

THE UNCG EXCELLENCE FOUNDATION, INC.

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

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of cash flows ("supplementary information") for the year ended June 30, 2019, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of cash flows is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
November 19, 2019

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

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, 2019. 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>2019</u>	2018
Assets	<u>\$ 155,474,333</u>	<u>\$ 150,570,009</u>
Liabilities	<u>\$ 6,431,856</u>	<u>\$ 6,343,619</u>
Deferred Inflows of Resources	<u>437,008</u>	<u>174,822</u>
Net Position		
Invested in capital assets	34,000	34,000
Restricted, nonexpendable	86,114,610	79,824,332
Restricted, expendable	51,485,087	49,775,053
Unrestricted	<u>10,971,772</u>	<u>14,418,183</u>
Total net position	<u>148,605,469</u>	<u>144,051,568</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 155,474,333</u>	<u>\$ 150,570,009</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

Statements of Net Position (Continued)

The total assets of the Foundation increased by approximately \$4.9 million and \$8.1 million for the years ended June 30, 2019 and 2018, respectively. The changes in total net position are attributable primarily to new gifts to the Foundation, investment performance and an affiliated entity merger.

On May 31, 2019, the affiliated entities of the Alumni Association of the University of North Carolina at Greensboro, Incorporated ("Alumni Association") and the Weatherspoon Art Museum Association ("WAMA") merged with the UNCG Excellence Foundation, Inc. Also on this date, the Human Environmental Sciences Foundation, Incorporated ("HES Foundation") was dissolved and its remaining unrestricted and endowment assets were placed in the UNCG Excellence Foundation, Inc. This action was undertaken to realign the activities of the affiliated entities to UNC Greensboro's new strategic plan and mission, increase efficiency in the support of UNC Greensboro and its students and alumni, and reduce annual costs.

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 three affiliated organizations. The pooled investments total approximately \$307.6 million at June 30, 2019. 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 \$14.4 million for the year. The Fund gained 5.1 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 to the Foundation.

	<u>2019</u>	<u>2018</u>
Additions	\$ 2,292,550	\$ 4,081,457
Deductions	5,565,346	5,890,000
Investment income	7,826,697	10,675,310
Increase in net position	<u>4,553,901</u>	<u>8,866,767</u>
Beginning net position	<u>144,051,568</u>	<u>135,184,801</u>
Ending net position	<u>\$ 148,605,469</u>	<u>\$ 144,051,568</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

Statements of Changes in Net Position (Continued)

The statements of changes in net position reflect an increase in 2019 and 2018. 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.

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 2019-2020 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, 2019 and 2018

	<u>2019</u>	2018 (As Restated)
<u>Assets</u>		
Cash and cash equivalents	\$ 1,628,270	\$ 2,006,445
Investments	450,650	442,184
Restricted cash and cash equivalents	1,147,065	779,364
Restricted investments	4,628,821	4,636,370
Accrued interest receivable	1,474	1,856
Pledges receivable, net	101,964	124,489
Other receivables	455,199	315,884
Endowment cash	13,268	120,840
Endowment investment	135,449,217	130,411,475
Other long-term investments	10,546,059	10,689,953
Other assets	1,052,346	1,041,149
Total assets	<u>\$ 155,474,333</u>	<u>\$ 150,570,009</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Liabilities:		
Accounts payable and other liabilities	\$ 30,235	\$ 33,959
Funds held for others	398,008	191,912
Liabilities under unitrust agreements	1,858,612	1,865,266
Annuities payable	4,145,001	4,252,482
Total liabilities	<u>6,431,856</u>	<u>6,343,619</u>
Deferred Inflows of Resources:		
Deferred revenue, split interest agreements	154,366	155,714
Deferred revenue, grants	282,642	19,108
	<u>437,008</u>	<u>174,822</u>
Net Position:		
Net investment in capital assets	34,000	34,000
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	55,446,213	52,387,543
Professorships	889,901	774,807
Departmental uses	23,620,204	21,012,295
Art	1,575,937	1,523,352
Other	4,582,355	4,126,335
Expendable:		
Scholarships and fellowships	32,327,097	31,770,137
Professorships	2,087,855	2,037,095
Departmental uses	11,695,126	10,482,985
Art	1,310,214	1,144,580
Other	4,064,795	4,340,256
Unrestricted	10,971,772	14,418,183
Total net position	<u>148,605,469</u>	<u>144,051,568</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 155,474,333</u>	<u>\$ 150,570,009</u>

THE UNCG EXCELLENCE FOUNDATION, INC.
Statements of Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018 (As Restated)
Additions:		
Contributions:		
Gifts	\$ 570,388	\$ 1,095,416
Additions to permanent endowments	1,722,162	2,986,041
Total additions	2,292,550	4,081,457
Deductions:		
Transportation expense (net of reimbursement)	6,805	8,904
Administrative expense	410,690	407,242
Transfers to the University	4,987,071	5,370,644
Transfers to Weatherspoon Art Foundation	160,780	103,210
Total deductions	5,565,346	5,890,000
Investment income (loss):		
Net increase in fair value of investments	7,687,580	10,871,608
Net change in value of split-interest agreements	(217,248)	(519,528)
Interest, dividends and other	1,103,030	746,723
	8,573,362	11,098,803
Less investment expense	746,665	423,493
Total investment income	7,826,697	10,675,310
Changes in net position	4,553,901	8,866,767
Net position - beginning of year (as restated)	144,051,568	135,184,801
Net position - end of year	\$ 148,605,469	\$ 144,051,568

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.

Capital Assets

Capital assets include collectibles historically held by the Alumni Association of the University of North Carolina at Greensboro that are considered non-depreciable capital assets.

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, 2019 and 2018. 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 \$2,788,603 and \$2,906,649 at June 30, 2019 and 2018, respectively, for which the bank balance was \$2,780,858 and \$2,993,592, 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, 2019, the Foundation did not have any funds deposited with the State Treasurer. At June 30, 2018, the Foundation's portion of cash deposited with the State Treasurer was \$634,436. 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	
	2019	2018
Investment pool	\$ 138,241,227	\$ 133,327,359
Assets held under annuity trust agreements	6,637,872	6,837,327
Assets held under unitrust agreements	3,504,000	3,444,754
Adelaide Fortune Holderness Fund	2,287,375	2,162,671
Pooled life income fund	404,273	407,871
Cash value of life insurance contracts	270,096	260,399
	<u>\$ 151,344,843</u>	<u>\$ 146,440,381</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	
	2019	2018
Cash and cash equivalents	\$ 343,124	\$ 111,442
Mutual funds	10,287,911	10,642,579
Corporate securities:		
Common stocks	2,202,485	2,098,602
	<u>\$ 12,833,520</u>	<u>\$ 12,852,623</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 Endowment Fund 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, 2019 and 2018, the total rates of return were a gain of 5.1% and 8.1%, respectively. As of June 30, 2019 and 2018, total units of 54,908 and 55,362 had a market value of \$5,601.72 and \$5,295.34 per unit, and the Foundation owned 24,678.36 and 22,679.71 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 \$1,607,503 and \$4,426,109 from the sale of investments for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 was an increase of \$6,149,016 and \$6,036,697, 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, 2019 and 2018, is \$41,335,958 and \$39,959,757, respectively.

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

	Fair Value	
	2019	2018
UNCG Endowment Partners, LP	<u>\$ 307,581,149</u>	<u>\$ 293,162,053</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>2019</u>	<u>2018</u>
US Equity	22.6%	26.2%
Global ex US Equity	12.6%	12.4%
Emerging Markets Equity	7.3%	7.0%
Global Equity	1.7%	1.6%
Private Equity	16.8%	15.8%
US Government Securities	0.2%	0.2%
Diversifying Strategies	17.2%	18.0%
Inflation Sensitive	3.8%	2.2%
Deflation Hedging	14.1%	12.5%
Cash and Cash Equivalents	3.7%	4.1%
	<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, 2019 and 2018, 4.00% of the average market value at December 31 of the three previous years was distributed.

At June 30, 2019 and 2018, the Foundation held the following investments, measured at fair value, which are subject to credit and interest rate risk.

	2019				
	Investment Maturities (In Years)				
	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	<u>Fair Value</u>
Mutual bond funds	\$ -	\$ 590,258	\$ 2,967,819	\$ -	\$ 3,558,077
	<u>\$ -</u>	<u>\$ 590,258</u>	<u>\$ 2,967,819</u>	<u>\$ -</u>	<u>\$ 3,558,077</u>
Allocation	0.0%	16.6%	83.4%	0.0%	100.0%

	2018				
	Investment Maturities (In Years)				
	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	<u>Fair Value</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%

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:

	2019		
	Credit Rating		
	AAA	AA	A
Mutual bond funds	<u>\$ 2,519,930</u>	<u>\$ 8,965</u>	<u>\$ 285,552</u>
Allocation	70.8%	0.3%	8.0%

	2019			Fair Value
	Credit Rating			
	BBB	BB	B	
Mutual bond funds	<u>\$ 262,329</u>	<u>\$ 293,853</u>	<u>\$ 187,448</u>	<u>\$ 3,558,077</u>
Allocation	7.4%	8.3%	5.2%	100.0%

	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			Fair Value
	Credit Rating			
	BBB	BB	B	
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%

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, 2019 and 2018, outstanding pledges to the Foundation totaled \$1,264,150 and \$1,384,936, respectively. Of the total pledges, \$1,149,755 and \$1,245,486, respectively, are endowment fund pledges and \$114,395 and \$139,450, 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 \$5,720 and \$6,972 allowance for doubtful accounts reported in the statements of net position as of June 30, 2019 and 2018, respectively. The pledges receivable due over the next five years are as follows: \$588,268; \$197,671; \$129,211; \$105,000; and \$244,000. The discount on the pledges due at June 30, 2019 and 2018 was \$6,711 and \$7,989, 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 \$1,122 and \$4,077 as of June 30, 2019 and 2018, 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.

NOTE 9 - MERGERS AND RESTATEMENT

The Foundation, the Alumni Association of the University of North Carolina at Greensboro, Incorporated ("Alumni Association"), the Weatherspoon Art Museum Association ("WAMA"), and the Human Environmental Sciences Foundation, Incorporated ("HES Foundation") approved resolutions to merge their legally separate entities with the Foundation as the surviving entity on May 31, 2019. The merger was effective as of July 1, 2018.

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

NOTE 9 - MERGERS AND RESTATEMENT (Continued)

The bylaws of the Foundation were amended by this merger. The asset, liabilities, and results of operations of Alumni Association, WAMA, and HES Foundation were acquired by the Foundation with no significant adjustments necessary to conform with current accounting policies.

The amounts recognized as of July 1, 2018 are as follows:

Assets:

Cash and cash equivalents	\$ 585,140
Investments	80,675
Restricted cash	7,306
Restricted investments	281,088
Other receivables	14,148
Endowment investment	12,868,923
Other assets	41,250
	<u>\$ 13,878,530</u>

Liabilities:

Accounts payable and other liabilities	\$ 11,040
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Net Position:

Net investment in capital assets	34,000
Restricted for:	
Nonexpendable	4,737,657
Expendable	3,763,717
Unrestricted	5,332,116
	<u>13,867,490</u>
	<u>\$ 13,878,530</u>

SUPPLEMENTARY INFORMATION

THE UNCG EXCELLENCE FOUNDATION, INC.
Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities:	
Changes in net assets	\$ 4,553,901
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Net increase in fair value of investments	(7,687,580)
Investment earnings reinvested in investments	(196,153)
(Increase) decrease in:	
Accrued interest receivable	382
Pledges receivable	22,525
Other receivables	(139,315)
Other assets	(11,197)
Increase (decrease) in:	
Accounts payable and other liabilities	(3,724)
Liabilities under unitrust agreements	(6,654)
Annuities payable	(107,481)
Deferred revenue, split interest agreements	(1,348)
Deferred revenue, grants	263,534
Net cash used in operating activities	<u>(3,313,110)</u>
Cash flows from investing activities:	
Proceeds on the sale of investments	8,644,152
Purchases of investments	(5,655,184)
Cash obtained in mergers	-
Net cash provided by investing activities	<u>2,988,968</u>
Cash flows from financing activities:	
Increase in funds held for others	206,096
Net cash provided by financing activities	<u>206,096</u>
Decrease in cash	(118,046)
Cash, cash equivalents, and restricted cash - beginning	<u>2,906,649</u>
Cash, cash equivalents, and restricted cash - ending	<u>\$ 2,788,603</u>
Cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 1,628,270
Restricted cash and cash equivalents	1,147,065
Endowment cash	13,268
	<u>\$ 2,788,603</u>

THE UNCG EXCELLENCE FOUNDATION, INC.

Time and Costs for the Audit

Years Ended June 30, 2019 and 2018

The UNCG Excellence Foundation, Inc.'s audit was conducted in approximately 80 hours at a total cost of \$11,500 and \$9,000 for the years ended June 30, 2019 and 2018, respectively.