

Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Blended for Financial Reported	Memorandums of Understanding
Appalachian State University								
ASU Foundation, Inc.	6/30/07	Yes	Dixon Hughes, PLLC	No	GAAP*	\$80,062,490		Yes
ASU Student Housing Corporation	6/30/06	Yes	Apple, Koceja, & Associates, PA	No	GAAP	\$3,781,614		Yes
East Carolina University								
ECU Alumni Association, Inc.	6/30/06	Yes	McGladrey & Pullen, LLP	No	GAAP	\$660,223		Yes
ECU Educational Foundation, Inc.	6/30/06	Yes	McGladrey & Pullen, LLP	No	GAAP	\$17,564,605		Yes
ECU Foundation, Inc. and Consolidated Affiliate	6/30/06	Yes	McGladrey & Pullen, LLP	No	GAAP	\$67,235,597		Yes
The Medical Foundation of ECU, Inc.	6/30/06	Yes	McGladrey & Pullen, LLP	No	GAAP	\$28,442,269		Yes
Elizabeth City State University								
ECSU Foundation, Inc.	6/30/06	Yes	Goodman & Company, LLP	No	GAAP	\$6,131,729		Yes
ECSU National Alumni Association	12/31/05	No****	William Sylvester Robinson, CPA	Yes*****	GAAP	\$120,195		Yes
Fayetteville State University								
FSU Athletic Club	6/30/07	Yes	N-Vision Enterprises, Inc.***	No	Modified Cash**	\$15,767		Yes
FSU Development Corporation	6/30/06	Yes	Bule, Norman, & Company, PA	No	GAAP	\$831,649		Yes
FSU Foundation, Inc. and Subsidiary	6/30/06	Yes	Bule, Norman, & Company, PA	No	GAAP	\$3,085,720		Yes
FSU National Alumni Association, Inc.	6/30/06	Yes	Bule, Norman, & Company, PA	No	GAAP	\$95,031		Yes
The Fayetteville State University Housing Foundation, LLC	6/30/06	Yes	Bule, Norman, & Company, PA	No	GAAP	\$95,031		Yes

* GAAP - General Accepted Accounting Principles

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***Dba - N-Vision Accounting & Management Services This is not a CPA firm but an Accounting firm.

**** Disclaimer-Independent Public Accounting firm was unable to form an opinion on the completeness and reliability of Management's financial statements.

***** Findings and actions taken found on page 8.

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North Carolina A & T State University							
NCA&T National Aggie Club, Inc.	6/30/06	Yes	James E. Avent, Jr., CPA	Yes ¹	GAAP	\$200,254	Yes
NCA&T University Alumni Association, Inc.	6/30/06	Yes	James E. Avent, Jr., CPA	Yes ¹	GAAP	\$2,318,759	Yes
NCA&T University Foundation, Inc.	6/30/06	Yes	Oliver W. Bowie, CPA	No	GAAP	\$7,707,703	Yes
The Victory Club Foundation, Inc.	6/30/06	Yes	Oliver W. Bowie, CPA	No	GAAP	\$988,732	Yes
North Carolina Central University							
NCCU Alumni Association, Inc.	6/30/05	Yes	David C. Hinton, CPA, PA	No	GAAP*	\$414,499	Yes
NCCU Educational Advancement Foundation, Inc. ('Eagle Club')	6/30/06	Yes	Ty Cox & Co., CPAs, PLLC	Yes**	GAAP	\$194,640	Yes
NCCU Foundation, Inc.	6/30/06	Yes	McGladrey & Pullen, LLP	No	GAAP	\$10,083,650	Yes
NCCU Real Estate Foundation	6/30/06	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	(\$1,207,166)	Yes
North Carolina School of the Arts							
N.C. School of the Arts Foundation, Inc.	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$27,739,781	Yes
NCSA Housing Corporation	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	(\$397,783)	Yes
NCSA Program Support Corporation	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$1,199,860	Yes
River Run Film Festival	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$184,252	Yes
The Foreign Art Study Foundation of North Carolina, Inc.	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$701,298	Yes
The Semans Art Fund, Inc.	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$701,852	Yes
The Student Creative Arts Foundation of North Carolina, Inc.	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$682,112	Yes

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** Findings and actions taken found on page 8.

¹ See attachment 2.

Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Memorandums of Understanding
North Carolina State University							
N.C. Agricultural Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash**	\$56,840,592	Yes
N.C. State Engineering Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$47,160,395	Yes
N.C. State Forestry Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$12,737,188	Yes
N.C. State Investment Fund, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	GAAP*	\$296,910,803	Yes
N.C. State University Alumni Association	6/30/06	Yes	Batchelor, Tillery, & Roberts, LLP	No	GAAP	\$44,397,012	Yes
N.C. State Alumni Club, Inc.	12/1/06	Yes	Batchelor, Tillery, & Roberts, LLP	No	GAAP	\$342,714	Yes
N.C. State University Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	GAAP	\$73,456,582	Yes
N.C. State University Physical & Mathematical Sciences Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$15,478,088	Yes
N.C. Textile Foundation, Inc.	6/30/06	Yes	McGladrey & Pullen	Yes***	Modified Cash	\$27,507,114	Yes
N.C. Tobacco Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$3,791,150	Yes
N.C. Veterinary Medical Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$18,683,800	Yes
NCSU Student Aid Association, Inc.	6/30/06	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP	\$71,075,459	Yes
North Carolina State University Club	12/31/06	Yes	Batchelor, Tillery, & Roberts, LLP	No	GAAP	\$1,086,165	Yes
Pulp and Paper Foundation, Inc.	6/30/06	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$9,769,517	Yes
The University of North Carolina at Asheville							
The University Botanical Gardens at Asheville, Inc.	12/31/06	Yes	Crawley, Lee, & Company, PA	No	GAAP*	\$932,165	Yes
UNC Asheville Foundation, Inc.	6/30/07	Yes	Burleson Earley & Keel, PLLC	No	GAAP	\$22,106,825	Yes

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*** Findings and actions taken found on page 8.

Summary Report of Associated Entities

Campus		Fiscal Year	Unqualified Audit	Audit Performed By	Management Letter/Report	Basis for Statement	Total Net Assets	Memorandums of Understanding
The University of North Carolina at Chapel Hill		End	Opinion		Issues	Preparation		Understanding
Carolina for Kibera, Inc.		12/31/06	Yes	Chung CPA, PA	Yes***	GAAP	\$314,698	Yes
Law Alumni Association of UNC, Inc. and UNC Law Foundation, Inc.		6/30/06	Yes	McGladrey & Pullen, LLP	Yes***	Modified Cash**	\$22,174,480	Yes
Morehead Scholarship Foundation		6/30/06	Yes	Batchelor, Tillery & Roberts, LLP	No	GAAP	\$9,522,091	Yes
The Dental Foundation of N.C., Inc.		6/30/06	Yes	Koonce, Wooten, & Haywood, LLP	Yes***	GAAP	\$28,749,667	Yes
The Educational Foundation, Inc.		6/30/06	Yes	Deloitte & Touche LLP	No	GAAP	\$34,932,213	Yes
The Kenan Flagler Business School Foundation		6/30/06	Yes	Bernard, Robinson, & Company, LLP	No	GAAP	\$68,442,505	Yes
The Medical Foundation of N.C., Inc.		6/30/06	Yes	Stancil & Company	Yes***	GAAP	\$200,814,685	Yes
The Pharmacy Foundation of N.C., Inc.		6/30/06	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP*	\$40,514,109	Yes
The School of Education Foundation, Inc.		6/30/06	Yes	Blackman & Sloop, CPAs, PA	Yes***	GAAP	\$1,733,088	Yes
The School of Government Foundation, Inc.		6/30/06	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	\$8,623,645	Yes
The School of Journalism & Mass Communications Foundation of North Carolina, Inc.		12/31/05	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	\$14,946,912	Yes
The School of Social Work Foundation, Inc.		6/30/06	Yes	Blackman & Sloop, CPAs, PA	Yes***	GAAP	\$6,908,007	Yes
The University of North Carolina at Chapel Hill Arts & Sciences Foundation, Inc.		6/30/06	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	\$134,442,602	Yes
The University of North Carolina at Chapel Hill Foundation Investment Fund		6/30/06	Yes	KPMG, LLP	No	GAAP	\$1,478,988,508	Yes
The University of North Carolina at Chapel Hill Foundation, Inc.		6/30/06	Yes	KPMG, LLP	No	GAAP	\$205,886,619	Yes
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.		6/30/06	Yes	Blackman & Sloop, CPAs, PA	Yes***	GAAP	\$6,193,711	Yes

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*** Findings and actions taken found on page 8.

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The University of North Carolina at Chapel Hill (cont'd)								
UNC Management Company, Inc.		6/30/06	Yes	KPMG, LLP	Yes***	GAAP	\$3,920,918	Yes
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.		6/30/06	Yes	Blackman & Stoop, CPAs, PA	No	GAAP	\$18,812,322	Yes
The University of North Carolina at Charlotte								
The Athletic Foundation of The University of North Carolina at Charlotte		6/30/07	Yes	Greer & Walker, LLP	No	GAAP*	\$15,576,211	Yes
The Ben Craig Center		6/30/07	Yes	Greer & Walker, LLP	No	GAAP	\$962,395	Yes
The Foundation of the University of North Carolina at Charlotte, Inc.		6/30/07	Yes	Greer & Walker, LLP	No	GAAP	\$99,936,274	Yes
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.		6/30/07	Yes	Greer & Walker, LLP	No	GAAP	\$541,358	Yes
The University of North Carolina at Charlotte Investment Foundation, Inc.		6/30/07	Yes	Greer & Walker, LLP	No	GAAP	\$0	Yes
University of North Carolina at Greensboro								
Capital Facilities Foundation, Inc.		6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$172,799	Yes
Serve, Inc.		11/30/06	Yes	Bernard, Robinson, & Company, LLP	No	GAAP	\$633,321	Yes
The Alumni Association of the University of North Carolina at Greensboro, Inc.		6/30/06	Yes	Bernard, Robinson, & Company, LLP	No	Modified Cash**	\$2,610,847	Yes
The UNCG Excellence Foundation		6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$85,552,342	Yes
The UNCG Human Environmental Sciences Foundation, Inc.		6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$7,865,416	Yes
The Weatherspoon Art Foundation		6/30/06	Yes	Internal Audit ¹	No	N/A	\$19,756,305	Yes
The Weatherspoon Art Museum Association		6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$437,005	Yes
UNCG Investment Fund, Inc.		6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$183,751,626	Yes

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¹ Internal audit reviewed the value and internal controls over the art work owned by the foundation. This foundation's only assets are the works of art. The art values are based on cost if purchased or fair value at the time of donation, if donated.

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The University of North Carolina at Pembroke							
The UNCP University Foundation, LLC	6/30/07	Yes	Reznick Group	No	GAAP*	(\$1,722,704)	Yes
UNCP Foundation, Inc.	6/30/07	Yes	Nelson, Price & Associates, PA	No	GAAP	\$3,989,432	Yes
UNCP Student Housing, LLC	6/30/07	Yes	Nelson, Price & Associates, PA	No	GAAP	\$712,317	Yes
The University of North Carolina at Wilmington							
Cameron Foundation	6/30/06	Yes	Internal Audit	No	GAAP	\$487,469	Yes
Donald R. Watson Foundation, Inc.	6/30/06	Yes	Michael Durham, CPA	No	GAAP	1,605,999	Yes
Friends of UNCW	6/30/06	Yes	Internal Audit	No	GAAP	\$4,669	Yes
The Foundation of UNCW, Inc.	6/30/06	Yes	McGladery & Pullen, LLP	No	GAAP	\$3,282,896	Yes
The UNCW Alumni Association	6/30/06	Yes	McGladery & Pullen, LLP	No	GAAP	\$533,545	Yes
The UNCW Student Aid Association	6/30/06	Yes	McGladery & Pullen, LLP	No	GAAP	\$1,400,932	Yes
UNCW Corporation	6/30/06	Yes	McGladery & Pullen, LLP	No	GAAP	(\$2,505)	Yes
Western Carolina University							
Western Carolina University Foundation	6/30/06	Yes	Burleson, Earley, & Keel, PLLC	No	GAAP	\$15,097,058	Yes
Western Carolina University Research and Development Corporation	6/30/06	Yes	Burleson, Earley, & Keel, PLLC	No	GAAP	\$325,486	Yes

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Summary Report of Associated Entities

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Winston-Salem State University							
Simon Green Atkins Community Development Corporation	6/30/06	Yes	Preston, Sims, & Darden, P A	No	GAAP*	\$82,678	Yes
Winston-Salem State University Foundation, Inc. and Subsidiary	6/30/06	Yes	Butler & Burke, LLP	No	GAAP	\$12,237,644	Yes
Winston-Salem State University National Alumni Association, Inc.	6/30/06	Yes	Butler & Burke, LLP	No	GAAP	\$157,820	Yes
The University of North Carolina-General Administration							
Development Foundation for N.C. Center for Advancement of Teaching	6/30/06	Yes	Dixon Hughes, PLLC	No	GAAP	\$1,273,944	Yes
The Highlands Biological Foundation, Inc.	5/31/06	Yes	Curtis J. Matthews, CPA PC	No	GAAP	\$786,981	Yes
The James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.	6/30/06	Yes	Dixon Hughes, PLLC	No	GAAP	\$1,642,653	Yes
The North Carolina Arboretum Society	6/30/06	Yes	Gabler Molls & Company, PA	No	GAAP	\$981,795	Yes
The North Carolina Public Television Foundation, Inc.	6/30/07	Yes	McGladrey & Pullen, LLP	Yes	GAAP	\$850,741	Yes
The University of North Carolina Foundation, Inc.	6/30/06	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP	\$65,260	Yes

* GAAP - General Accepted Accounting Principles

Summary Report of Associated Entities

Attachment 1

Campus	Findings	Corrective Actions
Elizabeth City State University: National Alumni Association of Elizabeth City State University	(1) Cash receipts were inadequate to ensure or determine a complete deposit of all receipts (2) Cash disbursement process did not ensure that funds were expended solely for NAA purposes and in a manner that ensures compliance with regulatory reporting requirements (3) Accounting functions were not performed by persons familiar with generally accepted accounting principles	(1) An audit committee of the board of directors has been appointed and delegated the ongoing responsibilities of fiscal policy development, which revised and adopted cash receipts and cash disbursement policies (2) Cease use of debit card for routine purchases and replaced it with a low limit credit card, which is subject to monthly reconciliation (3) Seeking recovery of all unidentified questioned costs from the responsibility party (4) All accounting will be performed by persons trained in GAAP (5) The accountant will provide quarterly financial reports to the Audit Committee - Monthly bank reconciliations will be prepared by staff and independently reviewed by the Chairman of the Alumni Board of Directors
North Carolina A & T State University: NCA&T Alumni Association, Inc.	See attachment 2.	See attachment 2.
NCA&T National Aggie Club, Inc.	See attachment 2.	See attachment 2.
North Carolina Central University: North Carolina Central University Educational Advancement Foundation, Inc. ("Eagle Club")	(1) Vouchers were paid without proper authorization. (2) Pre-numbered vouchers in a sequential order were not used (3) Lack of proper documentation to support all expenditures prior to payment (4) Lack of proper documentation to support all receipts.	Per NCCU Eagle Club Foundation members, these issues have been corrected or in the process of being corrected
North Carolina State University: N.C. Textile Foundation, Inc.	(1) Journal entries prepared by the outsourced accountant were not being reviewed or approved by management	Responses of corrective actions have not been submitted yet
The University of North Carolina at Chapel Hill: Carolina for Kibera, Inc.	(1) The lack of segregation of duties of the disbursement of funds (2) Approval and cancellation of invoices - no policy requiring documentation (3) Formal expense reimbursement policy - does not exist (4) Procedures surrounding approval and payment of grants - should be improved (5) Sales tax refunds for amounts paid - forms should be filed	Per the CFK Board of Directors, procedures have been revised
Law Alumni Association of UNC, Inc. and UNC Law Foundation, Inc.	(1) Associated Entity is in the process of providing information on any audit findings	Responses of corrective actions have not been submitted yet
The Dental Foundation of North Carolina, Inc.	(1) Reconciliations-Investments, pledges and cash accounts were not properly or timely reconciled due to the Foundation was without a permanent, full-time bookkeeper at the end of FY 2006 and beginning of FY 2007	Responses of corrective actions have not been submitted yet
The Medical Foundation of North Carolina, Inc.	(1) The lack of segregation of duties of the disbursement of funds	Per the Auditor, the management is currently revising its procedures
The University of North Carolina at Chapel Hill School of Education Foundation, Inc.	(1) Monitoring of Restricted Funds and Approval of Invoices - no methodology existed for tracking (2) Approval of Invoices - several invoices were not approved by Foundation staff and supporting documents were not properly reviewed, (3) Accounting Policies and Procedures - no formal documentation (4) Investment Policy - a formal Investment policy to enhance the use of available cash to be	Per the memo from the School of Education procedures have been adopted
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.	(1) (i.e. gift transmittal reports should be reconciled to the UNC Development reports	(Per the memo from the School of Nursing, corrective action to change business procedures has been taken)
The School of Social Work Foundation, Inc.	(1) Supporting documentation for several University generated expenses three (3) were not included in the Foundation Files.	(The Foundation was later able to locate the three (3) missing invoices and they were provided to the Auditor before the audit was completed)

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 Institute of Management Accountants
 National Association of Black Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
 AND INTERNAL CONTROLS**

Mr. James Pender, President
 North Carolina A & T State University
 Aggie Club, Incorporated
 (A Non-Profit Organization)
 Greensboro, NC 27406

Violation Of Policy Document-North Carolina A & T State
 University Aggie Club, Incorporated Constitution Newly
 Revised and Adopted

I noted that the Club has a newly revised and adopted Constitution ratified by the membership on April 23, 2003; however, I could not find evidence during the audit that the following items required by the Constitution were completed by the Club and the Minutes lack specific documentation of the action taken:

- Documentation in the minutes of receipt and review of the Quarterly report(s) of each chapter's financial transactions, including assessments and memberships submitted to Club. It was noted that statements had been made by various Executive Board members during meetings and subsequently documented in the minutes concerning the importance of timely submission, receipt and review of each chapter's financial transactions, including assessments and memberships submitted to Club.

I recommend that the Club immediately ensure that all policies and procedures that are adopted by the Club are in compliance with those governing documents. I further recommend that the Club consider appointing the members of the "revised" Constitution committee to a "Compliance Committee" to effectively monitor the Constitution. This is a repeat comment from the year ending June 30, 2005 audit.

Accounting Manual

The Organization has not adopted or approved in the Minutes a formal accounting manual documenting the procedures for fiscal operations during the fiscal year ending June 30, 2006. It is noted that the organization did develop comprehensive written finance policies and procedures to supplement those found in the Constitution which serve as a good foundation to the development of an adequate formal accounting manual, however, these policies and procedures are in "draft" form. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. Should a Executive Board member, management, employee or financial consultant of the club have questions as to the proper handling of a transaction in accordance with Executive Committee and

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Attachment 1

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
AND INTERNAL CONTROLS

Mr. James Pender, President
North Carolina A & T State University
Aggie Club, Incorporated
(A Non-Profit Organization)
Greensboro, NC 27406
Accounting Manual (CONTINUED)

management's authorization, such information is available in writing. I recommend that operating guidelines for fiscal activities be prepared including a description of each fiscal procedure, such as invoice paying, receipting of funds and depositing of cash, payroll procedures, description of each general ledger account and its use, financial accounting standard(s) selected and employed by the Club for accounting and financial reporting, etc. The recommendation that the accounting manual in "draft" form be adopted and approved by the organization as appropriate was and is a repeat comment from the year end June 30, 2005 audit; however, it is noted that the Club adopted and approved an accounting manual at a meeting on December 9, 2006.

Monitoring Of Operating Budget

I noted that the Club management did prepare, but not adopt or approve in the Minutes, an operating budget for the year ending June 30, 2006; however, I could find evidence during the audit that actual results of operations were reviewed against the budget, although the year ending June 30, 2006 budget was not adopted or approved in the Minutes of the organization until a meeting on December 9, 2006. The operating budget is the primary tool that the non-profit organization has available to it to establish, exercise and maintain fiscal discipline. I recommend that the management of the organization continue to closely monitor and adopt the budget in comparison with actual results, investigate and analyze significant operating budget variances with actual results and take appropriate corrective action as circumstances dictate. This is a repeat comment from the year ending June 30, 2005 audit.

Lack Of Policy and Procedures With Respect To Extensions Of Credit and Certain Fundraising Activities

I noted that the Greensboro, NC Club management devised a plan to construct a single family home as a fundraising project. The plan to construct the home required an extension of credit from a financial institution. The National organization chose to become involved in the project, without benefit of (1) obtaining a corporate resolution from the National organization authorizing the extension of credit and approval of the project, (2)

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
 AND INTERNAL CONTROLS

Mr. James Pender, President
 North Carolina A & T State University
 Aggie Club, Incorporated
 (A Non-Profit Organization)
 Greensboro, NC 27406

Lack Of Policy and Procedures With Respect To Extensions Of
 Credit and Certain Fundraising Activities (CONTINUED)

personal guarantees from certain members of the organization with respect to the extension of credit in the event the home did not sell prior to the loan due date or if the home sold for less than the extension of credit amount, (3) National organization officers signing the extension of credit and (4) financial transactions unrecorded on the books of account of the organization and handled by members other than the National Financial Secretary and Treasurer, (5) the organizations' assessment, knowledge and disposition of any potential conflicts of interest among key members of the project. I recommend that the Club management devise written policies and procedures that specify what action is to be taken when the club has a need to secure an extension of credit from a financial institution with emphasis on persons authorized to complete the transaction, prepare and adopt a conflict of interest and fundraising policy, and complete the "draft" accounting manual and subsequently adopt the accounting manual which was adopted on December 9, 2006, to preclude repetition of the problems encountered during this audit and standardize the approach to fundraising and credit procurement in the future. This is a repeat comment from the year ending June 30, 2005 audit as the Club.

Misrepresentation Of Facts To School Administration and Auditor

On June 23, 2006, the President of the Club, Mr. Jim Pender, in a written representation to Chancellor Dr. Lloyd V. Hackley, confirmed that the Club had amended its Constitution and Bylaws and formulate an operating agreement between the Club and the University to conform with the UNC Policy Manual 600.2.5.2 [R] which was adopted by the Board Of Governors on November 16, 2005, when in fact the Club had not approved or adopted the documents sent to Chancellor Hackley on June 23, 2006 until its December 9, 2006 meeting. The President of the Club has and continues to indicate to the auditor that the Club was in compliance with all laws and regulations, while the Club was not in compliance the memorandum of understanding issued by UNC Board of Governors. I recommend that the Club activate its lawful Board Of Directors granted it by the NC Secretary Of State Chapter 55A of the North Carolina General Statutes, to ensure proper supervision, adequate oversight and compliance of all Management personnel with all laws and regulations.

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 American Institute of Certified Public Accountants
 North Carolina Association of Certified Public Accountants
 Institute of Management Accountants
 National Association of Black Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
 AND INTERNAL CONTROLS**

Mr. James Pender, President
 North Carolina A & T State University
 Aggie Club, Incorporated
 (A Non-Profit Organization)
 Greensboro, NC 27406

Violation Of The Operating Agreement Between North Carolina
 A&T Aggie Club, Inc. And North Carolina Agricultural and
 Technical State University

The Club did not adopt this agreement until a meeting held on December 9, 2006 although it was required by the UNC Board Of Governors to have the agreement in place on or before July 1, 2006. The UNC Board Of Governors had adopted/issued the regulations on November 16, 2005.

Relationship Between Aggie Club and N.C. A&T State
 University

Appointment Of Chancellor's Designees To Aggie Club Board
 Of Directors

The Club has not appointed any of the Chancellor's designee(s) to its Board Of Directors Board Of Directors granted it by the NC Secretary Of State Chapter 55A of the North Carolina General Statutes as required by the agreement.

Audit Committee

The Club has not formed or maintained an Audit Committee as required by the agreement. The audit committee is to receive and review the annual audit of the Aggie Club and relevant annual tax forms to be submitted by the Aggie Club and is not to consist of any N.C. A&T State University employees.

Collaboration With N.C. A&T State Office Of Development and
 University Relations

The Club agreed to coordinate the Office Of Development And University Relations regarding its funding goals, programs and campaigns; however, the Club has not coordinated this effort as the Club Management does not have, has not made an effort and has not developed any written funding goals, programs and campaigns.

Retention and Destruction Of Documents Policy

The Club agreed that it would establish and maintain a policy governing retention and destruction of documents including electronic files and also said policy would prohibit destruction of documents if an investigation into wrongdoing or litigation is anticipated or underway. A retention and destruction of documents policy does not exist.

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Violation Of The Operating Agreement Between North Carolina
A&T Aggie Club, Inc. And North Carolina Agricultural and
Technical State University (CONTINUED)

Relationship Between Aggie Club and N.C. A&T State
University (CONTINUED)
Administration Of Funds

The Club is required by the agreement to administer its funds and make distributions to NC A&T State University in accordance with policy and procedure established by the Club. No policy and procedure existed until the The Club adopted an accounting manual on December 9, 2006 after several years of negative management comments by its auditor and subsequent to the year end June 30, 2006 audit date.

The Club is also required by the agreement to operate using sound fiscal and business principles and ensure that a sound internal control structure is in place. During the course of the audit it was noted that a number of individuals that held key positions resigned and several key positions remained unfilled and specifically due to one resignation, President or CEO, Mr. Jim Pender of the Club was serving also as Chief Financial Officer of the Club, a direct violation of UNC Policy 600.2.5.2[R].

The Club prepared an operating budget for year ending June 30, 2006 but not a capital budget for the same period as required. Nevertheless the operating budget for year ending June 30, 2006 was not adopted by the Club until December 9, 2006, rendering all financial transactions during the fiscal year end June 30, 2006 unauthorized by the Club.

Whistle Blower Protection

The Club is required to have a confidential and anonymous mechanism to encourage individuals to report any inappropriateness within the Club's financial management and must prohibit retaliation against any individual for reporting problems. The Club has not established such a mechanism and in addition, the Management of the Club called the ethics of the auditor and others into question for audit inquiry about various financial matters to various members and past officers of the Club when those members and past officers of the Club spoke to the auditor or school administrators about operational and financial management

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Violation Of The Operating Agreement Between North Carolina
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Technical State University (CONTINUED)

Relationship Between Aggie Club and N.C. A&T State
University (CONTINUED)

Whistle Blower Protection (CONTINUED)

perceived improprieties of the Club, thereby invalidating any
adequate whistle blower protection.

Insurance and Bonding

The Club is required to maintain bonding insurance coverage
for its employees or others that have check signing
authority or who handle cash or negotiable instruments and
in addition the governing board is strongly encouraged by
UNC policy to obtain general liability and/or director and
officers insurance. The Club could not provide evidence
that it had any insurance coverage as required or strongly
encouraged.

Audit Findings

The Club is required within ninety days of the issuance of
the audit report to submit a response to the audit findings
and implement a corrective action plan to correct
deficiencies. The Club did respond timely to the audit
findings and subsequently developed a corrective action plan
for the fiscal year ending June 30, 2005, but failed to
implement the corrective action plan during the fiscal year
ending June 30, 2006.

Conflict Of Interest Policy

The Club did not adopt a conflict of interest policy until a
meeting held on December 9, 2006. The Club had a conflict of
interest in its fundraising project for the construction and
sale of a single family dwelling as outlined as a Note Ten
(10) To The Financial Statements in the Club's audit report
for fiscal year end June 30, 2006 as Related Party
Transactions. Prior to the construction of the single family
dwelling, the Club failed to place the project out for bid,
to various construction companies to objectively determine
if the price of construction that was received was fair
under the circumstances. It was noted that the Club official
who was a partner in the construction company that
constructed the single family dwelling was involved in the
decision to enter into the construction fundraising project.

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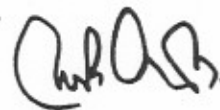
Violation Of The Operating Agreement Between North Carolina
A&T Aggie Club, Inc. And North Carolina Agricultural and
Technical State University (CONTINUED)

Relationship Between Aggie Club and N.C. A&T State
University (CONTINUED)

Acquisition Of Debt

The Club, designated as a minor associated entity, may not acquire debt in excess of one hundred thousand dollars (\$ 100,000.00) that is not to be publicly traded without first notifying the Chancellor and then consulting with the Vice-President For Finance of the University as required by UNC Policy 600.2.5.2[R]. The Club has not produced satisfactory evidence that the requirement was met notwithstanding producing satisfactory evidence that the extension of credit to construct a single family dwelling were approved by the Club and that all Club officials and members of the Club had knowledge of the transaction.

This report is intended solely for the information and use
of the membership, management and school administrators
affiliated with North Carolina A & T State University Aggie
Club, Incorporated and should not be otherwise used,
circulated, quoted or referred to by anyone other than than
the parties aforementioned for which the report is intended.



March 31, 2007



NORTH CAROLINA AGRICULTURAL AND TECHNICAL
STATE UNIVERSITY

COPY
Tommy Ellis

Office of the Chancellor

May 2, 2007

Mr. Jim Pender, President
Board of Directors
North Carolina A&T State University
Aggie Club, Incorporated
P.O. Box 21711
Greensboro, NC 27420-1711

RE: North Carolina A&T State University Aggie Club 2006 Audit Report

Dear Mr. Pender,

I am in receipt of the Independent Auditor's Report prepared by Mr. James E. Avent, Jr., CPA, regarding the financial statements of the North Carolina A&T State University Aggie Club, Incorporated, for the fiscal year ended June 30, 2006. In this report, Mr. Avent opined that the financial statements "do not present fairly, the assets, liabilities, and net assets of the North Carolina A&T State University Aggie Club, Incorporated, as of June 30, 2006, and its support, revenue and expenses, and cash flows for the year then ended."


The bases for his opinion, as stated in the report, are that: (1) certain detailed accounting, payroll and payroll tax records were not maintained, (2) certain financial transactions were unrecorded by the organization on its books and records, (3) illegal acts were committed by the organization, and (4) funds received and paid, during the year ending June 30, 2006 were not authorized as the organization did not adopt a budget or financial plan until December 9, 2006. Additionally, Mr. Avent expressed doubt regarding the organization's ability to continue as a going concern. He noted that the Aggie Club's viability heavily depends on management's ability and willingness to develop and implement adequate operational, fundraising, financial and compliance plans.

Please be advised that the circumstances cited above constitute a violation of the Memorandum of Understanding (MOU) between the University and the Aggie Club. The MOU provides for the termination of the agreement between the two entities under such circumstances. In lieu of terminating the MOU and in light of the audit report, I am placing the Aggie Club in receivership effective upon your receipt of this correspondence.

It is my responsibility to protect the resources and integrity of the University, its affiliated entities and supporters. This action will enable the Aggie Club to fulfill its responsibilities and provide the necessary support to ensure the Aggie Club's viability. While in receivership, all of the operations and affairs of the Aggie Club are subject to the supervision and approval of Dr. Gwendolyn Highsmith-Quick, the Chancellor's representative on the Executive Board of the Aggie Club. Accordingly, this arrangement requires that Dr. Highsmith-Quick **approve and sign** all financial and other transactions of the Aggie Club entered into after receipt of this letter.

Dr. Mark Kiel, Vice Chancellor for Development and University Relations, will arrange a meeting with you and Dr. Highsmith-Quick to provide further guidance regarding the implementation of this receivership action. I am available to provide additional information or clarification upon your request.

Sincerely,


Lloyd V. Hackley
Chancellor

cc: Mark Kiel
Gwen Highsmith-Quick
Billy Edringston
Aggie Club Executive Board
Aggie Club Chapter Presidents

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
AND INTERNAL CONTROLS

Executive Committee
North Carolina A & T State University
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Greensboro, NC 27401

In planning and performing my audit of the financial statements of North Carolina A & T State University Alumni Association, Incorporated (a non-profit organization) for the year ended June 30, 2006, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. For the purpose of this report, I have classified the internal control structure in the following categories: administrative, treasury or financing, revenue and receipts, purchases and disbursements.

My assessment included all the control categories listed above. However, I noted certain matters that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of the management of the organization in the financial statements.

The reportable conditions are contained on pages four to six of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected with a timely period by certain members functioning as employees of the organization, in the normal course of performing their assigned functions.

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My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions are believed to be a material weakness.

I have audited the financial statements of the North Carolina A & T State University Alumni Association, Incorporated for the year ended June 30, 2006, and have issued my report thereon dated May 9, 2007. As part of my audit, I made a study and evaluation of the system of internal accounting controls of the organization to the extent I considered necessary to evaluate the system as required by auditing standards generally accepted in the United States Of America.

The purpose of my study and evaluation was to establish a basis for relying on such systems in determining the nature, timing and extent of the auditing procedures necessary to enable me to express an opinion on the North Carolina A & T State University Alumni Association, Incorporated financial statements and to determine areas within the internal control structure which would have a material effect on its financial position or results of operations.

The management of the North Carolina A & T State University Alumni Association, Incorporated is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States Of America; that resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

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There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and administrative controls. In the performance of most control procedures, error can result from a misunderstanding of instruction, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements.

Further, projection of any evaluation of internal accounting and administrative controls to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

My audit of the North Carolina A & T State University Alumni Association, Incorporated financial statements, including my study and evaluation of its system of internal accounting and administrative control for the years ended June 30, 2006, would not necessarily have disclosed all material weaknesses or conditions requiring attention in the system because both the audit and the study employed, as is customary, utilizes selective tests of accounting records and related data. Accordingly, I do not express an opinion on the system of internal accounting control of the North Carolina A & T State University Alumni Association, Incorporated taken as a whole.

However, my study and evaluation and my audit disclosed the following conditions addressed in my memorandum of recommendation, that I believe would result in more than a relatively low risk that fraud, errors or irregularities in amounts material to the North Carolina A & T State University Alumni Association, Incorporated may occur and not be detected within a timely period.

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Lack Of Adoption And Partial Implementation Of University Of
 North Carolina Policy 600.2.5.2[R]-Required Elements Of
 University-Associated Entity Relationship

I noted that the Board Of Governors adopted on November 16, 2005 a policy regarding required elements of University-Associated Entity relationship that required each and every University associated entity to be in compliance with the regulations no later than July 1, 2006. I could find no evidence where the Alumni Association adopted the rule and regulation and subsequently took whatever necessary actions to fully implement the regulation by July 1, 2006. In reviewing the policy and procedure of the Alumni Association, I have noted that the Alumni Association has chapter and region dissolution procedures, finance policy and procedures, cash management policy and procedures, accounting procedures manual and an investment policy. While these policies are adequate for the proper management and day-to-day operation of the organization, these policies do not adequately address all of the requirements of the University Of North Carolina Policy 600.2.5.2[R].

I recommend that the management of the Alumni Association should take the following actions to ensure compliance with University Of North Carolina Policy 600.2.5.2[R]:

- a. A university representative must be appointed by The Chancellor or his designee to sit on the Alumni Association's governing Board,
- b. An audit committee must be established in fact and authorized by placement in the by-laws of the organization and in addition, provide procedures such that audit findings are reported to the University within ninety days of issuance of the audit report along with a corrective action plan if required by the audit findings,
- c. A personnel policy which should include parameters concerning officer and employee compensation in combination with a prohibition of payments to specified University employees exclusive of reimbursements for expenditures made on behalf of the Alumni Association as well as a prohibition of that the chief executive officer

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Lack Of Adoption And Partial Implementation Of University Of
North Carolina Policy 600.2.5.2[R]-Required Elements Of
University-Associated Entity Relationship (CONTINUED)

- c. (CONTINUED) and the chief financial officer of the organization cannot be one in the same person,
- d. A policy on indemnification of A&T State University to hold harmless from any damages or liabilities that result from the Alumni Association's actions,
- e. Add to the finance policy the approval and or consultation with the Vice Chancellor Of Finance before acquiring certain levels of debt for the organization,
- f. Obtain adequate insurance bonds for agents, officers or employees handling cash and obtain adequate directors and officers liability insurance,
- g. Written agreements between the University and the Alumni Association for use of any University personnel, assets or facilities,
- h. A policy on acceptance of gifts and grants such that said gifts and grants impose an obligation on the University or the State to expand resources,
- i. A policy on conflict of interest and ethics,
- j. A policy that details the reports required to be submitted by the Alumni Association to the University by UNC Policy 600.2.5.2[R].

I further recommend that the Alumni Association retain legal counsel to assist in updating its bylaws, policies and procedures to ensure full compliance with UNC policy 600.2.5.2[R] immediately.

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Late Filing Of Internal Revenue Service Form 990-Return Of
Organization Exempt From Income Tax

The IRS Form 990 for the period ending June 30, 2006 was due November 15, 2006 and an extension was filed to the extended filing date of February 15, 2007. The IRS Form 990 was filed on May 17, 2007. Penalties for late filing of the FORM 990 can be assessed at fifty (\$50) dollars a day for each day not timely filed. Management has requested an abatement of/relief from the penalty from the Internal Revenue Service based upon reasonable cause and past timely filing history of the organization.

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Association, Incorporated and should not be otherwise used,
circulated, quoted or referred to by anyone other than the
the parties aforementioned for which the report is intended.

May 9, 2007

