

**THE UNIVERSITY OF NORTH CAROLINA
AT GREENSBORO INVESTMENT FUND, INC.**

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

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2020 AND 2019



**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Table of Contents**

| | <u>Page No.</u> |
|--|-----------------|
| Independent Auditor's Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 5 |
| <i>Financial Statements</i> | |
| Statements of Net Position | 6 |
| Statements of Revenues, Expenses and Changes in Net Position | 7 |
| Notes to Financial Statements | 8 - 11 |
| <i>Supplementary Information</i> | |
| Statement of Cash Flows | 12 |



Independent Auditor's Report

Members of the Board
The University of North Carolina at Greensboro Investment Fund, Inc.
Greensboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of The University of North Carolina at Greensboro Investment Fund, Inc., which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and 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 University of North Carolina at Greensboro Investment Fund, Inc. as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other 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 through 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, which 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 Supplementary 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, 2020, 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 20, 2020

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Introduction

The University of North Carolina at Greensboro Investment Fund, Inc. (the "Fund") provides the following management discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ended June 30, 2020. This discussion, along with the following financial statements and related footnote disclosures, have been prepared by management and comprise the Fund's complete financial report. The financial statements, footnotes and this discussion are the responsibility of management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. However, this discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes.

Using the Financial Report

The Fund's financial report includes two financial statements: the statement of net position; and the statement of revenues, expenses and changes in net position. The Fund is blended in The University of North Carolina at Greensboro financial report and, therefore, is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Statement of Net Position

The statement of net position is a point of time financial statement that presents the assets, liabilities, and net position of the Fund.

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

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

The Fund invests endowment monies for three affiliated organizations. Last fiscal year, the UNCG Excellence Foundation merged with the affiliated entities of the Alumni Association, the Human Environmental Science Foundation and the Weatherspoon Art Museum Association (Guild). The endowment assets for the Alumni Association and the Human Environmental Science Foundation were moved into the Excellence Foundation but remained invested with the Fund.

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Statement of Net Position (Continued)

The Fund invests endowment monies for three affiliated organizations. The pooled investments total approximately \$310 million at June 30, 2020. The total assets of the Fund increased by approximately \$2.4 million for the year. Contributions into the fund over the year were \$7.5 million, while distributions in support of University programs were \$14.1 million. The total rate of return for the Fund for the period was 2.6%.

The Fund is invested with an outsourced chief investment officer whose approach to investing follows the emphasis on asset allocation and policies implemented by the Board of Directors.

| Assets | 2020 | 2019 | 2018 |
|---|-----------------------|-----------------------|-----------------------|
| Current Assets | \$ 475,343 | \$ 3,810 | \$ 4,320 |
| Noncurrent Assets | 310,293,804 | 307,581,149 | 293,162,053 |
| Total assets | \$ 310,769,147 | \$ 307,584,959 | \$ 293,166,373 |
| Liabilities and Net Position | | | |
| Current Liabilities | \$ 475,343 | \$ 4,320 | \$ 4,320 |
| Total liabilities | 475,343 | 4,320 | 4,320 |
| Net Position, Unrestricted, Nonexpendable | | | |
| The UNCG Excellence Foundation, Inc. | 141,513,060 | 138,240,717 | 120,096,673 |
| The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc. | - | - | 9,981,876 |
| The Alumni Association of the University of North Carolina at Greensboro | - | - | 3,248,810 |
| The Associated Campus Ministries of The University of North Carolina at Greensboro | 620,229 | 626,916 | 616,504 |
| The Endowment Fund of The University of North Carolina at Greensboro | 168,160,515 | 168,713,006 | 159,218,190 |
| Total net position | 310,293,804 | 307,580,639 | 293,162,053 |
| Total liabilities and net position | \$ 310,769,147 | \$ 307,584,959 | \$ 293,166,373 |

The Fund is invested with an outsourced chief investment officer whose approach to investing follows the emphasis on asset allocation and policies implemented by the Board of Directors.

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the statement of net position are based on the activity presented in the statement of revenues, expenses and changes in net position. The purpose of the statement is to present revenues, expenses and any gains and losses earned or incurred by the Fund.

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------|------------------------------|------------------------------|------------------------------|
| Operating income | \$ 9,759,438 | \$ 16,714,999 | \$ 22,524,223 |
| Participant contributions | 7,399,514 | 9,345,776 | 8,025,823 |
| Distribution to participants | <u>(14,445,787)</u> | <u>(11,642,189)</u> | <u>(13,508,930)</u> |
| Increase in net position | 2,713,165 | 14,418,586 | 17,041,116 |
| Beginning net position | <u>307,580,639</u> | <u>293,162,053</u> | <u>276,120,937</u> |
| Ending net position | <u><u>\$ 310,293,804</u></u> | <u><u>\$ 307,580,639</u></u> | <u><u>\$ 293,162,053</u></u> |

The statement of revenues, expenses, and changes in net position reflects an increase in net position at June 30, 2020, 2019 and 2018 of approximately \$2.4 million, \$14.4 million and \$17.0 million, respectively. The increase for all years is due primarily to an investment return of 2.6 percent, 5.1 percent and 8.1 percent, respectively. For the current fiscal year, the spending policy was based on a rolling three-year market value average at June 30. For the previous two fiscal years, the spending policy was based on a rolling three-year market value average at December 31.

Economic Outlook

Management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the Fund's long-term financial position. Market volatility may have a short-term effect on the results of operations for fiscal year 2019-2020 not unlike that experienced for the past several years. We will maintain a close watch over resources, so that the Fund will be able to react to unknown internal and external issues.

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

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Statements of Net Position
June 30, 2020 and 2019**

| <u>Assets</u> | <u>2020</u> | <u>2019</u> |
|---|------------------------------|------------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 475,343 | \$ 3,810 |
| Total current assets | <u>475,343</u> | <u>3,810</u> |
| Noncurrent Assets: | | |
| Investments | <u>310,293,804</u> | <u>307,581,149</u> |
| Total assets | <u><u>\$ 310,769,147</u></u> | <u><u>\$ 307,584,959</u></u> |
| <u>Liabilities and Net Position</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 475,343 | \$ 4,320 |
| Total liabilities | <u>475,343</u> | <u>4,320</u> |
| Net Position: | | |
| Unrestricted net assets, nonexpendable: | | |
| The UNCG Excellence Foundation, Inc. | 141,513,060 | 138,240,717 |
| The Associated Campus Ministries of The University of North Carolina at Greensboro | 620,229 | 626,916 |
| The Endowment Fund of The University of North Carolina at Greensboro | <u>168,160,515</u> | <u>168,713,006</u> |
| Total net position | <u>310,293,804</u> | <u>307,580,639</u> |
| Total liabilities and net position | <u><u>\$ 310,769,147</u></u> | <u><u>\$ 307,584,959</u></u> |

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Operating Revenues: | | |
| Investment income | \$ 1,189,007 | \$ 1,031,177 |
| Net realized gain on investment transactions | 3,736,723 | 3,598,506 |
| Net unrealized appreciation on investments | <u>6,552,416</u> | <u>13,566,439</u> |
| Total operating revenues | <u>11,478,146</u> | <u>18,196,122</u> |
| Operating Expenses: | | |
| General and administrative: | | |
| Investment management fees | 1,605,623 | 1,387,255 |
| Other administrative fees | <u>113,085</u> | <u>93,868</u> |
| Total operating expenses | <u>1,718,708</u> | <u>1,481,123</u> |
| Operating income | 9,759,438 | 16,714,999 |
| Participant contributions | 7,399,514 | 9,345,776 |
| Distribution to participants | <u>(14,445,787)</u> | <u>(11,642,189)</u> |
| Changes in net position | 2,713,165 | 14,418,586 |
| Net position held for fund participants: | | |
| Beginning of Year | <u>307,580,639</u> | <u>293,162,053</u> |
| End of Year | <u>\$ 310,293,804</u> | <u>\$ 307,580,639</u> |

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The University of North Carolina at Greensboro Investment Fund, Inc. (the "Fund") was formed in order to consolidate the endowment pool investments of The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc. ("HES"), The UNCG Excellence Foundation, Inc. ("Excellence Foundation"), and The Endowment Fund of The University of North Carolina at Greensboro into one pool. During the 1999 fiscal year, The Alumni Association of The University of North Carolina at Greensboro ("Alumni Association") became a member of the Fund. The Associated Campus Ministries of The University of North Carolina at Greensboro joined the Fund during the 2000 fiscal year. During the 2019 fiscal year, HES and Alumni Association merged into Excellence Foundation.

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

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

Financial Statements

The Fund is a governmental not-for-profit organization established as a separate, incorporated investment fund pool, reporting under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The full scope of the Fund's activities is considered to be a single business-type activity (BTA) and, accordingly, is reported within a single column in the basic financial statements.

Basis of Accounting

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

Cash and Cash Equivalents

In addition to cash in bank accounts and undeposited receipts, this classification includes all short-term investments, such as savings accounts and money market accounts.

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Notes to Financial Statements

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

Investments

Investments are stated at fair value. Equity securities and mutual funds are stated at quoted value. Investments in partnerships are stated at net unit value based on the fair value of the partnerships' assets (determined based on values supplied by pricing services, market quotations and other pricing sources believed to be reliable). The Fund invested in partnerships during the period that places funds with various managers who invest primarily in derivatives. Detailed information regarding the derivative investments is not available to the Fund.

Income Taxes

The Fund is exempt from federal income tax under the provisions of the Internal Revenue Code Section 501(c)(3). The Fund is exempt from federal and state income taxes except for income generated from unrelated business activities. Unrelated business income passes through to the Fund from some of the partnerships classified as alternative investments.

Use of Estimates

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

Net Position

The Fund's net position is classified as follows:

Unrestricted net assets, nonexpendable - nonexpendable restricted net assets include Participants' endowments and similar type assets whose use is limited to investment for the benefit of the Participants.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Fund's deposits had a carrying amount and bank balance of \$475,343 and \$3,810 at June 30, 2020 and 2019, respectively. The ending bank balances for both years were fully covered by federal depository insurance.

Cash and cash equivalents include \$475,343 and \$3,810 at June 30, 2020 and 2019, respectively, held in custodial accounts for investment.

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Notes to Financial Statements

NOTE 3 - INVESTMENTS

The Fund is not registered with the Securities and Exchange Commission and is not subject to any formal oversight other than that provided by the Fund's Board of Directors. The Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board continually reviews and monitors investments based on a variety of factors.

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

Assets of the Fund held in custody for investment consist of the following at June 30:

| | 2020 | |
|-----------------------------|------------------------------|--------------------------------|
| | <u>Fair Value</u> | <u>Unrealized Appreciation</u> |
| Partnerships: | | |
| UNCG Endowment Partners, LP | <u>\$ 310,293,804</u> | <u>\$ 107,148,308</u> |
| | | |
| | 2019 | |
| | <u>Fair Value</u> | <u>Unrealized Appreciation</u> |
| Partnerships: | | |
| UNCG Endowment Partners, LP | <u>\$ 307,581,149</u> | <u>\$ 100,596,402</u> |

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. These external investment managers utilize a highly diversified mixture of capital appreciation strategies to achieve return. The strategy includes investment vehicles of stocks, partnerships and private equity. Within these investments the asset allocation as of June 30 was:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|----------------------|---------------|
| US Equity | 26.2% | 22.6% |
| Global ex US Equity | 12.4% | 12.6% |
| Emerging Markets Equity | 7.0% | 7.3% |
| Global Equity | 1.6% | 1.7% |
| Private Equity | 15.8% | 16.8% |
| US Government Securities | 0.2% | 0.2% |
| Diversifying Strategies | 18.0% | 17.2% |
| Inflation Sensitive | 2.2% | 3.8% |
| Deflation Hedging | 12.5% | 14.1% |
| Cash and Cash Equivalents | 4.1% | 3.7% |
| | <u>100.0%</u> | <u>100.0%</u> |

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Notes to Financial Statements

NOTE 3 - INVESTMENTS (Continued)

The 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.

Credit risk and interest rate risks: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk of a debt investment's exposure to fair value fluctuations arising from changing interest rates. The Fund's formal policy limits some fixed income holdings to those investments that have a high quality rating (AA/Aa or better) and those with a sufficient duration (four years or more) to provide effective protection in a deflationary environment.

Concentration of credit risk: The Fund's investment in UNCG Endowment Partners, LP represents five percent or more of total investments that are not issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments as of June 30, 2020 and 2019.

The Participants purchase equity in the Fund based on funds deposited for investment. Individual Participant equity is determined on a market unit valuation basis. The original basis was \$1,000.00 per unit. For the years ended June 30, 2020 and 2019 the total rate of return was a gain of 2.6% and 5.1%, respectively. As of June 30, 2020 and 2019, total units of 53,663 and 54,908 had a fair value of \$5,784.36 and \$5,601.72 per unit, respectively.

The Fund realized a net gain of \$3,736,723 and \$3,598,506 from the sale of investments for the years ended June 30, 2020 and 2019, respectively. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The change in the fair value of investments during the years ended June 30, 2020 and 2019, was an increase of \$2,713,165 and \$14,418,586, respectively. This amount takes into account all changes in the fair value (including purchases and sales) that occurred during the period. The cumulative unrealized appreciation on investments held at June 30, 2020 and 2019, is \$107,148,308 and \$100,596,402, respectively.

NOTE 4 - DISTRIBUTIONS

It is the Fund's policy to make annual distributions to Participants in the Fund. Distributions are based on each Participant's assets at June 30th for the preceding year and December 31 for the previous fiscal year. In addition to annual distributions, the Fund makes distributions to Participants upon request.

SUPPLEMENTARY INFORMATION

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Statement of Cash Flows
Year Ended June 30, 2020**

| | |
|---|--------------------|
| Cash flows from operating activities: | |
| Changes in net position | \$ 2,713,165 |
| Adjustments to reconcile changes in net position to net cash provided by operating activities: | |
| Net realized gain on investment transactions | (3,736,723) |
| Net unrealized appreciation on investments | (6,552,416) |
| Increase in: | |
| Accounts payable | 471,023 |
| Proceeds on the sale of investments | 14,975,998 |
| Purchases of investments | <u>(7,399,514)</u> |
| Net cash provided by operating activities | <u>471,533</u> |
| Increase in cash | 471,533 |
| Cash and cash equivalents - beginning | <u>3,810</u> |
| Cash and cash equivalents - ending | <u>\$ 475,343</u> |

**THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
INVESTMENT FUND, INC.
Time and Costs for the Audit
Years Ended June 30, 2020 and 2019**

The University of North Carolina at Greensboro Investment Fund, Inc.'s audit was conducted in approximately 65 hours at a total cost of \$10,000 and \$9,500 for the years ended June 30, 2020 and 2019, respectively.