

THE UNCG EXCELLENCE FOUNDATION, INC.

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013



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**THE UNCG EXCELLENCE FOUNDATION, INC.**  
**(A Component Unit of The University of North Carolina at Greensboro)**  
**Table of Contents**

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	<u>Page No.</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 4
<i>Financial Statements</i>	
Statements of Net Position .....	5
Statements of Changes in Net Position .....	6
Notes to Financial Statements .....	7 - 14

## **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 basic financial statements of The UNCG Excellence Foundation, Inc. (the "Foundation"), which comprise the statement of net position as of June 30, 2014, and the related statements of changes in net position for the year then ended, and the related notes to the basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audit. We conducted our audit 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic 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 Board'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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of The UNCG Excellence Foundation, Inc. as of June 30, 2014, and its changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of The UNCG Excellence Foundation, Inc. as of June 30, 2013, were audited by other auditors whose report dated October 15, 2013, expressed an unmodified opinion on those statements.

**Other Matters**

***Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 3 - 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.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
November 6, 2014

**THE UNCG EXCELLENCE FOUNDATION, INC.**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2014**

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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, 2014. 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 changes in net position. 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 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 assets (assets minus liabilities) and their availability for expenditure by the Foundation. Net positions are divided into three major categories: invested in capital assets, net of related debt; unrestricted net position; and restricted net position, which are reflected in two subcategories – expendable and nonexpendable. These three categories of net position are discussed further in the footnotes to the financial statements.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>	<b><u>\$ 119,594,942</u></b>	<b><u>\$ 106,888,213</u></b>	<b><u>\$ 95,329,439</u></b>
<b>Liabilities</b>	<b><u>\$ 7,913,837</u></b>	<b><u>\$ 8,155,935</u></b>	<b><u>\$ 7,546,615</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>153,875</u></b>	<b><u>150,378</u></b>	<b><u>153,389</u></b>
<b>Net Position</b>			
Invested in capital assets	<b>32,030</b>	9,755	36,918
Restricted, nonexpendable	<b>61,494,889</b>	59,294,439	54,423,250
Restricted, expendable	<b>42,279,068</b>	32,342,886	26,929,803
Unrestricted	<b><u>7,721,243</u></b>	<u>6,934,820</u>	<u>6,239,464</u>
<b>Total net position</b>	<b><u>111,527,230</u></b>	<b><u>98,581,900</u></b>	<b><u>87,629,435</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 119,594,942</u></b>	<b><u>\$ 106,888,213</u></b>	<b><u>\$ 95,329,439</u></b>

The total assets of the Foundation increased by approximately **\$12.7 million** and \$11.6 million for **2014** and 2013 respectively and decreased by approximately \$3 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 UNCG EXCELLENCE FOUNDATION, INC.**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2014**

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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 \$251.8 million at June 30, 2014. The Investment Fund invests in UNCG Endowment Partners, LP which is a professionally managed portfolio that contains domestic and foreign common shares of publicly-traded companies, mutual funds, and investment partnerships. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements. The Investment Fund pool total assets increased by approximately \$30.6 million for the year. The Fund gained 15.2 percent for the fiscal year, underperforming the 16.9 percent gain of a passive benchmark consisting of 85 percent MSCI World Index plus 15 percent Barclays Capital Aggregate Bond Index and outperforming the 14.7 percent gain of a custom benchmark based on the Investment 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.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Additions	\$ 16,612,361	\$ 14,172,978	\$ 178,146
Deductions	<u>3,667,031</u>	<u>3,220,513</u>	<u>3,226,149</u>
Increase (decrease) in net position	<u>12,945,330</u>	10,952,465	(3,048,003)
Beginning net position	<u>98,581,900</u>	<u>87,629,435</u>	<u>90,677,438</u>
Ending net position	<u>\$ 111,527,230</u>	<u>\$ 98,581,900</u>	<u>\$ 87,629,435</u>

The statements of changes in net position reflect an increase at the end of 2014 and 2013 and a decrease in the net assets at the end of 2012. The increases in 2014 and 2013 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 2014-15 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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 938,282	\$ 962,672
Investments	367,219	332,782
Restricted cash and cash equivalents	526,121	524,920
Restricted investments	3,995,009	3,547,494
Accrued interest receivable	2,262	1,957
Pledges receivable, net	87,113	125,624
Endowment cash	26,919	151,986
Endowment investment	98,886,406	87,245,759
Other long-term investments	14,083,092	13,142,052
Other assets	650,218	842,975
Other receivables	271	237
Capital assets, net	32,030	9,755
	<b><u>\$ 119,594,942</u></b>	<b><u>\$ 106,888,213</u></b>
<b><u>Liabilities, Deferred Inflows of Resources and Net Position</u></b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,689	\$ 221
Other liabilities	22,949	119,654
Funds held for others	191,238	160,470
Liabilities under unitrust agreements	2,727,131	2,644,581
Annuities payable	4,969,830	5,231,009
Total liabilities	<b><u>7,913,837</u></b>	<b><u>8,155,935</u></b>
Deferred Inflows of Resources:		
Deferred revenue, split interest agreements	<b><u>153,875</u></b>	<b><u>150,378</u></b>
Net Position:		
Invested in capital assets, net	32,030	9,755
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	39,222,881	37,934,200
Professorships	944,566	918,759
Departmental uses	15,914,675	15,281,955
Art	1,519,709	1,504,674
Other	3,893,058	3,654,851
Expendable:		
Scholarships and fellowships	27,162,860	20,581,566
Professorships	1,883,428	1,608,026
Departmental uses	9,014,432	6,537,332
Art	1,054,205	793,500
Other	3,164,143	2,822,462
Unrestricted	<b><u>7,721,243</u></b>	<b><u>6,934,820</u></b>
Total net position	<b><u>111,527,230</u></b>	<b><u>98,581,900</u></b>
Total liabilities, deferred inflows of resources and net position	<b><u>\$ 119,594,942</u></b>	<b><u>\$ 106,888,213</u></b>

*See Notes to Financial Statements*

**THE UNCG EXCELLENCE FOUNDATION, INC.**  
**Statements of Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Additions:		
Gain on sale of vehicle	\$ 26,009	\$ 7,190
Contributions:		
Gifts	429,032	802,124
Additions to permanent endowments	1,050,001	2,971,775
Total contributions	<u>1,479,033</u>	<u>3,773,899</u>
Investment income:		
Net increase in fair value of endowment investments	14,689,688	8,795,542
Net change in value of split-interest agreements	97,284	820,079
Interest, dividends and other	835,053	1,104,458
	<u>15,622,025</u>	<u>10,720,079</u>
Less investment expense	514,706	328,190
	<u>15,107,319</u>	<u>10,391,889</u>
Total additions	<u>16,612,361</u>	<u>14,172,978</u>
Deductions:		
Transportation expense (net of reimbursement)	104	-
Depreciation expense	6,947	10,853
Administrative expense	73,831	37,771
Transfers to the University	3,493,604	3,070,594
Transfers to Weatherspoon Art Foundation	92,545	101,295
Total deductions	<u>3,667,031</u>	<u>3,220,513</u>
Changes in net position	12,945,330	10,952,465
Net position - beginning of year	98,581,900	87,629,435
Net position - end of year	<u>\$ 111,527,230</u>	<u>\$ 98,581,900</u>

## 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).

#### **Basis of Presentation**

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

#### **Net Position**

*Investment 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 position, nonexpendable* – Nonexpendable restricted net positions 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 position, expendable* – Expendable restricted net positions 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 positions 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 position* – Unrestricted net positions include resources derived from unrestricted gifts and earnings on those gifts. Similar net positions 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.

## THE UNCG EXCELLENCE FOUNDATION, INC.

### 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, 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, 2014 and 2013. 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.

##### **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 **\$6,947** and \$10,853 in fiscal years **2014** and 2013, respectively.

#### NOTE 2 - DEPOSITS

Deposits include bank accounts totaling **\$800,821** and \$927,189 at June 30, **2014** and 2013, respectively, for which the bank balance was **\$784,048** and \$928,898, respectively. Of the bank balances, **\$281,668** and \$276,106, 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, **2014** and 2013, the Foundation's portion of cash deposited with the State Treasurer was **\$690,501** and \$712,389, 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**

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NOTE 3 - INVESTMENTS

Investments consist of the following at June 30:

	Fair Value	
	<u>2014</u>	<u>2013</u>
Investment pool	<b>\$ 101,347,755</b>	\$ 89,557,900
Assets held under annuity trust agreements	<b>7,334,864</b>	6,799,937
Assets held under unitrust agreements	<b>6,353,592</b>	5,978,953
Adelaide Fortune Holderness Fund	<b>1,666,001</b>	1,378,408
Pooled life income fund	<b>394,635</b>	363,162
Cash value of life insurance contracts	<b>206,640</b>	199,953
H. Michael Weaver Investment Fund	<b>234,879</b>	189,727
	<b><u>\$ 117,538,366</u></b>	<b><u>\$ 104,468,040</u></b>

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	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	<b>\$ 265,693</b>	\$ 781,454
Mutual Funds	<b>14,040,681</b>	12,444,442
Corporate securities:		
Common stocks	<b>1,677,597</b>	1,428,735
Other assets	<b>-</b>	55,556
	<b><u>\$ 15,983,971</u></b>	<b><u>\$ 14,710,187</u></b>

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, **2014** and 2013, the total rates of return were a gain of **15.2** percent and 11.2 percent, respectively. As of June 30, **2014** and 2013, total units of **56,594.41** and 57,665.41 had a market value of **\$4,448.42** and \$3,834.78 per unit, and the Foundation owned **22,782.76** and 23,347.64 units, respectively.

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

## NOTE 3 - INVESTMENTS (Continued)

The Foundation realized net gains of **\$5,105,188** and \$3,890,984 from the sale of investments for the years ended June 30, **2014** and 2013, respectively. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. The net change in the fair value of investments during the years ended June 30, **2014** and 2013 was an increase of **\$8,580,995** and \$4,911,750, 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, **2014** and 2013, is **\$28,336,968** and \$20,758,266, respectively.

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

	Fair Value	
	<u>2014</u>	<u>2013</u>
Short term investments	\$ -	\$ 2,422,423
Receivable for investments	-	-
Corporate securities:		
Common stocks	-	7,209,381
International	-	787,875
Mutual funds:		
International equity		48,478,187
Inflation hedging	-	12,419,182
Fixed income	-	33,380,133
U. S. equity	-	10,832,487
Partnerships:		
UNCG Endowment Partners, LP	<b>251,755,902</b>	-
Hedge funds	-	48,557,175
Inflation hedging	-	1,958,072
Real estate securities	-	4,429,791
U. S. equity	-	26,810,725
Venture capital	-	25,966,603
	<b>251,755,902</b>	223,252,034
Payable for investments	-	(2,128,116)
	<b><u>\$251,755,902</u></b>	<b><u>\$221,123,918</u></b>

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

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, **2014** and 2013, **4.50** percent and 4.25 percent, respectively 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, 2014 and 2013, the Foundation held the following investments, measured at fair value, which are subject to credit and interest rate risk.

		<b>2014</b>				
		Investment Maturities (In Years)				
		Less than 1	1 to 5	6 to 10	More than 10	Fair Value
Money market						
funds		\$ 239,365	\$ -	\$ -	\$ -	\$ 239,365
Mutual bond						
funds		225,463	1,273,656	2,730,346	-	4,229,465
		<u>\$ 464,828</u>	<u>\$ 1,273,656</u>	<u>\$ 2,730,346</u>	<u>\$ -</u>	<u>\$ 4,468,830</u>
Allocation		10.4%	28.5%	61.1%	0.0%	100.0%
		<b>2013</b>				
		Investment Maturities (In Years)				
		Less than 1	1 to 5	6 to 10	More than 10	Fair Value
Money market						
funds		\$ 108,612	\$ -	\$ -	\$ -	\$ 108,612
Mutual bond						
funds		-	858,913	2,680,261	-	3,539,174
		<u>\$ 108,612</u>	<u>\$ 858,913</u>	<u>\$ 2,680,261</u>	<u>\$ -</u>	<u>\$ 3,647,786</u>
Allocation		3.0%	23.5%	73.5%	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/A or better average credit rating) U.S. fixed income portfolio of sufficient duration (four years or more) to provide effective protection in a deflationary environment.

**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:

	2014 Credit Rating		
	AAA	AA	A
Money market funds	\$ 239,365	\$ -	\$ -
Mutual bond funds	327,223	-	2,610,516
	<u>\$ 566,588</u>	<u>\$ -</u>	<u>\$ 2,610,516</u>
Allocation	13.1%	0.0%	60.5%

	2014 Credit Rating			Fair Value
	BBB	BB	B	
Money market funds	\$ -	\$ -	\$ -	\$ 239,365
Mutual bond funds	615,295	177,252	499,179	4,229,465
	<u>\$ 615,295</u>	<u>\$ 177,252</u>	<u>\$ 499,179</u>	<u>\$ 4,468,830</u>
Allocation	14.3%	0.6%	11.5%	100.0%

	2013 Credit Rating		
	AAA	AA	A
Money market funds	\$ 108,612	\$ -	\$ -
Mutual bond funds	396,250	-	2,903,563
	<u>\$ 504,862</u>	<u>\$ -</u>	<u>\$ 2,903,563</u>
Allocation	13.8%	0.0%	79.6%

	2013 Credit Rating			Fair Value
	BBB	BB	B	
Money market funds	\$ -	\$ -	\$ -	\$ 108,612
Mutual bond funds	-	-	239,361	3,539,174
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,361</u>	<u>\$ 3,647,786</u>
Allocation	0.0%	0.0%	6.6%	100.0%

## THE UNCG EXCELLENCE FOUNDATION, INC.

### Notes to Financial Statements

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#### NOTE 3 - INVESTMENTS (Continued)

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

#### NOTE 4 - PLEDGES TO THE FOUNDATION

As of June 30, **2014** and 2013, outstanding pledges to the Foundation totaled **\$463,261** and \$641,102, respectively. Of the total pledges, **\$369,404** and \$502,093, respectively, are endowment fund pledges and **\$87,113** and \$125,624, respectively, are current fund pledges, net of discounts and allowances for doubtful accounts. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment fund pledges are not recorded and recognized until received due to the passage of the restrictions associated with the pledges. Pledges that are expected to be collected and available for expenditures, that are both verifiable and measurable, are reported on the accompanying financial statements as part of pledges receivable. In accordance with accounting principles generally accepted in the United States of America, the original amount pledged has been discounted based on a projected interest rate for the outstanding periods. There is a **\$4,693** and \$6,450 allowance for doubtful accounts reported in the statement of financial position as of June 30, **2014** and 2013, respectively. The pledges receivable are due over the next four years as follows: \$58,007; \$23,150; \$10,200 and \$2,500. The discount on the pledges due at June 30, 2014 was \$2,051.

#### 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.

## THE UNCG EXCELLENCE FOUNDATION, INC.

### Notes to Financial Statements

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#### NOTE 5 - ENDOWMENTS AND QUASI ENDOWMENTS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the book value of the original gift amount. The excess of book value over market value of these funds are reported in expendable or unrestricted net assets, were **\$2,527** and \$8,294 as of June 30, **2014** and 2013, 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.