

University of North Carolina Associated Entities

May 2008

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Background

The UNC Policy Manual: 600.2.5.2[R] contains the required elements of the university-Associated Entity relationship. The policy includes: definitions, creation requirements, organizational requirements, financial and accounting controls requirements, insurance and bonding requirements, provision of administrative and other services, acceptance of gifts policy, conflict of interest and ethics policies, reporting requirements, miscellaneous requirements, and a waiver option. The policy follows.

University of North Carolina General Administration continuously monitors all university and General Administration Associated Entities in accordance with the above requirements.

600.2.5.2[R]

Adopted 11/16/2005

Required Elements of University-Associated Entity Relationship

The following requirements apply to any University Associated Entity.

A. Definitions. As used in these regulations:

1. An “Associated Entity” means any foundation, association, corporation, LLC, partnership or other non profit entity that was established by officers of the University, that is controlled by the University, that raises funds in the name of the University, that has a primary purpose of providing services or conducting activities in furtherance of the University’s mission pursuant to an agreement with the University, or that has a tax exempt status that is based on being a support organization for the University.
2. “Approving Institution” means a constituent institution of the University of North Carolina or the General Administration that approves an Associated Entity.
3. “General Administration” means the Office of the President and the affiliated programs of the University that are not centers or institutes of a constituent institution.
4. “Major Associated Entity” means an Associated Entity which has annual expenditures of \$100,000 or more.
5. “Minor Associated Entity” means an Associated Entity which has annual expenditures of less than \$100,000.
6. “Specified purpose entity” means an Associated Entity, or an approved subsidiary or LLC of an Associated Entity, that is established by the officers of the University or is controlled by the University, has as its sole purpose the constructing or managing facilities for the University, and does not engage in fundraising activities.
7. “State” means the State of North Carolina.
8. “University” means the University of North Carolina, including its constituent institutions.
9. When “president or chancellor” is used in these regulations, it means the chancellor if the approving institution is a constituent institution and it means the president if the approving institution is the General Administration.

B. Creation of University-Approved Associated Entities

1. Associated Entity Must be Approved—An Associated Entity must be approved in writing by the president, the chancellor, or the president or chancellor’s designee. An entity must be approved in order to receive University-provided services or to be able to use an institution’s or the University’s name or an institution’s or the University’s logo/trademark in fundraising. If an

approved entity establishes a subsidiary entity or an LLC, then the subsidiary entity or LLC must be separately approved.

2. Abide by Relevant University Policies– In order to obtain approved status, the Associated Entity must formally agree to abide by the policies or regulations established by the University and by the Approving Institution regarding the University's and the Approving Institution's relationship with related Associated Entities.

3. Periodic Review of Status– The Approving Institution may remove the approved status of any Associated Entity which fails to abide by the Approving Institution's or the University's policies or regulations which govern Associated Entities.

C. Organizational Requirements of an Associated Entity

1. Purpose to Benefit University– The Associated Entity must be organized for the primary purpose of (i) supporting the University or one or more of its constituent institutions or programs, and/or (ii) conducting activities that are in furtherance of the mission of the University or of one or more of its constituent institutions or programs.

2. State Nonprofit Corporation– The Associated Entity must be organized on a nonprofit basis, and, if a corporation, be incorporated in North Carolina, and comply with the requirements of Chapter 55A of the North Carolina General Statutes. If a constituent institution proposes to establish or approve an associated entity on a for profit basis, it must receive approval from the Board of Governors before establishing the entity.

3. Tax Exempt Status– Except as provided in paragraph C.2., an Associated Entity must apply for, receive, and maintain both federal and State tax exempt status.

4. Dissolution of Associated Entity– The Associated Entity's articles of incorporation must include a clause which provides that, upon dissolution of the Associated Entity, all of its assets will revert to the University or the Approving Institution or another University approved Associated Entity unless otherwise designated by the donor of an asset.

5. University Representative(s) on Board–At least one Senior Academic or Administrative Officer of the Approving Institution or a designee of the president or the chancellor must sit as an ex-officio (either voting or non-voting) or regular member of the Associated Entity's governing board.

6. Audit Committee Required–

(a) A major Associated Entity's by-laws must provide for an audit committee which has no University employee as a member. The audit committee must receive the report of the independent CPA firm that conducts the Associated Entity's annual audit and relevant tax forms to be submitted by the Associated Entity.

(b) A minor Associated Entity's by-laws must provide for a committee which has these audit functions and which has a majority of members that are not University employees.

(c) No employee of the Associated Entity may serve on an audit committee or a committee with an audit function. If practical, each audit committee or committee with an audit function should have a financial expert as a member.

(d) A Specified Purpose Entity is not required to have an audit committee provided that it is subject to independent audit at the request of one or more designated trustees, sureties, insurers, certificate holders or bondholders.

D. Financial and Accounting Controls

1. Sound Accounting and Business Principles– An Associated Entity must use sound fiscal and business principles, ensure that a sound internal control structure is in place, and follow generally accepted accounting procedures.

2. Annual CPA Audit– A major Associated Entity must be audited on an annual basis by an independent CPA firm. A minor Associated Entity must have an annual audit conducted either by the Approving Institution's internal auditor, another University internal auditor, or an independent CPA firm. A CPA firm providing an audit for a major Associated Entity may not provide non-auditing services to the Associated Entity other than tax preparation services that are pre-approved by the audit committee.

a. An Associated Entity of a constituent institution must provide copies of the audit report, management letters, and responses to management letters to the chancellor of the Approving Institution, through the chancellor to the governing board of the Approving Institution and the president, and through the president to the Board of Governors.

b. An Associated Entity of the General Administration must provide copies of the audit report, management letters, and responses to management letters to the president, and through the president to the Board of Governors.

3. Annual Budgets– The Associated Entity must create an annual operations and capital budget.

4. Officer and Employee Compensation– All salary and non-salary compensation provided by the Associated Entity to its officers or employees must be approved by the Associated Entity's governing board. The Associated Entity must comply with Board of Governors Policy §300.1.1 concerning the prohibition of payments to specified University employees. This requirement does not prohibit the Associated Entity from reimbursing its officers or employees for expenditures made on behalf of the Associated Entity.

5. Indemnification of University– The Approving Institution may require an Associated Entity to indemnify and hold the Approving Institution and the University harmless from any damages or liabilities that the Approving Institution or the University incurs as a result of the Associated Entity's actions.

6. University- Associated Entity Monetary Transfers– All transfers of funds from the Associated Entity to the University or to the Approving Institution must be documented in writing or electronically in a form that has a retrievable transaction trail.

7. Whistle Blower Protection—An Associated Entity must have a confidential and anonymous mechanism to encourage employees to report any inappropriateness within the entity's financial management and must prohibit punishment of or retaliation against any employee for reporting problems.

8. Chief Executive Officer-- The Chief Financial Officer of the Approving Institution may not be the chief executive officer of an Associated Entity.

9. Acquisition of debt—A Minor Associated Entity may not acquire debt in excess of \$100,000 that is not to be publicly traded without first notifying the president or the chancellor of the Approving Institution and then consulting with the Vice President for Finance of the University. A Major Associated Entity may not acquire debt in excess of \$500,000 that is not to be publicly traded without first notifying the president or the chancellor of the Approving Institution and then consulting with the Vice President for Finance of the University. In determining the level of scrutiny to give to the proposed transaction, the Vice President shall take into account the amount of the debt in relationship to the Associated Entity's assets and income and the extent of experience of the Associated Entity in entering into similar debt transactions. A Specified Purpose Entity that issues debt to construct facilities for the University must provide a financial or construction audit to the Vice President for Finance of the University at the Vice President's request or to the governing board of the Approving Institution at the request of the chair of the governing board.

10. Audit findings. Within 90 days of the issuance of the audit report with audit findings, the Associated Entity must demonstrate to the president or the chancellor of the Approving Institution and to the Vice President for Finance that satisfactory progress has been made to implement a corrective action plan. Failure of an Associated Entity to receive an unqualified audit opinion, to comply with the reporting requirements of this regulation, or to satisfactorily implement a corrective action plan in response to an audit finding may result in the Associated Entity's losing its approved status.

E. Insurance and Bonding

1. Bonding Required—Officers and employees of major Associated Entities who have check signing authority or who handle cash or negotiable instruments must be bonded in an amount determined to be reasonable by the Associated Entity's board. The Board of a minor Associated Entity should consider requiring bonding of appropriate employees.

2. Liability Insurance— The governing board of an Associated Entity must consider whether to obtain general liability and directors'/officers' insurance in an amount determined to be reasonable by the Associated Entity's board.

F. Provision of Administrative and Other Services by University for Associated Entity

1. Written Agreement Required— All services provided by the Approving Institution or the University for the Associated Entity (including use of University or constituent institution assets,

facilities, and personnel) must be pursuant to a written agreement setting forth the terms under which such services will be provided.

2. Reimbursement of Costs– Any reimbursement to the Approving Institution or the University for services the Approving Institution or the University provides to the Associated Entity must be made pursuant to a written agreement between the University or the Approving Institution and the Associated Entity entered into before the service is provided.

3. Control of University Personnel– When University personnel provide services for the Associated Entity and there arises a conflict between the University and the Associated Entity, the University's employee must comply with the policies, regulations and directives of the University.

G. Acceptance of Gifts by Associated Entity

1. Restricted Gifts That Require University Approval– An Associated Entity may not accept any restricted or conditional gifts that impose an obligation on the University or the State to expend resources in addition to the gift without first receiving the Approving Institution's approval. In addition, an Associated Entity may not accept a gift which has any restriction that is unlawful.

2. Notification to Donors of Restricted Gift Policies– An Associated Entity must advise prospective donors of all restricted or conditional gifts to the Associated Entity if acceptance of the gift is conditioned upon the Approving Institution's approval.

3. Coordination with University Development Office– In soliciting and accepting gifts in the name of the University, an Associated Entity must coordinate with the Approving Institution's development office.

H. Conflict of Interest and Ethics Policies

1. Policies Required–The Associated Entity must have in place conflict of interest and ethics policies pertaining to relationships between the Approving Institution, the Associated Entity, members of the governing board of the Associated Entity and persons doing business with the Associated Entity and establishing required ethical standards for the members of the governing board and employees of the Associated Entity.

2. Transactions Between Associated Entity and its Employees–All transactions (other than reimbursements as provided in §D.5.) between the Associated Entity and an officer, director, or employee of the Associated Entity must be approved by the Associated Entity's governing board.

3. Recusal from Business Decisions–No Associated Entity officer, director, or employee having a private business interest in an Associated Entity business transaction may be involved in the decision with respect to whether the Associated Entity should enter into such transaction.

4. Associated Entity Scholarships–No Associated Entity scholarship or fellowship award may be made to an officer, director, or employee of the Associated Entity or to a family member of such person unless the recipient of the award is determined by an independent awards committee.

I. Reports required to be submitted by Associated Entity to University

1. The Associated Entity must file annual reports with the president or chancellor of Approving Institution covering the following items:

- a. A list of all members of the Associated Entity's board;
- b. A copy of the publicly disclosed portion of the Associated Entity's Form 990, or other series 990 form.
- c. A copy of the Associated Entity's CPA audit report and related management letters and responses to management letters

2. At the request of the chancellor, president, or the chair of governing board of the Approving Institution, for an articulated legitimate reason, the Associated Entity must meet with the requesting person, his or her designee, or the internal auditor of the Approving Institution and allow that person to inspect any of the following information that is related to the articulated reason:

- a. A description of all monetary transfers from the Associated Entity to the Approving Institution or the University;
- b. A description of all transactions entered into during the year between the Associated Entity and the Approving Institution or the University.
- c. A copy of the Associated Entity's operating and capital expenditure budget for the year and a comparison of actual expenditures to budgeted expenditures.
- d. A description of all real estate purchases, material capital leases, and investment/financing arrangements entered into during the year;
- e. Copies of the minutes of all regular and special meetings of the Associated Entity's board;
- f. The portions of the 990 forms that are not publicly disclosed and all other federal and state tax returns; and
- g. Any other documents and records which are relevant to the articulated reason.

J. Miscellaneous Requirements

1. Associated Entity Communications-An Associated Entity must conduct business in its own name and all correspondence, advertisements, and other communications by the Associated Entity must clearly indicate that the communication is from the Associated Entity, and not from the Approving Institution or the University.

2. Lobbying and Political Activities—An Associated Entity must comply with all provisions of the Internal Revenue Code and all State laws regarding lobbying and political activity.
3. Associated Entity Courses and Seminars—An Associated Entity may not offer any course or seminar in which the University's name is used without first obtaining the permission the institution or institutions whose name will be used.
4. Destruction of Documents—An Associated Entity must have a policy governing retention and destruction of documents including electronic files and which prohibits destruction of documents if an investigation into wrongdoing or litigation is anticipated or underway.

K. Waiver

If the application of any of the requirements of these regulations to a particular Associated Entity in specific circumstances is of limited benefit and is unduly burdensome, the President may waive that requirement as to that specific Associated Entity under circumstances that are set out in writing. The Associated Entity shall notify the Chancellor of the Approving Institution prior to making a request for a waiver under this section.

L. Effective Date

Every Associated Entity shall be in compliance with these regulations no later than July 1, 2006.

Objectives

Our first objective was to ensure the Associated Entities annual independent financial audits were completed to meet the Office of the State Auditor (OSA) schedule for completion of university audits. Thirty of the one hundred and four Associated Entities are component units of the University of North Carolina as defined by Generally Accepted Accounting Principles and therefore included in the annual financial audit reports for the related universities.

Our second objective was to ensure the Associated Entities have corrective action plans to address audit findings. Seventeen of the one hundred and four Associated Entities had audit findings in the most recent audit report or management letter.

Our third objective was to establish best practices that will result in completion of all Associated Entity financial audits within six months of the fiscal year end.

Our fourth objective was to ensure the accuracy and completeness of the Associated Entity Summary Report.

Scope

To accomplish these objectives, our scope and procedures included:

Confirming with the OSA the list of Associated Entities that are component units and coordinating the timely completion of the related university audits.

Corresponding and meeting with the respective Chancellors and Vice-Chancellors for Business and Finance.

Corresponding with the Board Chairs of Associated Entities for all Associated Entities that were at risk for delaying the audits or resulting in a qualified audit opinion for the related university financial audits.

Coordinating with and advising university administrators for meeting OSA commitments.

Researching accounting issues.

Monitoring and advising to ensure that appropriate corrective action plans are in place to resolve all audit findings.

Monitoring and advising for resolution of pending issues for all audits not complete within six months of year end.

Reviewing UNC General Administration Summary Report of Associated Entities. A copy follows.

Searching for undisclosed Associated Entities including a comprehensive review of the Secretary of State's website. A Report of Results of the Search for Undisclosed Associated Entities follows.

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	Reporting Status	Memorandum of Understanding
Appalachian State University								
ASU Foundation, Inc	6/30/07	Yes	Dixon Hughes, PLLC	No	GAAP ¹	\$80,062,490	Discretely Presented	Yes
ASU Student Housing Corporation	6/30/07	Yes	Apple, Koceja, & Associates, PA	No	GAAP	\$4,751,060		Yes
East Carolina University								
ECU Alumni Association, Inc.	6/30/07	Yes	McGladrey & Pullen, LLP	No	GAAP	\$1,027,955		Yes
ECU Educational Foundation, Inc.	6/30/07	Yes	McGladrey & Pullen, LLP	No	GAAP	\$19,496,827		Yes
ECU Foundation, Inc and Consolidated Affiliate	6/30/07	Yes	McGladrey & Pullen, LLP	No	GAAP	\$80,729,147	Discretely Presented	Yes
The Medical Foundation of ECU, Inc	6/30/07	Yes	McGladrey & Pullen, LLP	No	GAAP	\$32,934,612		Yes
Elizabeth City State University								
ECSU Foundation, Inc.	6/30/06	Yes	Goodman & Company, LLP	No	GAAP	\$6,131,729	Blended	Yes
ECSU National Alumni Association	12/31/05	No ⁴	William Sylvester Robinson, CPA	Yes ⁵	GAAP	\$120,195		Yes
Fayetteville State University								
FSU Athletic Club	6/30/07	Yes	N-Vision Enterprises, Inc ³	No	Modified Cash ²	\$15,767		Yes
FSU Development Corporation	6/30/07	Yes	Bue, Norman, & Company, PA	No	GAAP	\$850,147		Yes
FSU Foundation, Inc and Subsidiary	6/30/07	Yes	Bue, Norman, & Company, PA	No	GAAP	\$3,117,596	Discretely Presented	Yes
FSU National Alumni Association, Inc.	6/30/06	Yes	Bue, Norman, & Company, PA	No	GAAP	\$95,031		Yes
The Fayetteville State University Housing Foundation, LLC	6/30/07	Yes	Bue, Norman, & Company, PA	No	GAAP	(\$1,642,645)		Yes

¹GAAP - General Accepted Accounting Principles

²Modified Cash - This basis of accounting can take many forms. However, the typical differences of this basis of accounting versus General Accepted Accounting Principles is that certain revenues would be recognized when received instead of when earned and certain expenses would be recognized when paid instead of when incurred

³DBA - N-Vision Accounting & Management Services. This is not a CPA firm but an Accounting firm.

⁴Disclaimer-Independent Public Accounting firm was unable to form an opinion on the completeness and reliability of Management's financial statements

⁵Management letter or audit report findings and actions taken found on page 20.

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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	Reporting Status	Memorandum of Understanding
North Carolina A & T State University								
NCA&T National Aggie Club, Inc.	6/30/06	No ⁶	James E. Avent, Jr., CPA	Yes ⁵	GAAP ¹	\$200,254		Yes
NCA&T University Alumni Association, Inc.	6/30/06	Yes	James E. Avent, Jr., CPA	Yes ⁵	GAAP	\$2,318,759		Yes
NCA&T University Foundation, Inc.	6/30/07	Yes	Oliver W. Bowie, CPA	No	GAAP	\$7,984,344	Discretely Presented	Yes
The Victory Club Foundation, Inc.	6/30/07	Yes	Oliver W. Bowie, CPA	No	GAAP	\$1,007,548		Yes
North Carolina Central University								
NCCU Alumni Association, Inc.	6/30/07	Yes	David C. Hinton, CPA, PA	No	GAAP	\$514,217		Yes
NCCU Educational Advancement Foundation, Inc. ("Eagle Club")	6/30/07	Yes	Ty Cox & Co., CPAs, PLLC	Yes ⁵	GAAP	\$156,860		Yes
NCCU Foundation, Inc.	6/30/07	Yes	McGladrey & Pullen, LLP	No	GAAP	\$11,754,659	Discretely Presented	Yes
NCCU Real Estate Foundation	6/30/06	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	(\$1,207,166)	Blended	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	Discretely Presented	Yes
NCSA Housing Corporation	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	(\$397,783)	Blended	Yes
NCSA Program Support Corporation	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$1,199,860	Blended	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
North Carolina School of Science and Mathematics								
NCSSM Foundation	6/30/07							Yes
NCSSM Student and Constituent Support Services, Inc.								Yes

¹GAAP - General Accepted Accounting Principles⁵Management letter or audit report findings and actions taken found on page 20.⁶Adverse Opinion

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Summary Report of Associated Entities

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North Carolina State University								
N.C. Agricultural Foundation, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$65,227,847		Yes
N.C. State Alumni Club, Inc.	12/31/06	Yes	Batchelor, Tillery, & Roberts, LLP	Yes ⁵	GAAP ¹	\$342,714		Yes
N.C. State Engineering Foundation, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$55,707,388		Yes
N.C. State Forestry Foundation, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$15,924,572		Yes
N.C. State Investment Fund, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP	\$347,506,661	Blended	Yes
N.C. State University Alumni Association	6/30/07	Yes	Batchelor, Tillery, & Roberts, LLP	No	GAAP	\$46,710,769		Yes
N.C. State University Foundation, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP	88041637	Discretely Presented	Yes
N.C. State University Partnership Corporation	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP	\$342,586		Yes
N.C. State Centennial Development, LLC	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP	\$149,845		Yes
N.C. State Residence, LLC	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP	\$191,816		Yes
N.C. State UPLIFT, LLC	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP	(\$100)		Yes
N.C. State University Physical & Mathematical Sciences Foundation, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$18,978,699		Yes
N.C. Textile Foundation, Inc.	6/30/07	Yes	McGladrey & Pullen	Yes ⁵	Modified Cash	\$31,261,868		Yes
N.C. Tobacco Foundation, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$4,809,639		Yes
N.C. Veterinary Medical Foundation, Inc.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$22,612,875		Yes
NCSU Student Aid Association, Inc.	6/30/07	Yes	Koonce, Woolen, & Haywood, LLP	No	GAAP	\$75,730,462	Discretely Presented	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.	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash	\$10,885,696		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	Discretely Presented	Yes

¹GAAP - General Accepted Accounting Principles

²Modified Cash - This basis of accounting can take many forms. However, the typical differences of this basis of accounting versus General Accepted Accounting Principles is that certain revenues would be recognized when received instead of when earned and certain expenses would be recognized when paid instead of when incurred

⁵Management letter or audit report findings and corrective action taken found on page 20.

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The University of North Carolina at Chapel Hill								
Carolina for Kibera, Inc.	12/31/06	Yes	Chung CPA, PA	Yes ⁵	GAAP ¹	\$314,698		Yes
Law Alumni Association of UNC, Inc and UNC Law Foundation, Inc	6/30/07	Yes	McGladrey & Pullen, LLP	No	Modified Cash ²	\$30,357,773		Yes
Morehead Scholarship Foundation	6/30/07	Yes	Batchelor, Tillery & Roberts, LLP	No	GAAP	\$11,777,034		Yes
The Dental Foundation of N.C., Inc	6/30/06	Yes	Koonce, Wooten, & Haywood, LLP	Yes ⁵	GAAP	\$28,749,667		Yes
The Educational Foundation, Inc.	6/30/06	Yes	Deloitte & Touche LLP	No	GAAP	\$34,932,213		Yes
The Educational Foundation Scholarship Endowment Trust	6/30/07	Yes	KPMG, LLP	No	GAAP	\$189,701,712	Discretely Presented	Yes
The Kenan Flagler Business School Foundation	6/30/07	Yes	Bernard, Robinson, & Company, LLP	No	GAAP	\$86,051,224		Yes
The Medical Foundation of N.C., Inc.	6/30/07	Yes	Stancil & Company	Yes ⁵	GAAP	\$234,113,477	Discretely Presented	Yes
The Pharmacy Foundation of N.C., Inc.	6/30/07	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP	\$46,068,031		Yes
The School of Education Foundation, Inc	6/30/06	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP	\$1,733,088		Yes
The School of Government Foundation, Inc	6/30/07	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	\$11,566,169		Yes
The School of Journalism & Mass Communications Foundation of North Carolina, Inc.	6/30/07	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	\$16,673,637		Yes
The School of Social Work Foundation, Inc	6/30/07	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP	\$8,753,556		Yes
The University of North Carolina at Chapel Hill Arts & Sciences Foundation, Inc	6/30/07	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP	\$171,847,923	Discretely Presented	Yes
UNC Investment Fund, LLC	6/30/07	Yes	KPMG, LLP	No	GAAP	\$2,209,855,135		Yes
The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.	6/30/07	Yes	KPMG, LLP	No	GAAP	\$2,024,618,241		Yes
The University of North Carolina at Chapel Hill Foundation, Inc.	6/30/07	Yes	KPMG, LLP	No	GAAP	\$254,221,126		Yes
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.	6/30/07	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP	\$7,611,114		Yes

¹GAAP - General Accepted Accounting Principles

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⁵Management letter or audit report findings and corrective action taken found on page 20

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The University of North Carolina at Chapel Hill (cont'd)								
UNC Management Company, Inc.	6/30/07	Yes	KPMG, LLP	No	GAAP ¹	\$8,467,590		Yes
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	6/30/06	Yes	Blackman & Sloop, 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 University of North Carolina at Charlotte Foundation, Inc.	6/30/07	Yes	Greer & Walker, LLP	No	GAAP	\$99,936,274	Discretely Presented	Yes
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.	6/30/07	Yes	Greer & Walker, LLP	No	GAAP	\$541,358	Blended	Yes
The University of North Carolina at Charlotte Investment Fund, Inc.	6/30/07	Yes	Greer & Walker, LLP	No	GAAP	\$0	Blended	Yes
University of North Carolina at Greensboro								
Capital Facilities Foundation, Inc.	6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$172,799	Blended	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.	6/30/07	Yes	Bernard, Robinson, & Company, LLP	No	Modified Cash ²	\$3,084,726		Yes
The UNC-G Excellence Foundation	6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$85,552,342	Blended	Yes
The UNC-G Human Environmental Sciences Foundation, Inc.	6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$7,865,416		Yes
The Weatherspoon Art Foundation	6/30/07	Yes	Internal Audit ⁷	No	N/A	\$20,900,954		Yes
The Weatherspoon Art Museum Association	6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$437,005		Yes
UNC-G Investment Fund, Inc.	6/30/07	Yes	McGladrey & Pullen	No	GAAP	\$183,751,626	Blended	Yes

¹ GAAP - General Accepted Accounting Principles

² Modified Cash - This basis of accounting can take many forms. However, the typical differences of this basis of accounting versus General Accepted Accounting Principles is that certain revenues would be recognized when received instead of when earned and certain expenses would be recognized when paid instead of when incurred.

⁷ 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.

6/2/2008

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	Reporting Status	Memorandum of Understanding
The University of North Carolina at Pembroke								
The UNCW University Foundation, LLC	6/30/07	Yes	Reznick Group	No	GAAP ¹	(\$1,722,704)	Discretely Presented	Yes
UNCW Foundation, Inc.	6/30/07	Yes	Nelson, Price & Associates, PA	No	GAAP	\$3,989,432	Discretely Presented	Yes
UNCW Student Housing, LLC	6/30/07	Yes	Nelson, Price & Associates, PA	No	GAAP	\$712,317	Discretely Presented	Yes
The University of North Carolina at Wilmington								
Cameron Foundation	Waived ^a	Waived ^a	Waived ^a	Waived ^a	Waived ^a	Waived ^a		Yes
Donald R. Watson Foundation, Inc.	6/30/07	Yes	Michael Durham, CPA	No	GAAP	1,798,093		Yes
Friends of UNCW	6/30/07	Yes	Internal Audit	No	GAAP	\$4,703		Yes
The Foundation of UNCW, Inc.	6/30/07	Yes	McGladery & Pullen, LLP	No	GAAP	\$3,688,150		Yes
The UNCW Alumni Association	6/30/07	Yes	McGladery & Pullen, LLP	No	GAAP	\$803,626		Yes
The UNCW Student Aid Association	6/30/07	Yes	McGladery & Pullen, LLP	No	GAAP	\$2,071,952		Yes
UNCW Corporation	6/30/07	Yes	McGladery & Pullen, LLP	No	GAAP	(\$162,655)	Discretely Presented	Yes
Western Carolina University								
Western Carolina University Foundation	6/30/07	Yes	Burleson, Earley, & Keel, PLLC	No	GAAP	\$19,251,616	Blended	Yes
Western Carolina University Research and Development Corporation	6/30/07	Yes	Burleson, Earley, & Keel, PLLC	No	GAAP	\$548,646	Discretely Presented	Yes
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

¹ GAAP - General Accepted Accounting Principles

^a Waived based on foundation characteristics per letter from President Bowles dated July 30, 2007.

6/2/2008

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	Reporting Status	Memorandum of Understanding
Winston-Salem State University								
Simon Green Atkins Community Development Corporation	6/30/07	Yes	Preston, Sims, & Darden, PA	Yes ⁵	GAAP ¹	\$78,641		Yes
Winston-Salem State University Foundation, Inc. and Subsidiary	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$12,207,270	Discretely Presented	Yes
Winston-Salem State University National Alumni Association, Inc.	6/30/07	Yes	Butler & Burke, LLP	No	GAAP	\$193,768		Yes
The University of North Carolina-General Administration								
The James B Hunt, Jr Institute for Educational Leadership and Policy Foundation, Inc	6/30/07	Yes	Dixon Hughes, PLLC	No	GAAP	\$1,334,772		Yes
The North Carolina Arboretum Society	6/30/07	Yes	Gabler Molis & Company, PA	Yes ⁵	GAAP	\$607,265		Yes
The North Carolina Public Television Foundation, Inc.	6/30/07	Yes	McGladrey & Pullen, LLP	Yes ⁵	GAAP	\$850,741		Yes
The University of North Carolina Foundation, Inc	6/30/07	Yes.	Koonce, Wooten, & Haywood, LLP	No	GAAP	\$289,634		Yes

¹GAAP - General Accepted Accounting Principles

⁵Management letter or audit report findings and corrective action found on page 20

6/2/2008

Summary Report of Associated Entities

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 indentified 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.	(1) The association failed to adopt and implement ten of the UNC policy requirements (2) IRS Form 990 filed late	As of June 2, 2008, corrective action responses have not been received. UNC General Administration has established and communicated a June 30, 2008 deadline for corrective action. If this deadline is not met, UNC General Administration will proceed with terminating the operating agreement with the Associated Entity.
NCA&T National Aggie Club, Inc	(1) The auditors issued an adverse opinion on the financial statement. (2) Board minutes lack documentation of review of Quarterly financial transaction report. All policies and procedures need to be reviewed by a compliance committee. (Repeat comment for June 30, 2005) (3) Accounting manual was approved after year end. (4) Board minutes do not show approval of the operating budget until December 9, 2006 (Repeat comment for June 30, 2005) (5) There is a lack of policies and procedures with respect to extension of credit and construction fundraising activities. (Repeat comment for June 30, 2005) (6) The President of the Club indicated the operating agreement had been approved by the Board before the actual approval date. (7) Ten requirements of the operating agreement have not been completed.	(1, 2, 5, 6, 7) As of June 2, 2008, corrective action responses have not been received. UNC General Administration has established and communicated a June 30, 2008 deadline for corrective action. If this deadline is not met, UNC General Administration will proceed with terminating the operating agreement with the Associated Entity. (3) Already resolved. (4) Already resolved
North Carolina Central University: North Carolina Central University Educational Advancement Foundation, Inc ("Eagle Club")	(1) Revised by-laws, policies & procedures for compliance with NCAA regulations. (2) Classification of transactions through NCCU Foundation did not always agree with Eagle Club records.	(1) Recommendation-To revise by-laws, policies & procedures as quickly as possible for NCAA compliance Response-Concur and will complete the necessary revisions in timely fashion to comply with NCAA. (2) Recommendation- Process be improved to ensure that NCCU Foundation records are regularly reconciled with Eagle Club records Response-Concurs and will improve its process to verify that NCCU Foundation records are regularly reconciled with Eagle Club records to ensure proper classification of transactions.

6/2/2008

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
North Carolina State University: N.C. State Alumni Club, Inc	(1) Employment Agreement - Chief Operating Officer was paid on a contractual basis rather than an employee (2) Board minutes - Initial meetings were a "loose-knit" assemblage of charter members who did not view their activities as "formal corporate actions." (3) Policies and Procedures - Initial activities for the Club were focused on acquisition of memberships and start-up of dining services rather than formalization of accounting controls and procedures.	(1) Recommendation Club should review the rules to be certain that it is comfortable in its position with this consultant Corrective Action: In 2008 the Chief Operating Officer will be compensated as an independent contractor (2) Recommendation: the Board should record accurate and complete minutes of its meetings The minutes should record all actions taken and should document votes taken thereon. Corrective Action A discussion of minute-recording process with the Director of Administration soon after the Management Letter was issued. It was determined that all remedial steps have been taken and were in effect. (3) Recommendation: Accounting controls and procedures be documented by the Club Corrective Actions: Procedures for all areas of accounting have been written and are being followed.
N C Textile Foundation, Inc	(1) Journal entries prepared by the outsourced accountant were not being reviewed or approved by management (2) Preparation of the Trial balance for audit related to investment activity.	Per the Exec. Director, this was an oversight but does not represent a systemic problem. Per the Exec. Director, an active search is planned for an accounting firm that can meet the accounting needs
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	As of June 2, 2008, corrective action responses have not been received UNC General Administration has established and communicated a June 30, 2008 deadline for corrective action If this deadline is not met, UNC General Administration will proceed with terminating the operating agreement with the Associated Entity
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	As of June 2, 2008, corrective action responses have not been received UNC General Administration has established and communicated a June 30, 2008 deadline for corrective action. If this deadline is not met, UNC General Administration will proceed with terminating the operating agreement with the Associated Entity
The Medical Foundation of North Carolina, Inc.	(1) Material Weakness-Management does not have controls in place to ensure that they are able to initiate, authorize, record, process, or report financial data reliably in accordance with GAAP. (2) Significant Deficiency-Small size of staff limits the extent that proper segregation of duties can be implemented.	(1) Secured a safe deposit box and deposited a number of legal documents (2) Hired a CPA who will serve as the Controller for the Foundation, which will prepare the trial balance going forward. (3) The Controller will address the issue of allocating the functional expenses (4) In the process of working with the CPA firms to make corrections in the appropriate accounts.
The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	(1) Does not prepare the financial statements with associated notes	Recommendation-The Foundation continue to utilize people who possess the skills and expertise to review the financial statements and the proper treatment and disclosure of financial transactions and technical issues. Also, a current disclosure checklist from the AICPA be used to ensure propriety and completeness of the footnotes

6/2/2008

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
The University of North Carolina at Chapel Hill (cont'd): The University of North Carolina at Chapel Hill School of Education 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 developed.	Per the memo from the School of Education procedures have been adopted
The University of North Carolina at Chapel Hill School of Nursing School of Nursing Foundation, Inc.	The organization lacks the expertise to prepare the financial statements with the associated notes.	Recommendation-Foundation should hire an employee dedicated to the financial affairs, who possesses the skills for the preparation and review of financial statements. Also, the Foundation should contact the appropriate experts for guidance on the proper treatment and disclosure of financial transactions and technical issues. In addition, a current disclosure checklist from the AICPA be used to ensure propriety and completeness of the footnotes Response-A CPA on staff at the School of Nursing will review the draft financial statements and will complete the Disclosure Checklist established by the AICPA. Also, the Foundation will seek guidance from experts on the proper treatment and disclosure of financial transactions and technical issues.
The School of Social Work Foundation, Inc	(1) The organization lacks the expertise to prepare the financial statements with the associated notes (2) Documentation of accounting policies and procedures should be enhanced. (3) There is no methodology for tracking restricted funds which are deposited into the operating fund.	(1) The Board will discuss the feasibility of hiring an employee or consultant to prepare financial statements (2) In the process of updating the manual to include the recommended changes (3) These restricted funds are identified with separate designation codes and there are accounting procedures in place to ensure that these funds are tracked and used according to donors' requests.
Winston-Salem State University: Simon Green Atkins Community Development Corporation	(1) Insufficient segregation of duties -The size of the Organization's office staff limits the extent of separation of duties, however, certain steps can be in place to separate incompatible duties	(1) Recommendation - two signatures are required for all cash disbursements, and only officers of the Board of Directors and the outsourced accountant are authorized check signers. Also, primary general ledger and payroll processing duties are outsourced to an independent CPA. It is recommended that Board supervision and review continue.
The University of North Carolina General Administration: The North Carolina Arboretum Society	(1) Daily sales reports are not being achieved on a consistent basis. (2) Invoices had not been marked as approved or paid	1) All three retail locations now have POS registers that will produce the Z-out report. Procedures have been implemented to ensure that the Z-Out reports remain with the daily closeouts through to the deposit record (2) Procedures have been implemented to stamp, annotate, and initial invoices as recommended, in addition to current practice of stapling receipts to the check stubs
The North Carolina Public Television Foundation, Inc.	(1) Succession plan needed for accounting function (2) Policy needed for review and approval of checks written by director	Recommendation-Need to track related party receivables and periodically review the amounts for reasonableness

6/2/2008

University of North Carolina General Administration (UNC GA) Report on Results of the Search for Undisclosed Associated Entities May, 2008

<u>Found on the Secretary of State Website – Not Reported by the Respective Universities/Schools for Inclusion in UNC GA Summary Report of Associated Entities</u>	<u>Disposition Based on Research by the Respective Universities/Schools</u>
East Carolina University Faculty Club, Inc.	Not active ¹
East Carolina University Foundation for Health Affairs, Inc.	Not active ¹
East Carolina University Medical & Health Sciences Foundation, Inc.	Already reported under new name
East Carolina University Pirate Club, Inc.	Not active ¹
East Carolina University Presbyterian Campus Ministry	Does not meet the definition of an Associated Entity
East Carolina University Real Estate Foundation, Inc.	Already included in East Carolina University Foundation, Inc.
Fayetteville State University Retiree Club	Does not meet the definition of an Associated Entity
North Carolina Central University Law Journal Endowment Fund	Does not meet the definition of an Associated Entity
North Carolina Central University School of Law Alumni Association, Inc.	Already included in North Carolina Central University Foundation, Inc.
North Carolina School of the Arts Alumni Association	Not active ¹

(1) David King, Associate VP-Finance, will follow-up with the UNC General Administration Legal Counsel to determine appropriate legal action.

**Found on the Secretary of State Website – Not Reported by the
Respective Universities/Schools for Inclusion in UNC GA Summary
Report of Associated Entities**

**Disposition Based on Research by
the Respective Universities/Schools**

North Carolina State University Alumni of Delta Upsilon, Inc.	Does not meet the definition of an Associated Entity
North Carolina State University Delta Upsilon Educational Foundation	Does not meet the definition of an Associated Entity
North Carolina State University Faculty Club, Inc.	Already reported under new name
North Carolina State University Model United Nations	Does not meet the definition of an Associated Entity
North Carolina State University Research Corporation	Already reported under new name
North Carolina State University Rugby Football Club	Does not meet the definition of an Associated Entity
North Carolina State University School of Forest Resources Alumni Association	Does not meet the definition of an Associated Entity
North Carolina State University Swimming and Diving Parents Group, Inc.	Does not meet the definition of an Associated Entity
North Carolina State University Varsity Club, Inc.	Already included in the North Carolina Student Aid Association
The North Carolina State University Soaring Club	Does not meet the definition of an Associated Entity
The University of North Carolina at Chapel Hill Institutional Development Foundation, Inc.	Already reported under new name
University of North Carolina at Chapel Hill Department of City and Regional Planning Alumni (alias)	Could not locate this organization ¹
The University of North Carolina at Charlotte Institute for Social Capital, Inc.	Already included in University of North Carolina at Charlotte Foundation, Inc.
The University of North Carolina at Charlotte Research Corporation	Not active ¹

(1) David King, Associate VP-Finance, will follow-up with the UNC General Administration Legal Counsel to determine appropriate legal action.

The University of North Carolina at Charlotte Golf School, Inc.	Not active ¹
The University of North Carolina at Greensboro Baptist Student Union Alumni Association	Does not meet the definition of an Associated Entity

(1) David King, Associate VP-Finance, will follow-up with the UNC General Administration Legal Counsel to determine appropriate legal action.

Results

All the annual independent audits of Associated Entities that are component units and therefore included in the annual financial audit reports for the related universities have been provided to the Office of the State Auditor except the Elizabeth City State University Foundation and Subsidiary, Inc. The Elizabeth City State University (ECSU) annual financial audit is in process and ECSU administrators project the Foundation and Subsidiary audit will be complete by May 31, 2008.

We advised North Carolina Central University (NCCU) administrators for more timely completion and delivery of the audits of The NCCU Foundation, Inc. and the NCCU Real Estate Foundation.

For all component units, twenty-seven audits were delivered timely, two audits were delivered late and one audit is pending. We have advised for procedures to ensure timely completion of component unit audits.

We have appropriate corrective action plans for thirteen of the seventeen audits with findings. The remaining plans have been requested and are in process. Procedures are in place requiring that all findings and corrective action plans be sent with each report. We plan to verify that corrective action plans have been implemented.

Of one hundred and four Associated Entities, twelve audits with greater than six months transpiring after year end are still pending. We have advised for procedures that will ensure timely audits and emphasized that audits are timely if complete within three to six months of year end. For audits not completed within twelve months of year end, we plan to advise the organization chair and university administrators that the failure to comply with the UNC policy requirements could result in termination of the operating agreement with the university.

Our research supports the assertions of accuracy and completeness for the UNC General Administration Summary Report of Associated Entities. We located twenty-six entities using the respective names of universities in their titles; we investigated and determined that none needed to be added to our Report. We found seven entities that are not active. Since we are concerned that there is a risk for unmonitored activities if these entities become active again without notification to the related university's administration, we are coordinating with the UNC General Administration legal department for appropriate action.

**University of North Carolina General Administration (UNC GA)
Action Plan for Each Associated Entity That Has Not Completed the
Annual Audit Requirement
May, 2008**

<u>Name of Organization</u>	<u>Fiscal Year End Report on File</u>	<u>Status of Audit</u>	<u>UNC GA Action Required</u>	<u>UNC GA Action Completed (Date)</u>
ECSU Foundation, Inc	June 30, 2006	Audit in process with completion planned for May 31, 2008	Continue monitoring with Janice Baker, Interim Vice Chancellor	
ECSU National Alumni Association	December 31, 2005	Audit in process with completion planned for May 31, 2008	Continue monitoring with Janice Baker, Interim Vice Chancellor	
FSU National Alumni Association	June 30, 2006	CPA firm engaged	Continue follow ups with Jolene Elkins, Associate Vice Chancellor	
NCA&T National Aggie Club	June 30, 2006	To be determined ¹	Continue follow ups with Robert Pompey, Vice Chancellor, and contact club administrators	
NCA&T University Alumni Association, Inc	June 30, 2006	To be determined ¹	Continue follow ups with Robert Pompey, Vice Chancellor, and contact club administrators	
NCCU Real Estate Foundation	June 30, 2006	Audit completed, report planned for May 23, 2008	Continue to monitor and coordinate with the OSA	

(1) As of June 2, 2008, UNC General Administration has communicated a June 30, 2008 deadline for audit engagement. If this deadline is not met, UNC General Administration will proceed with terminating the operating agreement with the Associated Entity.

<u>Name of Organization</u>	<u>Fiscal Year End Report on File</u>	<u>Status of Audit</u>	<u>UNC GA Action Required</u>	<u>UNC GA Action Completed (Date)</u>
N. C. State Alumni Club, Inc	December 31, 2006	CPA firm engaged	Continue follow ups with Ernie Murphrey, Associate Vice Chancellor	
N. C. State University Club	December 31, 2006	CPA firm engaged	Continue follow ups with Ernie Murphrey, Associate Vice Chancellor	
The University Botanical Gardens of Asheville	December 31, 2006	To be determined ¹	Follow-up with Phil Richman, Interim Vice Chancellor	
Carolina for Kibera, Inc	December 31, 2006	CPA firm engaged	Continue follow ups with Dennis Press, Controller	
The Dental Foundation of N. C., Inc (UNC CH)	June 30, 2006	CPA firm engaged	Continue follow ups with Dennis Press, Controller	
The Education Foundation, Inc (UNC CH)	June 30, 2006	CPA firm engaged	Continue follow ups with Dennis Press, Controller	
The School of Education Foundation, Inc (UNC CH)	June 30, 2006	CPA firm engaged	Continue follow ups with Dennis Press, Controller	
The UNC CH Public Health Foundation, Inc	June 30, 2006	CPA firm engaged	Continue follow ups with Dennis Press, Controller	
Serve, Inc (UNC G)	November 30, 2006	To be determined ¹	Follow up Reade Taylor, Vice Chancellor	

(1) As of June 2, 2008, UNC General Administration has communicated a June 30, 2008 deadline for audit engagement. If this deadline is not met, UNC General Administration will proceed with terminating the operating agreement with the Associated Entity.

<u>Name of Organization</u>	<u>Fiscal Year End Report on File</u>	<u>Status of Audit</u>	<u>UNC GA Action Required</u>	<u>UNC GA Action Completed (Date)</u>
Development Foundation For N. C. Center for Advancement of Teaching (WCU)	June 30, 2006	June 30, 2007 audit completed.	Follow up with Chuck Hawkins, Interim Director of Business Services	
The Highlands Biological Foundation, Inc (WCU)	May 31, 2006	To be determined ¹	Follow up with Chuck Wooten, Vice Chancellor	

(1) As of June 2, 2008, UNC General Administration has communicated a June 30, 2008 deadline for audit engagement. If this deadline is not met, UNC General Administration will proceed with terminating the operating agreement with the Associated Entity.