

THE UNCG EXCELLENCE FOUNDATION, INC.

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

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2018 AND 2017



THE UNCG EXCELLENCE FOUNDATION, INC.

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Independent Auditor's Report

To the Board of Trustees
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., which comprise the statements of net position as of June 30, 2018 and 2017, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 risk 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, 2018 and 2017, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis on pages 3 - 5 is presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic and historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements, and other knowledge we obtained during our audits of the 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
October 24, 2018

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

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, 2018. This discussion, along with the accompanying 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's (the "University") financial report and therefore is prepared in accordance with Governmental Accounting Standards Board ("GASB") principles.

Statements of Net Position

The statements of net position is a point of time financial statements 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 statements of net position also provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the Foundation. Net position is 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>2018</u>	<u>2017</u>	<u>2016</u>
Assets	<u>\$ 136,691,479</u>	<u>\$ 128,543,154</u>	<u>\$ 113,008,449</u>
Liabilities	<u>\$ 6,332,579</u>	<u>\$ 6,656,152</u>	<u>\$ 6,968,460</u>
Deferred Inflows of Resources	<u>174,822</u>	<u>155,714</u>	<u>161,046</u>
Net Position			
Restricted, nonexpendable	75,086,675	72,272,442	66,671,703
Restricted, expendable	46,011,336	41,407,825	32,314,443
Unrestricted	9,086,067	8,051,021	6,892,797
Total net position	<u>130,184,078</u>	<u>121,731,288</u>	<u>105,878,943</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 136,691,479</u>	<u>\$ 128,543,154</u>	<u>\$ 113,008,449</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

Statements of Net Position (Continued)

The total assets of the Foundation increased by approximately \$8.1 million for the year ended June 30, 2018, and increased approximately \$15.5 million and decreased approximately \$6.3 million for the years ended June 30, 2017 and 2016, respectively. The changes in total net 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 "Investment Fund"). The Investment Fund invests endowment monies for five affiliated organizations. The pooled investments total approximately \$293 million at June 30, 2018. The Investment Fund invests in UNCG Endowment Partners, LP which is a professionally managed portfolio. External investment managers utilize a highly diversified mixture of capital appreciation strategies to achieve returns. The strategy includes investment vehicles of stocks, partnerships and private equity. 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 pooled total assets increased by approximately \$17.0 million for the year. The Fund gained 8.1 percent for the fiscal year.

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>2018</u>	<u>2017</u>	<u>2016</u>
Additions	\$ 3,898,573	\$ 6,081,007	\$ 3,246,753
Deductions	5,348,107	4,658,425	4,617,819
Investment income (loss)	9,902,324	14,429,763	(4,281,772)
Increase (decrease) in net position	<u>8,452,790</u>	<u>15,852,345</u>	<u>(5,652,838)</u>
Beginning net position	<u>121,731,288</u>	<u>105,878,943</u>	<u>111,531,781</u>
Ending net position	<u>\$ 130,184,078</u>	<u>\$ 121,731,288</u>	<u>\$ 105,878,943</u>

The statements of changes in net position reflect an increase in 2018, 2017, and 2016. The increases are due mostly to gains on endowment investments, noncapital gifts and additions to permanent endowments. The most significant deductions are investment losses and transfers to the University for scholarships, fellowships, and departmental spending.

THE UCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

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 2017-2018 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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,421,305	\$ 1,107,925
Investments	361,509	-
Restricted cash and cash equivalents	772,058	629,861
Restricted investments	4,355,282	5,145,689
Accrued interest receivable	1,856	1,759
Pledges receivable, net	124,489	164,070
Endowment cash	120,840	-
Endowment investment	117,542,552	109,773,300
Other long-term investments	10,689,953	10,726,510
Other assets	999,899	981,769
Other receivables	301,736	8,071
Other prepaids	-	4,200
Total assets	<u>\$ 136,691,479</u>	<u>\$ 128,543,154</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Liabilities:		
Accounts payable	\$ -	\$ 6,283
Other liabilities	22,919	32,986
Funds held for others	191,912	172,186
Liabilities under unitrust agreements	1,865,266	1,915,811
Annuities payable	4,252,482	4,528,886
Total liabilities	<u>6,332,579</u>	<u>6,656,152</u>
Deferred Inflows of Resources:		
Deferred revenue, split interest agreements	149,822	155,714
Deferred revenue, grants	25,000	-
	<u>174,822</u>	<u>155,714</u>
Net Position:		
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	49,497,754	46,097,460
Professorships	689,745	1,089,216
Departmental uses	20,240,199	20,199,493
Art	1,523,352	1,521,317
Other	3,135,625	3,364,956
Expendable:		
Scholarships and fellowships	29,771,448	26,566,117
Professorships	1,898,380	1,791,792
Departmental uses	9,901,629	8,944,089
Art	1,144,580	1,035,453
Other	3,295,299	3,070,374
Unrestricted	9,086,067	8,051,021
Total net position	<u>130,184,078</u>	<u>121,731,288</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 136,691,479</u>	<u>\$ 128,543,154</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Statements of Changes in Net Position
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Additions:		
Contributions:		
Gifts	\$ 952,273	\$ 758,303
Additions to permanent endowments	2,946,300	5,322,704
Total additions	<u>3,898,573</u>	<u>6,081,007</u>
Deductions:		
Transportation expense (net of reimbursement)	8,904	-
Administrative expense	256,624	265,717
Transfers to the University	4,979,369	4,277,593
Transfers to Weatherspoon Art Foundation	103,210	115,115
Total deductions	<u>5,348,107</u>	<u>4,658,425</u>
Investment income (loss):		
Net increase in fair value of investments	10,055,240	14,035,627
Net change in value of split-interest agreements	(519,528)	(207,839)
Interest, dividends and other	746,723	1,072,949
	<u>10,282,435</u>	<u>14,900,737</u>
Less investment expense	380,111	470,974
Total investment income	<u>9,902,324</u>	<u>14,429,763</u>
Changes in net position	8,452,790	15,852,345
Net position - beginning of year	121,731,288	105,878,943
Net position - end of year	<u>\$ 130,184,078</u>	<u>\$ 121,731,288</u>

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 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

Restricted net position, nonexpendable - Nonexpendable restricted net position 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 net position, expendable - Expendable restricted net position includes resources in which the Foundation is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties. Expendable net position also includes 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 position includes resources derived from unrestricted gifts and earnings on those gifts. Similar net position is 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.

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.

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017. 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 statements of net position.

NOTE 2 - DEPOSITS

Deposits include bank accounts totaling \$2,314,203 and \$1,103,349 at June 30, 2018 and 2017, respectively, for which the bank balance was \$2,401,146 and \$1,082,553, respectively. Of the bank balances, \$250,000 was covered by federal depository insurance with the remaining balance being uncollateralized for each year.

In addition, the Foundation deposits cash with the State Treasurer of North Carolina. At June 30, 2018 and 2017, the Foundation's portion of cash deposited with the State Treasurer was \$0 and \$634,436, 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	
	2018	2017
Investment pool	\$ 120,096,673	\$ 112,703,594
Assets held under annuity trust agreements	6,837,327	6,900,257
Assets held under unitrust agreements	3,444,754	3,429,549
Adelaide Fortune Holderness Fund	2,162,671	1,950,209
Pooled life income fund	407,871	399,972
Cash value of life insurance contracts	260,399	242,269
H. Michael Weaver Investment Fund	-	261,918
	<u>\$ 133,209,695</u>	<u>\$ 125,887,768</u>

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

NOTE 3 - INVESTMENTS (Continued)

The investments listed in the previous chart include investments not held in the investment pool or held as life insurance contracts. These investments are diversified as follows at June 30:

	Fair Value	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 111,442	\$ 198,060
Mutual funds	10,642,579	10,651,370
Corporate securities:		
Common stocks	2,098,602	2,092,475
	<u>\$ 12,852,623</u>	<u>\$ 12,941,905</u>

The investment pool is managed and invested by The University of North Carolina at Greensboro Investment Fund, Inc. (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, 2018 and 2017, the total rates of return were a gain of 15.0% and 13.7%, respectively. As of June 30, 2018 and 2017, total units of 55,362 and 56,531 had a market value of \$5,295.34 and \$4,884.45 per unit, and the Foundation owned 22,679.71 and 23,073.94 units, respectively.

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.

The Foundation realized net gains of \$3,997,444 and \$2,981,598 from the sale of investments for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 was an increase of \$5,365,810 and \$10,094,761, 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, 2018 and 2017, is \$35,186,942 and \$29,821,132, respectively.

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

	Fair Value	
	<u>2018</u>	<u>2017</u>
UNCG Endowment Partners, LP	<u>\$ 293,162,053</u>	<u>\$ 276,120,937</u>

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

NOTE 3 - INVESTMENTS (Continued)

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.

	<u>2018</u>	<u>2017</u>
US Equity	26.2%	25.0%
Global ex US Equity	12.4%	13.0%
Emerging Markets Equity	7.0%	6.8%
Global Equity	1.6%	1.2%
Private Equity	15.8%	9.4%
US Government Securities	0.2%	0.0%
Diversifying Strategies	18.0%	20.3%
Inflation Sensitive	2.2%	6.8%
Deflation Hedging	12.5%	14.9%
Cash and Cash Equivalents	4.1%	2.6%
	<u>100.0%</u>	<u>100.0%</u>

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, 2018 and 2017, 4.00% and 4.25%, respectively, of the average market value at December 31 of the three previous years was distributed.

At June 30, 2018 and 2017, the Foundation held the following investments, measured at fair value, which are subject to credit and interest rate risk.

	2018				Fair Value
	Investment Maturities (In Years)				
	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	
Mutual bond funds	\$ -	\$ 600,394	\$ 3,091,286	\$ -	\$ 3,691,680
	<u>\$ -</u>	<u>\$ 600,394</u>	<u>\$ 3,091,286</u>	<u>\$ -</u>	<u>\$ 3,691,680</u>
Allocation	0.0%	16.3%	83.7%	0.0%	100.0%

	2017				Fair Value
	Investment Maturities (In Years)				
	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	
Mutual bond funds	\$ -	\$ 658,333	\$ 2,112,381	\$ -	\$ 2,770,714
	<u>\$ -</u>	<u>\$ 658,333</u>	<u>\$ 2,112,381</u>	<u>\$ -</u>	<u>\$ 2,770,714</u>
Allocation	0.0%	23.8%	76.2%	0.0%	100.0%

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

NOTE 3 - INVESTMENTS (Continued)

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.

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

	2018		
	Credit Rating		
	AAA	AA	A
Mutual bond funds	<u>\$ 2,371,542</u>	<u>\$ 53,875</u>	<u>\$ 410,301</u>
Allocation	64.2%	1.5%	11.1%

	2018			
	Credit Rating			
	BBB	BB	B	Fair Value
Mutual bond funds	<u>\$ 413,515</u>	<u>\$ 231,060</u>	<u>\$ 211,387</u>	<u>\$3,691,680</u>
Allocation	11.2%	6.3%	5.7%	100.0%

	2017		
	Credit Rating		
	AAA	AA	A
Mutual bond funds	<u>\$ -</u>	<u>\$ 1,213,982</u>	<u>\$ 637,032</u>
Allocation	0.0%	43.8%	23.0%

	2017			
	Credit Rating			
	BBB	BB	B	Fair Value
Mutual bond funds	<u>\$ -</u>	<u>\$ 898,399</u>	<u>\$ 21,301</u>	<u>\$2,770,714</u>
Allocation	0.0%	32.4%	0.8%	100.0%

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

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, 2018 and 2017, outstanding pledges to the Foundation totaled \$1,384,936 and \$1,333,281, respectively. Of the total pledges, \$1,245,486 and \$1,155,626, respectively, are endowment fund pledges and \$139,450 and \$177,655, 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 \$6,972 and \$8,883 allowance for doubtful accounts reported in the statements of net position as of June 30, 2018 and 2017, respectively. The pledges receivable due over the next three years are as follows: \$564,718; \$227,340; and \$148,622. The discount on the pledges due at June 30, 2018 and 2017 was \$7,988 and \$4,702, respectively.

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 in order to preserve the value of the endowment over time.

THE UNCG EXCELLENCE FOUNDATION, INC.

Notes to Financial Statements

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 reported in expendable or unrestricted net assets, was \$4,077 and \$1,953 as of June 30, 2018 and 2017, 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.

THE UNCG EXCELLENCE FOUNDATION, INC.

Time and Costs for the Audit

Years Ended June 30, 2018 and 2017

The UNCG Excellence Foundation, Inc.'s audit was conducted in approximately 50 hours at a total cost of \$9,000 and \$8,750 for the years ended June 30, 2018 and 2017, respectively.