

**4. Review of Associated Entities .....Lynne Sanders**

**Situation:** Annually, the Audit Committee of the Board of Governors reviews a report on UNC Associated Entities.

**Background:** Under the UNC Policy Manual Chapter 600.2.5.2[R], Associated Entities of General Administration and constituent institutions 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. One of the responsibilities of the Audit Committee of the Board of Governors is to review a summary of the UNC Associated Entities' audit results.

**Assessment:** As of June 30, 2015, there were 109 Associated Entities in the UNC system. All Associated Entities received unqualified audit opinions from audit firms in good standing with the NC State Board of CPA Examiners or, in a few cases, Internal Audit. Fourteen of the Associated Entities had one or more findings. Attached is a summary of Associated Entities' audit results and related findings.

**Action:** This item is for information only.

# Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues
<b>Appalachian State University</b>				
Appalachian State University Foundation, Inc.	6/30/14	Yes	McGladrey LLP	No
Appalachian Real Estate Holdings, Inc.	6/30/14	Yes	Internal Audit	No
Appalachian Student Housing Corporation	6/30/14	Yes	Apple, Koceja, & Associates, PA	No
<b>East Carolina University</b>				
East Carolina University Alumni Association, Inc.	6/30/14	Yes	Dixon Hughes Goodman LLP	No
East Carolina University Educational Foundation, Inc.	6/30/14	Yes	Dixon Hughes Goodman LLP	No
East Carolina University Foundation, Inc. and Consolidated Affiliates	6/30/14	Yes	Dixon Hughes Goodman LLP	No
East Carolina University Medical Foundation & Health Sciences Foundation, Inc.	6/30/14	Yes	Dixon Hughes Goodman LLP	No
<b>Elizabeth City State University</b>				
The Elizabeth City State University Foundation	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	Yes <sup>1</sup>
Elizabeth City State University National Alumni Association, Inc.	12/31/14	Yes	Murphy & Company, P.C.	Yes <sup>1</sup>
<b>Fayetteville State University</b>				
Fayetteville State University Athletic Club	6/30/14	Yes	Buie, Norman, & Company, P.A.	No
Fayetteville State University Development Corporation	6/30/14	Yes	Buie, Norman, & Company, P.A.	No
Fayetteville State University Foundation, Inc., and Subsidiary	6/30/14	Yes	Buie, Norman, & Company, P.A.	No
Fayetteville State University National Alumni Association, Inc.	6/30/14	Yes	Buie, Norman, & Company, P.A.	No
Fayetteville State University Housing Foundation, LLC	6/30/14	Yes	Buie, Norman, & Company, P.A.	No
Fayetteville State University Student Housing Corporation and Subsidiary	6/30/14	Yes	Buie, Norman, & Company, P.A.	No
<b>North Carolina A&amp;T State University</b>				
North Carolina A&T State University Alumni Association, Inc.	6/30/14	Yes	Clarence G. Grier, CPA	No
North Carolina A&T University Foundation, Inc.	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
The Aggie Athletic Foundation of North Carolina A&T State University, Inc.	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	Yes <sup>1</sup>
<b>North Carolina Central University</b>				
North Carolina Central University Alumni Association, Inc.	6/30/14	Yes	Oliver W. Bowie, CPA, PA	No
The North Carolina Central University Educational Advancement Foundation, Inc.	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	Yes <sup>1</sup>
The North Carolina Central University Foundation, Inc.	6/30/14	Yes	McGladrey LLP	Yes <sup>1</sup>
NCCU Real Estate Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, P.A.	No

<sup>1</sup> Findings are on page 6

<sup>2</sup> Internal Audit reviewed the value of the works of art. The art values are based on cost if purchased or fair value at the time of donation, if donated.

# Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues
<b>North Carolina School of Science and Mathematics</b>				
North Carolina School of Science and Mathematics Foundation and Subsidiary	6/30/14	Yes	McGladrey LLP	No
NCSSM Student and Constituent Support Services, Inc.	6/30/14	Yes	Thomas E. Spivey, CPA, PA	Yes <sup>1</sup>
<b>North Carolina State University</b>				
The North Carolina Agricultural Foundation, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
NC State Alumni Club, Inc.	12/31/14	Yes	Batchelor, Tillery, & Roberts, LLP	No
NC State Engineering Foundation, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
NC State Investment Fund, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
NC State Natural Resources Foundation, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
North Carolina State University Alumni Association, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
North Carolina State University College of Sciences Foundation, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
North Carolina State University Foundation, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
NC State University Partnership Corporation and Affiliates	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
North Carolina Textile Foundation, Inc.	6/30/14	Yes	Koonce, Wooten, & Haywood, LLP	No
North Carolina Tobacco Foundation, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
North Carolina Veterinary Medical Foundation, Inc.	6/30/14	Yes	Williams, Overman, Pierce, LLP	No
NC State Student Aid Association, Inc.	6/30/14	Yes	Koonce, Wooten, & Haywood, LLP	Yes <sup>1</sup>
North Carolina State University Club	12/31/14	Yes	Batchelor, Tillery, & Roberts, LLP	No
<b>The University of North Carolina at Asheville</b>				
University Botanical Gardens at Asheville, Inc.	12/31/14	Yes	Gould Killian CPA Group, P.A.	No
University of North Carolina Asheville Foundation, Inc.	6/30/14	Yes	Burleson & Earley, P.A.	No

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# Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues
<b>The University of North Carolina at Chapel Hill</b>				
The Botanical Garden Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, PA	Yes <sup>1</sup>
Carolina for Kibera, Inc.	6/30/14	Yes	Roberson CPA Firm, PLLC	Yes <sup>1</sup>
Chapel Hill Foundation Real Estate Holdings, Inc.	6/30/14	Yes	KPMG LLP	No
Morehead-Cain Scholarship Fund	6/30/14	Yes	Batchelor, Tillery & Roberts, LLP	No
Dental Foundation of North Carolina, Inc.	6/30/14	Yes	Koonce, Wooten & Haywood, LLP	Yes <sup>1</sup>
The Educational Foundation, Inc.	6/30/14	Yes	Batchelor, Tillery & Roberts, LLP	No
The Educational Foundation Scholarship Endowment Trust	6/30/14	Yes	Batchelor, Tillery & Roberts, LLP	No
The Kenan-Flagler Business School Foundation	7/1/14	Yes	Bernard, Robinson, & Company, LLP	No
KFBSF Real Estate Fund I, L.P.	12/31/14	Yes	Bernard Robinson & Company, LLP	No
KFBSF Real Estate Fund II, L.P.	12/31/14	Yes	Bernard Robinson & Company, LLP	No
KFBSF Private Equity Fund I, L.P.	12/31/14	Yes	Bernard Robinson & Company, LLP	No
KFBSF Private Equity Fund II, L.P.	12/31/14	Yes	Bernard Robinson & Company, LLP	No
James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.	6/30/14	Yes	Dixon Hughes Goodman LLP	No
The Medical Foundation of North Carolina, Inc. and Subsidiary	6/30/14	Yes	KPMG LLP	Yes <sup>1</sup>
UNC Eshelman School of Pharmacy Foundation (Formerly Pharmacy Foundation of North Carolina, Inc.)	6/30/14	Yes	Koonce, Wooten & Haywood, LLP	No
The University of North Carolina at Chapel Hill School of Education Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, PA	No
The School of Government Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, PA	Yes <sup>1</sup>
The School of Journalism & Mass Communications Foundation of North Carolina, Inc.	7/1/14	Yes	Blackman & Sloop, CPAs, PA	No
The School of Social Work Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, PA	No
The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, PA	No
UNC Investment Fund, LLC	6/30/14	Yes	KPMG LLP	No
UNC Intermediate Pool, LLC	6/30/14	Yes	KPMG LLP	No
The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.	6/30/14	Yes	KPMG LLP	No
The University of North Carolina at Chapel Hill Foundation, Inc.	6/30/14	Yes	KPMG LLP	No
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, PA	No
UNC Law Foundation, Inc.	6/30/14	Yes	McGladrey LLP	No
UNC Management Company, Inc.	6/30/14	Yes	KPMG LLP	No
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	6/30/14	Yes	Blackman & Sloop, CPAs, PA	No

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Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues
<b>The University of North Carolina at Charlotte</b>				
The Athletic Foundation of the University of North Carolina at Charlotte	6/30/14	Yes	McGladrey LLP	No
Ventureprise, Inc.	6/30/14	Yes	McGladrey LLP	Yes <sup>1</sup>
The Foundation of The University of North Carolina at Charlotte, Inc.	6/30/14	Yes	McGladrey LLP	No
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.	6/30/14	Yes	McGladrey LLP	No
The University of North Carolina at Charlotte Investment Fund, Inc.	6/30/14	Yes	McGladrey LLP	No
<b>University of North Carolina at Greensboro</b>				
Capital Facilities Foundation, Inc. and Consolidated Subsidiaries	6/30/14	Yes	Bernard, Robinson, & Company, LLP	No
Gateway University Research Park, Inc.	6/30/14	Yes	Dixon Hughes Goodman LLP	No
Serve, Inc.	11/30/14	Yes	Bernard, Robinson, & Company, LLP	No
The Alumni Association of the University of North Carolina at Greensboro, Inc.	6/30/14	Yes	Duncan Ashe, P.A.	Yes <sup>1</sup>
The UNCG Excellence Foundation	6/30/14	Yes	Bernard, Robinson, & Company, LLP	No
The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc.	6/30/14	Yes	Bernard, Robinson, & Company, LLP	No
Weatherspoon Arts Foundation <sup>2</sup>	6/30/14	Yes	Internal Audit	No
Weatherspoon Art Museum Association	6/30/14	Yes	Bernard, Robinson, & Company, LLP	No
The University of North Carolina at Greensboro Investment Fund, Inc.	6/30/14	Yes	Bernard, Robinson, & Company, LLP	No
<b>The University of North Carolina at Pembroke</b>				
The UNCP University Foundation, LLC	6/30/14	Yes	Thomas, Judy & Tucker, PA	No
The University of North Carolina at Pembroke Foundation, Inc.	6/30/14	Yes	Thomas, Judy & Tucker, PA	No
The UNCP Student Housing Foundation, LLC	6/30/14	Yes	Thomas, Judy & Tucker, PA	No
<b>The University of North Carolina School of the Arts</b>				
University of North Carolina School of the Arts Foundation, Inc.	6/30/14	Yes	Smith Leonard PLLC	No
UNCSA Housing Corporation	6/30/14	Yes	Butler & Burke, LLP	No
University of North Carolina School of the Arts Program Support Corporation	6/30/14	Yes	Butler & Burke, LLP	No
RiverRun International Film Festival	6/30/14	Yes	Butler & Burke, LLP	No
The Semans Art Fund, Inc.	6/30/14	Yes	Smith Leonard Accountants & Consultants	No

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<b>The University of North Carolina at Wilmington</b>				
Donald R. Watson Foundation, Inc.	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
Friends of UNCW, Inc.	6/30/14	Yes	Office of Internal Audit at UNC Pembroke	No
The Alumni Association of The University of North Carolina at Wilmington	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
The Foundation of the University of North Carolina at Wilmington, Inc.	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
The UNCW Student Aid Association, Inc.	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
UNCW Corporation	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
UNCW Corporation II	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
UNCW Research Foundation	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
<b>Western Carolina University</b>				
The North Carolina Arboretum Society	6/30/14	Yes	Gould Killian CPA Group, P.A.	No
Western Carolina University Foundation	6/30/14	Yes	Burleson & Earley, PA	No
Western Carolina University Research and Development Corporation	6/30/14	Yes	Burleson & Earley, PA	No
Forest Stewards, Inc.	6/30/14	Yes	Burleson & Earley, PA	No
The Highlands Biological Foundation, Inc.	5/31/14	Yes	Corliss & Solomn, PLLC	No
<b>Winston-Salem State University</b>				
Simon Green Atkins Community Development Corporation	6/30/14	Yes	Preston, Sims, & Darden, P.A.	No
Winston-Salem State University Foundation, Inc. and Subsidiary	6/30/14	Yes	Butler & Burke, LLP	No
Winston-Salem State University National Alumni Association, Inc.	6/30/14	Yes	Butler & Burke, LLP	No
<b>The University of North Carolina-General Administration</b>				
The North Carolina Public Television Foundation, Inc.	6/30/14	Yes	Thomas & Gibbs CPAs, PLLC	No
The University of North Carolina Foundation, Inc.	6/30/14	Yes	Koonce, Wooten, & Haywood, LLP	No

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## Summary Report of Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	Recommendations	Response
<b>Elizabeth City State University:</b> The Elizabeth City State University Foundation	(1) Differences in Bank Reconciliation Procedures  (2) Reconcile Intercompany Accounts	(1) The Foundation should enhance internal controls to ensure the bank statement is properly reconciled to the accounting records each month. Adequate reconciliation procedures include promptly investigating and resolving outstanding items.  (2) We recommend that all intercompany accounts should be reconciled on a monthly basis during the year as well as at year-end as part of the year-end close and financial statement preparation process.	(1) We concur and effective December 1, 2014, Foundation Accounting now resides within the University's Division of Business & Finance under the Controller. The University of North Carolina – General Administration (UNC-GA) requires that each university adheres to General Accounting Standards. Those standards require that all bank reconciliations be completed within 15 days and all reconciling items must be resolved within 40 days. UNC-GA Standards will be applied to the Foundation's monthly bank reconciliation process to ensure timely and correct preparation.  (2) We concur and effective December 1, 2014, Foundation Accounting now resides within the University's Division of Business & Finance under the Controller. The University of North Carolina - General Administration (UNC-GA) requires that each university adheres to General Accounting Standards. Those standards require that transfers (intercompany accounts) be reconciled and balanced monthly and at year-end. UNC-GA Standards will be applied to the Foundation funds to ensure that transfers are balanced and reconciled monthly and at year-end.
Elizabeth City State University National Alumni Association, Inc.	(1) General Ledger Maintenance  Prior Year Finding: Opening Balances	(1) Management should obtain and maintain electronic backup records after each processing cycle. This will allow management access to historical data that can more readily be accessed in the absence of an accounting services provider  Prior Year Finding: The beginning balances at January 1, 2013 did not agree with the ending balances at December 31, 2012 (per the audit), suggesting the prior year audit adjustments were not posted to the general ledger.	(1) Management agreed. The issue was resolved.  Prior Year Finding: Management has determined that the temporarily restricted net assets were created by activities that date back several years. The accounts have been inactive and the temporarily restricted funds were never transferred to unrestricted funds or used for their stated purposes. With this knowledge, management will now bring this matter to the general body for resolution and appropriate adjustments will be made accordingly.
<b>North Carolina A&amp;T University</b> The Aggie Athletic Foundation of North Carolina A&T State University, Inc.	(1) Financial Statement Preparation	(1) Foundation should implement procedures to ensure completeness of asset and liability accounts to prevent potential misstatement of accounts at year end.	The Board of Directors of the Aggie Athletic Foundation, Inc., has agreed to execute/implement the recommendation of Thomas & Gibbs, CPAs PLLC to develop and document year-end closing procedures. The recommendation was an outcome of the FY2014 audit, along with an unqualified opinion. We are targeting June 30 for completion. The decision was made during the AAF BOD meeting on April 30, 2015.
<b>North Carolina Central University:</b> NCCU Foundation	(1) Restatement (2) Financial Reporting	(1) The Foundation's financial statements as of June 30, 2013, were restated to reflect the reduction of certain funds held on behalf of others for which the Foundation was beneficiary rather than intermediary and the reclassification of unrestricted net assets which contained donor-imposed restrictions. As a result of this restatement, the beginning balances as of July 1, 2013, for unrestricted net assets were decreased by \$1,199,941 and for temporarily restricted net assets were increased by \$2,103,977 from previously reported amounts. In addition, funds held on behalf of others were decreased by \$904,036 from amounts previously reported. The Foundation's internal controls were not designed appropriately to prevent or detect and correct the misstatements. (2) The Foundation should continue its efforts to improve financial reporting, which encompasses net asset reporting. Further, the Foundation's net asset schedules should be completed on a more frequent and timely basis and include a more thorough review of the details that support the underlying balances for unrestricted, temporarily restricted and permanently restricted net assets.	(1) The Foundation believes that their new processes, procedures and controls will verify that all transactions are properly classified to the correct restriction and individual project code. Foundation also now has schedules that assist in the reconciliation of each net asset categories. Their external consultant will continue to review all monthly and year-end reconciliations to secure accurate financial reporting. (2) An external consultant was hired in March 2014 and as a result, new processes, procedures and controls are now in place to secure the monthly reconciliation of all general ledger accounts. The Foundation is also adding additional internal controls on an individual transactions basis to verify proper coding into their fund accounting system. The Foundation also understand that these changes were not in effect for a majority of the year under audit and as a result, the auditors issued a control deficiency. These new processes and procedures will, however, be in place for the full upcoming year so the Foundation does not expect to have this control issue in the future.
The North Carolina Central University Educational Advancement Foundation, Inc.	(1) Cash Reconciliations (2) Unrecorded In-kind Donations (3) Audit Adjustments (4) Preparation of Financial Statements	(1) The Eagle Club should maintain an independent record of changes in cash balances based on receipt and disbursement reports provided by the NCCU Foundation. An independent record would allow the Eagle Club's management to identify any unexpected changes in cash and make timely inquiries with the NCCU Foundation regarding the nature of these matters. (2) The Eagle Club should implement a process to report in-kind contributions so they can be appropriately recorded in its financial statements (3) Management should post all audit adjustments at the close of the audit. To enhance the Eagle Club's financial reporting process, management should complete a month-end and/or year-end close process to record accrual entries, reconcile all general ledger accounts, and analyze the accounts to ensure the completeness, existence, and accuracy of its financial data prior to commencement of the audit. (4) The Eagle Club should accurately prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP)	(1) The Eagle Club will use available information provided by the NCCU Foundation to identify unexpected changes in cash position. The primary source of cash inflow is derived from donations made by the Eagle Club Members. All contributions are processed through the Foundation stewardship unit to ensure proper credit to each donor and preparation of tax donor letters. The largest single outflow of cash is the periodic transfer of funds to the Department of Athletics for Scholarships. The Eagle Club Scholarship disbursement form is used to transfer 80% of contribution received from the membership. The Account Distribution Report is generated monthly by the Foundation and transmitted to the Eagle Club. The report shows the date cash was received, the fund receiving the cash deposit and the account credited in the general ledger. At the end of each accounting period the Eagle Club Treasurer prepares an analysis of the contributions received and scholarships payments made from the date of the Club's inception. This report is used to calculate the restriction of funds by the Board of Directors, designating 80% of contributions received for scholarships. This amount is then deducted from the current Fund Balance. At the end of each accounting period this Fund Balance analysis shows: (1) Board designated funds for scholarships (2) Unrestricted funds (3) Ending fund balance. Management is requesting that the Foundation provide documentation for journal entries posted to the Eagle Club General Ledger. We will keep these documents in our files which would put us in a position to explain the computations and rationale for the posted amounts. In the absence of a bank provided cash balance the Eagle Club will use the information available to determine an accurate book cash balance.

## Summary Report of Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	Recommendations	Response
			<p>(2) The Eagle Club will use the Foundations Gift-In-Kind Contribution form to track and record services paid by a third party.</p> <p>(3) The Eagle Club recorded audit adjustments for the Fiscal Year ended June 30, 2014, in November, 2014. The Eagle Club Treasurer prepared a post closing trial balance and recorded the audit adjustments, using an excel spreadsheet. Management is working with the Foundation to produce automated financial statements in accordance with generally accepted accounting principles (GAAP). The Eagle Club will complete a manual year end process to record accrual and closing entries.</p> <p>(4) The Eagle Club recorded audit adjustments for the Fiscal Year ended June 30, 2014, in November, 2014. The Eagle Club Treasurer prepared a post closing trial balance and recorded the audit adjustments, using an excel spreadsheet. Management is working with the Foundation to produce automated financial statements in accordance with generally accepted accounting principles (GAAP). The Eagle Club will complete a manual year end process to record accrual and closing entries if the Foundation is unable to produce the automated reports.</p>
<p><b>North Carolina School of Science and Mathematics</b> NCSSM Student &amp; Constituent Support Services, Inc.</p>	<p>(1) Bank account Reconciliation (2) Old checks and Reconciling Items (3) Funds Held for Others Accounting</p>	<p>(1) The bank account was not reconciled in a timely manner as stated in the Standard Operating Procedures manual. We recommend the operating manual be followed and bank reconciliations be performed by the 15th of the following month, as stated in the manual</p> <p>(2) Recommend checks and other reconciling items over one year be investigated and removed from the bank reconciliation and the original transaction be adjusted in the general ledger. Research should be done periodically to eliminate large numbers of old items being carried from month to month.</p> <p>(3) Recommend that the organization properly record the initial transactions in the revenue and expense accounts (instead of as Funds Held for Others).</p>	<p>(1) As stated in the auditor's comments staffing has been an issue and the accounting system has required research, review and correction due to improper staff skill level. Improper staffing contributed to bank reconciliations not being properly completed within stated policies and procedures. This has been corrected and bank statements are currently being completed by the 15th of the following month.</p> <p>(2) Management has reviewed and investigated all outstanding items per the bank reconciliations and made appropriate adjustments to clear the items. Management has revised its review and approval process of the bank reconciliations to clear outstanding transactions effective with the December 2014 reconciliation.</p> <p>(3) Management has reviewed and studied the chart of accounts and the accounting system set up to determine the changes that need to be made within the system to properly record revenues and expenses. Tests of transactions for 2014-2015 are being performed to ensure that any changes are correctly documented and the required results are achieved. During the current year adjustments are being made each month to record the related revenues and expenses which have been previously recorded only at year end. This will allow a concise real time picture of the activities of the Organization during the current year. Management expects to have the new process in place beginning July 1, 2015.</p>
<p><b>North Carolina State University</b> NC State Student Aid Association, Inc.</p>	<p>(1) Financial Statement Preparation</p>	<p>(1) Management is responsible for establishing and maintaining internal controls and for the fair presentation of the Organization's financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). The Organization does not have a system of internal controls that enables management to conclude that the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management has requested the audit firm to prepare a draft of the financial statements, including the required footnote disclosures, as well as financial statement reclassification entries. This outsourcing of services is not unusual for entities of your (NC State Student Aid Association, Inc.) size and is a result of management's cost benefit decision to rely on accounting expertise rather than incurring this internal resource cost.</p>	<p>(1) As stated in the auditor's letter, it is not unusual for entities of our (NC State Student Aid Association Inc.) size to outsource this financial statement preparation and is a cost benefit decision made by the Student Aid Association's management to rely on accounting expertise rather than to incur this internal cost. We (Student Aid Association), plan to continue with this procedure in the future.</p>



## Summary Report of Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	Recommendations	Response
<b>The University of North Carolina at Chapel Hill:</b> The Medical Foundation of North Carolina Inc.	(1) Closing Process	(1) Upon completion of the system implementations, management should reassess its finance department staffing levels to ensure that they are appropriate to satisfy timely reporting requirements as well as to allow for routine financial analysis.	(1) Management has submitted a satisfactory plan to the UNC controller's office to address the audit finding.
The Botanical Garden Foundation, Inc.	(1) Accounting Software System (2) Reporting to the Board (3) Preparation of Financial Statements (4) Preparation of Bank Reconciliations (5) Cash Management (6) Rental Agreements	(1) Management should utilize a nonprofit accounting software program (instead of excel worksheets) to summarize the Foundation's financial activity, and begin preparing complete financial statements on a monthly basis. (2) A monthly reporting package should be developed and implemented to provide the Board with complete and timely financial information. The reporting should include a budget-to-actual analysis, as well as other standard reports. (3) Management should continue to evaluate whether it is cost effective to appoint a person internally with qualifications to prepare the financial statements and note disclosures. (4) Bank reconciliations should be performed promptly every month. All reconciling items should be investigated and adjusted at the time the reconciliations are prepared. (5) Management should develop and implement a written investment policy which dictates procedures to timely transfer permanently restricted gifts to the investment fund, possibly on a quarterly basis, in efforts to maximize earnings on donors' gifts to the Foundation. (6) The Foundation should obtain signed lease agreements for all current and future tenants	In the 90 day response period
Carolina for Kibera, Inc.	(1) Limited number of personnel	(1) Management and the Board should continue to evaluate whether it is cost effective to hire a person with the qualifications to prepare the financial statements and disclosures.	(1) The CPA firm preparing CFK Inc.'s financial statements and footnote disclosures continues to be the most cost effective and practical option for the organization. The management and Board of Directors of Carolina for Kibera will continue to regularly and thoroughly evaluate the cost effectiveness of hiring a person with the appropriate qualifications to prepare CFK Inc.'s financial statements and disclosures.
The Dental Foundation of North Carolina Inc.	(1) Bank Reconciliations (2) Financial Statement Preparation (3) Payroll Entries (4) Transfer Accounts (5) Fund Accounting	(1) A monthly reconciliation of bank statements to the general ledger should be performed. It should also be noted that the Organization employed a contract accountant to complete all bank reconciliations for the year ended June 30, 2014. (2) Management requested the audit firm to prepare a draft of the financial statements, including the required footnote disclosures, as well as financial statement reclassification entries when applicable. (3) Salary expense should be recorded in the general ledger on a timely basis and a periodic review of salary expense and related accounts be performed to ensure that all activity has been posted (4) Transfer accounts should be reviewed each month for posting errors which would cause the transfer accounts to be out of balance (5) Opening fund balances should be reviewed at the beginning of each fiscal year.	Management is confident that with the hiring of a new full-time accounting technician (due to turnover in the position), the issues identified will be rectified with the 2014-15 financial statements.
The School of Government Foundation, Inc.	(1) Preparation of Financial Statements	(1) Management and the Board should continue to evaluate whether it is cost effective to appoint a person with qualifications to prepare the financial statements.	(1) Management is aware of the weakness, but due to the cost benefit analysis, The School of Government Foundation, Inc. will continue to rely on the external auditor to draft the year-end financial statements. Management and the Board of Directors will exercise due care in reviewing the financial statements drafted by the external auditor and accepts responsibility for the accuracy of the audited financial statements.
<b>The University of North Carolina at Charlotte:</b> Ventureprise, Inc.	(1) Segregation of Duties	(1) The Director of Finance and Operations has the primary responsibility for performing all of the accounting and financial duties. As a result, some of the aspects of internal accounting control that rely upon adequate segregation of duties are missing from the Organization. Internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. The supervision and periodic review procedures in place help mitigate the lack of proper segregation of duties and should be continued.	(1) The deficiency is inherent in a small organization. Previously, Ventureprise instituted procedures, acceptable to our Finance Committee and our previous audit firm, to mitigate the concern. Effective with the fiscal year that began on July 1, 2014, Ventureprise implemented an operational change for efficiency benefits that also eliminated this deficiency. All Ventureprise accounting and finance functions were moved to the Treasury Department of The University of North Carolina at Charlotte. The Director of Finance and Operations position has been eliminated.  The Treasury Department consists of six permanent positions operating with effective processes and procedures for satisfactory internal control and separation of duties. The transition of Ventureprise functions to this department has been fully implemented. Management is confident that adequate segregation of duties is in place to ensure sufficient internal controls to address the concern expressed in the audit deficiency.
<b>The University of North Carolina at Greensboro:</b>  The Alumni Association of the University of North Carolina at Greensboro	(1) Reconciling to the General Ledger	(1)...general ledger account balances that could be supported by documentation provided by third parties (statements) or internally produced subsidiary ledgers did not agree to that documentation. A reconciliation of all significant assets and liabilities should be performed on a monthly basis to agree the Association's general ledger balances with transactions recorded by the university accounting system or other third party provider of information.	(1) The Alumni Association contracted with a bookkeeper in August of 2014 to handle the bookkeeping, including preparing reconciliations and providing financial statements for review and approval. In addition, an online version of accounting software was acquired. The online system allows the bookkeeper, the Executive Director, and the Treasurer to access the accounting records.