ 9,472,603	\$ 9,557,393
Noncurrent Assets	179,494,694	174,279,023	146,085,066
<b>Total assets</b>	<u>\$ 184,017,562</u>	<u>\$ 183,751,626</u>	<u>\$ 155,642,459</u>
 <b>Net Assets, Nonexpendable</b>			
The UNCG Excellence Foundation, Inc.	\$ 75,021,902	\$ 75,347,441	\$ 62,239,922
The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc.	7,658,240	7,740,154	6,702,178
The Alumni Association of the University of North Carolina at Greensboro	2,607,400	2,705,581	2,327,552
The Associated Campus Ministries of The University of North Carolina at Greensboro	928,090	973,003	886,231
The Endowment Fund of The University of North Carolina at Greensboro	97,801,930	96,985,447	83,486,576
<b>Total net assets</b>	<u>\$ 184,017,562</u>	<u>\$ 183,751,626</u>	<u>\$ 155,642,459</u>

The Fund invests endowment monies for five affiliated organizations. The pooled investments total approximately \$184 million at June 30, 2008. The University Investment Fund pool assets are diversified with 81.7% equities (of which 38.1% are in hedge fund and alternative investments), 15.9% bonds, and 2.4% in cash. The total assets of the Fund increased by approximately \$266,000 for the year. The Fund lost 0.2% for the fiscal year, outperforming the 9.2% loss of a passive benchmark consisting of 80% S&P 500 Index plus 20% Lehman Brothers Aggregate Bond Index. The Cambridge Associates Endowment Median (82 institutions) lost 2.2% for the year.

The Fund has twenty-nine managers and a highly diversified approach to investing with an emphasis on asset allocation by the Board of Directors. This includes six managers with alternative investment styles and seven nonmarketable alternative partnerships in which funds were invested to give the Fund a more diverse asset allocation.

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2008

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*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 revenues, expenses and any gains and losses earned or incurred by the Fund.

Because the Investment Fund is a pool that invests for the five affiliates, all of its revenues and expenses are considered operating. Additions to the principal of permanent and term endowments are reported separately after operating revenues and expenses.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in the net assets at the end of the year. This increase is due to gains on our investments.

	2008	2007	2006
Operating income/(loss)	\$ (1,942,717)	\$ 27,306,238	\$ 15,978,373
Additions to permanent endowments	8,498,879	6,387,264	6,595,068
Distribution to participants	(6,290,226)	(5,584,335)	(4,816,043)
<b>Increase in net assets</b>	<b>265,936</b>	<b>28,109,167</b>	<b>17,757,398</b>
Beginning net assets	183,751,626	155,642,459	137,885,061
Ending net assets	<u>\$ 184,017,562</u>	<u>\$ 183,751,626</u>	<u>\$ 155,642,459</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in the net assets at the end of the year. The negative investment return during 2008 was due to the downturn in the markets; our loss was 0.2% while the gain in 2007 was due to an 18.7 rate of return. UNCG is in the fourth year of a capital campaign and new gifts as well as pledge payments are the reason for increased additions to endowments. The spending policy is based on a rolling three-year market value average at December 31. The positive market returns and additions to endowments have increased the average and therefore the distribution to participants has risen as well.

*Economic Outlook*

Management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the Fund's financial position or results of operations during fiscal year 2008-09 beyond those unknown variations having a global effect on virtually all types of business operations. We anticipate the current fiscal year will be very similar to the 2007-08 fiscal year and, accordingly, will maintain a close watch over resources so that the Fund will be able to react to unknown internal and external issues.

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

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

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Statements of Net Assets  
June 30, 2008 and 2007

	2008	2007
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 4,396,872	\$ 9,415,873
Receivables, net	125,996	56,730
<b>Total current assets</b>	<b>4,522,868</b>	<b>9,472,603</b>
Noncurrent Assets		
Endowment investments	179,494,694	174,279,023
<b>Total assets</b>	<b>\$ 184,017,562</b>	<b>\$ 183,751,626</b>
<b>Net Assets</b>		
Restricted for Participants		
Nonexpendable:		
The UNCG Excellence Foundation, Inc.	\$ 75,021,902	\$ 75,347,441
The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc.	7,658,240	7,740,154
The Alumni Association of the University of North Carolina at Greensboro	2,607,400	2,705,581
The Associated Campus Ministries of The University of North Carolina at Greensboro	928,090	973,003
The Endowment Fund of The University of North Carolina at Greensboro	97,801,930	96,985,447
<b>Total net assets</b>	<b>\$ 184,017,562</b>	<b>\$ 183,751,626</b>

See Notes to Financial Statements.

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended June 30, 2008 and 2007

	2008	2007
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Operating revenues:		
Investment income	\$ 2,794,780	\$ 2,869,033
Net realized gain on investment transactions	5,369,810	6,907,066
Net unrealized appreciation (loss) on investments	<u>(8,983,524)</u>	<u>18,329,554</u>
	(818,934)	28,105,653
Operating expenses:		
General and administrative:		
Investment management fees	580,953	452,628
Investment custodial fees	150,012	106,680
Investment consulting fees	166,722	126,484
Other administrative expenses	<u>226,096</u>	<u>113,623</u>
<b>Operating income (loss)</b>	<b>(1,942,717)</b>	<b>27,306,238</b>
Participant contributions	8,498,879	6,387,264
Distribution to participants	<u>(6,290,226)</u>	<u>(5,584,335)</u>
<b>Increase in net assets</b>	<b>265,936</b>	<b>28,109,167</b>
Net assets held for fund participants:		
Beginning of year	183,751,626	155,642,459
End of year	<u>\$ 184,017,562</u>	<u>\$ 183,751,626</u>

See Notes to Financial Statements.

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Notes to Financial Statements

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**Note 1. Nature of Activities and Significant Accounting Policies**

Nature of activities: The University of North Carolina at Greensboro Investment Fund, Incorporated (the "Fund") was formed in order to consolidate the endowment pool investments of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc., The UNCG Excellence Foundation, Inc. (the affiliated foundations), and The Endowment Fund of The University of North Carolina at Greensboro into one pool. During the 1999 fiscal year, The Alumni Association of The University of North Carolina at Greensboro became a member of the Fund. The Associated Campus Ministries of The University of North Carolina at Greensboro joined the Fund during the 2000 fiscal year.

The Fund is the fiscal agent for the pool, and all units of the pool are owned by The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc., The UNCG Excellence Foundation, Inc., 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 (collectively the "Participants"). Although legally separate from the University, the Fund is reported as if it were part of the University because its sole purpose is to accept the transfer of assets from The Endowment Fund of The University of North Carolina at Greensboro, the affiliated foundations, The Alumni Association of The University of North Carolina at Greensboro and The Associated Campus Ministries of The University of North Carolina at Greensboro, which collectively benefit The University of North Carolina at Greensboro, and to manage the investment of those assets. The Fund is a component unit of The University of North Carolina at Greensboro; therefore, the Fund's financial statements are blended with those of the University.

A summary of the Fund's significant accounting policies follows:

Financial statements: The Fund is a governmental not-for-profit organization established as a separate, incorporated investment fund pool, reporting under the guidelines of Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The full scope of the Fund'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 Fund 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 Fund follows all GASB pronouncements as well as all Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principals Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

## Notes to Financial Statements

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

Investments: Investments 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. Detailed information regarding the derivative investments is not available to the Fund.

Income taxes: The Fund is exempt from income taxes as a not-for-profit organization under Internal Revenue Code Section 501(c)(3). The Fund is not considered a private foundation because it is an organization as described in Internal Revenue Code Section 509(a)(3).

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net assets: The Fund's net assets are classified as follows:

Restricted net assets – nonexpendable: Nonexpendable restricted net assets include Participants' endowments and similar type assets whose use is limited to investment for the benefit of the participants.

Reclassifications: The Fund's policy is to reclassify amounts reported in prior year financial statements when necessary for conformity with classifications adopted in the current year.

### Note 2. Cash and Cash Equivalents

Cash and cash equivalents include bank accounts totaling \$378 and \$378 and short-term investments of \$4,396,494 and \$9,415,495 at June 30, 2008 and 2007, respectively, for which the bank balances were \$4,396,872 and \$9,415,873. Of the bank balance, \$62,191 was covered by federal depository insurance and the balance is uncollateralized.

### Note 3. Investments

The Fund is not registered with the SEC and is not subject to any formal oversight other than that provided by the Fund's Board of Directors. The Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board has chosen not to make individual security selection decisions. The Board's primary role is to oversee the allocation of the Fund portfolio among asset classes, investment vehicles, and investment managers. The Board continually reviews, monitors, and adjusts its allocation decisions based on a variety of factors.

The Fund's custodian provides monthly reporting of income and fair value information, which is then allocated among the Fund's participants. There are no involuntary participants in the Fund pool.

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Notes to Financial Statements

Note 3. Investments (Continued)

Total investments of the Fund consist of the following:

	2008		
	Cost	Fair Value	Unrealized Gains (Losses)
Short-term investments	\$ 4,396,494	\$ 4,396,494	\$ -
Endowment Investments:			
Corporate securities:			
Common stocks	14,132,075	13,911,884	(220,191)
International	1,986,655	2,457,931	471,276
Mutual funds:			
International equity	18,692,461	21,073,236	2,380,775
Fixed income	20,029,112	20,452,445	423,333
Fixed income global	8,373,091	8,749,051	375,960
Partnerships:			
Hedge Funds	34,242,047	45,401,916	11,159,869
Inflation hedging	3,474,134	5,564,019	2,089,885
Real estate securities	5,901,463	14,299,670	8,398,207
US Equities	24,746,571	42,794,712	18,048,141
Venture Capital	6,446,751	4,789,830	(1,656,921)
	<u>138,024,360</u>	<u>179,494,694</u>	<u>41,470,334</u>
	<u>\$ 142,420,854</u>	<u>\$ 183,891,188</u>	<u>\$ 41,470,334</u>
	2007		
	Cost	Fair Value	Unrealized Gains (Losses)
Short-term investments	\$ 9,415,495	\$ 9,415,495	\$ -
Endowment Investments:			
Corporate securities:			
Common stocks	8,807,643	11,942,101	3,134,458
International	327,287	996,524	669,237
Mutual funds:			
Domestic equity	15,817,857	16,863,004	1,045,147
International equity	14,470,398	20,130,929	5,660,531
Fixed income	19,961,120	19,358,021	(603,099)
Fixed income global	7,772,665	7,384,949	(387,716)
Partnerships:			
Hedge Funds	27,354,921	34,913,060	7,558,139
Inflation hedging	3,474,135	4,453,357	979,222
Real estate securities	5,901,463	12,408,058	6,506,595
US Equities	17,304,727	44,049,510	26,744,783
Venture Capital	2,632,949	1,779,510	(853,439)
	<u>123,825,165</u>	<u>174,279,023</u>	<u>50,453,858</u>
	<u>\$ 133,240,660</u>	<u>\$ 183,694,518</u>	<u>\$ 50,453,858</u>

The University of North Carolina at Greensboro  
Investment Fund, Incorporated

Notes to Financial Statements

Note 3. Investments (Continued)

At June 30, 2008, the Fund held the following investments that are subject to credit and interest rate risk.

Investment Type	Fair Value	Maturity	Rating
Money market funds	\$ 4,334,681	N/A	Aaa
US Treasury Index fund	10,277,308	3-10 years	Aaa
Bond mutual fund	10,175,137	4.5 years	AA
Bond foreign mutual fund	8,749,051	5.8 years	AA+
	<u>\$ 33,536,177</u>		

Credit risk and interest rate risks: 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 Fund'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.

Concentration of credit risk: The Fund has the following investments that represent 5% or more of total investments that are not issued or explicitly guaranteed by the U. S. Government, investments in mutual funds, external investment pools, or other pooled investments as of June 30, 2008 and 2007.

	2008	
	Fair Value	Cost
Alliance Bernstein International Value Trust	\$ 15,576,368	\$ 8,823,767
Forester Partners, LP	14,844,416	10,192,843
Forester Opportunities, LP	10,559,536	6,149,204
Wellington Real Assets	12,389,247	5,000,405
<b>Investment partnerships</b>	<u>\$ 53,369,567</u>	<u>\$ 30,166,219</u>
	2007	
	Fair Value	Cost
Alliance Bernstein International Value Trust	\$ 18,214,712	\$ 9,694,073
Iridian Private Business Value Equity Fund, LP	12,840,500	3,193,073
Forester Partners, LP	13,571,811	10,192,843
Wellington Real Assets	9,987,653	5,000,405
<b>Investment partnerships</b>	<u>\$ 54,614,676</u>	<u>\$ 28,080,394</u>

The Participants purchase equity in the Fund based on funds deposited for investment. Individual Participant equity is determined on a market unit valuation basis. The original basis was \$1,000 per unit. For the years ended June 30, 2008 and 2007, the respective total rate of return was a loss of 0.2% and a gain of 18.7%. As of June 30, 2008 and 2007, total units of 55,690.18 and 55,043.74 had a fair value of \$3,304.30 and \$3,338.28 per unit, respectively.

## Notes to Financial Statements

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### Note 3. Investments (Continued)

The Fund realized a net gain of \$5,369,810 and \$6,907,066 from the sale of investments for the years ended June 30, 2008 and 2007, respectively. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The change in the fair value of investments during the years ended June 30, 2008 and 2007, respectively, were a decrease of \$8,983,524 and an increase of \$18,329,554. This amount takes into account all changes in the fair value (including purchases and sales) that occurred during the period. The cumulative unrealized appreciation on investments held at June 30, 2008 and 2007 is \$41,470,334 and \$50,453,858, respectively.

### Note 4. Financial Instruments and Derivatives

In the management of the Fund, the Board Members are responsible for exercising ordinary business care and prudence under the facts and circumstances prevailing at the time of an action or decision.

The Fund believes it is in compliance with all legal, regulatory and contractual provisions including the investment policy of the Fund and the laws and regulations of the State of North Carolina.

The Fund utilizes selective derivative investment instruments to increase the yield and return on its investment portfolio given the available investment alternatives, to mitigate credit risk of default by a counter party, and to control and minimize certain market risks. During the year, the Fund was invested in six hedge funds; therefore, there were no direct derivative holdings. Following is a description of indirect derivative investments utilized by the Fund.

Indirect derivative holdings: The Fund utilizes external investment managers to identify specific investment funds and limited partnerships that meet asset allocation and investment management objectives. These managers and related funds are used to increase the yield and return on the investment portfolio given the available alternative investment opportunities and to diversify its asset holdings.

Certain of these investments expose the Fund to market risk by trading or holding derivative securities and by leveraging the securities in the Fund.

The Fund's holding in indirect derivatives (i.e., derivatives held by external investment managers) are primarily used to decrease risk by managing interest rate and volatility exposure. This is because the indirect derivatives are used by the Fund's external managers primarily to hedge underlying positions and to gain exposure to specific markets in an efficient, inexpensive, liquid, and diversified manner. The Fund considers the risk associated with these holdings to be prudent and within acceptable bounds.

As of June 30, 2008 and 2007, indirect derivative holdings had a fair value of \$45,401,916 and \$34,913,060 representing approximately 25% and 19%, respectively, of the total investments in the Fund.

**Note 5. Distributions**

It is the Investment Fund's policy to make annual distributions to Participants in the Investment Fund. Distributions are based on each Participant's assets at December 31 for the three preceding years. In addition to annual distributions, the Investment Fund makes distributions to Participants upon request.

**Note 6. Commitments**

At June 30, 2008, the Fund had commitments to invest in certain Commonfund Limited Partnerships. The Fund had committed to invest up to \$18.5 million in various Commonfund Limited Partnerships. The partnership agreements require the Fund to contribute capital up to certain limits agreed to by the Partnership and the Fund. The Fund has seven days from the call date to transfer the required capital or risk being in default of the partnership agreement. The call dates are determined at the discretion of Fairfield Partners 2005 LLC, the General Partner in each of the Partnerships. The Partnerships are set to liquidate starting March 31, 2017 through July 31, 2019. Some of the partnership agreements include extensions of three years that could increase the term of the partnerships. A total of \$5,512,150 had been paid into these partnerships as of June 30, 2008.

At June 30, 2008, the Fund had a commitment to invest in Siguler Guff Distressed Fund III for \$3.0 million. At their August 12, 2008 meeting, the members agreed to raise this commitment to \$5.0 million. The Fund has seven days from the call date to transfer the required capital or risk being in default of the partnership agreement. The call dates are determined at the discretion of Siguler Guff Advisers, LLC. A total of \$600,000 had been paid into this fund as of June 30, 2008.

**Note 7. Issued But Not Effective Accounting Pronouncements**

The GASB has issued the following statement not yet implemented by the Fund. Management has not yet determined the effect this statement will have on the Fund.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.