

McGladrey & Pullen

Certified Public Accountants

**The University of North Carolina at Greensboro
Investment Fund, Incorporated**
(A Component Unit of The University of North Carolina at Greensboro)

Financial and Compliance Report
Year Ended June 30, 2007

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
The University of North Carolina at Greensboro
Investment Fund, Incorporated
Greensboro, North Carolina

We have audited the accompanying statements of net assets of The University of North Carolina at Greensboro Investment Fund, Incorporated (the "Fund"), a component unit of The University of North Carolina at Greensboro, as of June 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina at Greensboro Investment Fund, Incorporated as of June 30, 2007 and 2006, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007 on our consideration of The University of North Carolina at Greensboro Investment Fund, Incorporated's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Greensboro, North Carolina
September 21, 2007

The University of North Carolina at Greensboro
Investment Fund, Incorporated

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

Introduction

The University of North Carolina at Greensboro Investment Fund, Incorporated (the "Fund") provides the following management discussion and analysis ("MD&A") as an overview of the financial activities for the fiscal year ended June 30, 2007. This discussion, along with the following financial statements and related footnote disclosures, have been prepared by management and comprise the Fund's complete financial report. The financial statements, footnotes and this discussion are the responsibility of management.

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

Using the Financial Report

The Fund's financial report includes two financial statements: the Statement of Net Assets; and the Statement of Revenues, Expenses and Changes in Net Assets. The Fund is blended in the UNGC financial report and therefore is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Statement of Net Assets

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

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

	2007	2006	2005
Assets			
Current Assets	\$ 9,472,603	\$ 9,557,393	\$ 3,092,846
Noncurrent Assets	174,279,023	146,085,066	134,796,390
Total assets	183,751,626	155,642,459	137,889,236
Current Liabilities	-	-	4,175
Net Assets, Nonexpendable			
UNCG Excellence Foundation	75,347,441	62,239,922	55,290,606
Human Environmental Sciences Foundation	7,740,154	6,702,178	5,978,804
Alumni Association	2,705,581	2,327,552	1,616,603
Campus Ministries	973,003	886,231	812,308
UNCG Endowment Fund	96,985,447	83,486,576	74,186,740
Total net assets	\$ 183,751,626	\$ 155,642,459	\$ 137,885,061

The University of North Carolina at Greensboro
Investment Fund, Incorporated

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

Statement of Net Assets (Continued)

The Fund invests endowment monies for five affiliated organizations. The pooled investments total \$183.8 million at June 30, 2007. The University Investment Fund pool assets are diversified with 80% equities (of which 29% are in hedge fund and alternative investments), 15% bonds, and 5% in cash. The total assets of the Fund increased by \$28.1 million for the year. The Fund returned 18.7% for the fiscal year, outperforming the 17.6% return of a passive benchmark consisting of 80% S&P 500 plus 20% Lehman Brothers Aggregate. The Cambridge Associates Endowment Median (32 institutions) returned 18.6% for the year.

The Fund has twenty-two managers and a highly diversified approach to investing with an emphasis on asset allocation by the Board of Directors. This includes three managers with alternative investment styles and five non-marketable alternative partnerships in which funds were invested to give the Fund a more diverse asset allocation.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present revenues, expenses and any gains and losses earned or incurred by the Fund.

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

The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in the net assets at the end of the year. This increase is due to gains on our investments.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Return on investments	\$ 27,306,238	\$ 15,978,373	\$ 13,504,103
Additions to permanent endowments	6,387,264	6,595,068	4,414,287
Distribution to participants	(5,584,335)	(4,816,043)	(4,328,312)
Increase in net assets	28,109,167	17,757,398	13,590,078
Beginning net assets	155,642,459	137,885,061	124,294,983
Ending net assets	\$ 183,751,626	\$ 155,642,459	\$ 137,885,061

Economic Outlook

Management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the Fund's financial position or results of operations during fiscal year 2007-08 beyond those unknown variations having a global effect on virtually all types of business operations. We anticipate the current fiscal year will be very similar to the 2006-07 fiscal year and, accordingly, will maintain a close watch over resources so that the Fund will be able to react to unknown internal and external issues.

Management will continue to employ the Fund's long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the Fund's operations from temporary market volatility.

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

The University of North Carolina at Greensboro
Investment Fund, Incorporated

Statements of Net Assets
June 30, 2007 and 2006

	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,415,873	\$ 9,437,267
Receivables, net	56,730	120,126
Total current assets	<u>9,472,603</u>	<u>9,557,393</u>
Noncurrent Assets		
Endowment investments	174,279,023	146,085,066
Total assets	<u>\$ 183,751,626</u>	<u>\$ 155,642,459</u>
Net Assets		
Restricted for Participants		
Nonexpendable:		
The UNCG Excellence Foundation, Inc.	75,347,441	62,239,922
The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc.	7,740,154	6,702,178
The Alumni Association of the University of North Carolina at Greensboro	2,705,581	2,327,552
The Associated Campus Ministries of The University of North Carolina at Greensboro	973,003	886,231
The Endowment Fund of The University of North Carolina at Greensboro	96,985,447	83,486,576
Total net assets	<u>\$ 183,751,626</u>	<u>\$ 155,642,459</u>

See Notes to Financial Statements.

The University of North Carolina at Greensboro
Investment Fund, Incorporated

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2007 and 2006

	2007	2006
<hr/>		
Operating revenues:		
Investment income	\$ 2,869,033	\$ 2,330,438
Net realized gain on investment transactions	6,907,066	7,196,223
Net unrealized appreciation on investments	18,329,554	7,226,473
	<hr/>	<hr/>
	28,105,653	16,753,134
Operating expenses:		
General and administrative:		
Investment management fees	416,786	380,887
Oversight fees	382,629	393,874
Operating income	<hr/>	<hr/>
	27,306,238	15,978,373
Participant contributions	6,387,264	6,595,068
Distribution to participants	(5,584,335)	(4,816,043)
Increase in net assets	<hr/>	<hr/>
	28,109,167	17,757,398
Net assets held for fund participants:		
Beginning of year	155,642,459	137,885,061
End of year	<hr/>	<hr/>
	\$ 183,751,626	\$ 155,642,459
	<hr/>	<hr/>

See Notes to Financial Statements.

The University of North Carolina at Greensboro
Investment Fund, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

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

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

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

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Fund follows all GASB pronouncements as well as all Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principal Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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

Income taxes: The Fund is exempt from income taxes as a not-for-profit organization under Internal Revenue Code Section 501(c)(3). The Fund is not considered a private foundation because it is an organization as described in Internal Revenue Code Section 509(a)(3).

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

Net assets: The Fund's net assets are classified as follows:

Restricted net assets – nonexpendable: Nonexpendable restricted net assets include Participants' endowments and similar type assets whose use is limited to investment for the benefit of the participants.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents include bank accounts totaling \$378 and \$378 and short-term investments of \$9,415,495 and \$9,436,889 at June 30, 2007 and 2006, respectively, for which the bank balances were \$9,415,873 and \$9,437,267. Of the bank balance, \$100,000 was covered by federal depository insurance and the balance is uncollateralized.

Note 3. Investments

The Fund is not registered with the SEC and is not subject to any formal oversight other than that provided by the Fund's Members Board. The Board is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Board has chosen not to make individual security selection decisions. The Board's primary role is to oversee the allocation of the Fund portfolio among asset classes, investment vehicles, and investment managers. The Board continually reviews, monitors, and adjusts its allocation decisions based on a variety of factors.

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

The University of North Carolina at Greensboro
Investment Fund, Incorporated

Notes to Financial Statements

Note 3. Investments (Continued)

Total investments of the Fund consist of the following:

	2007		
	Cost	Fair Value	Unrealized Gains (Losses)
Short-term investments	\$ 9,415,495	\$ 9,415,495	\$ -
Endowment Investments:			
Corporate securities:			
Common stocks	8,807,643	11,942,101	3,134,458
International	327,287	996,524	669,237
Mutual funds:			
Domestic equity	15,817,857	16,863,004	1,045,147
International equity	14,470,398	20,130,929	5,660,531
Fixed income	19,961,120	19,358,021	(603,099)
Fixed income global	7,772,665	7,384,949	(387,716)
Partnerships:			
Hedge Funds	27,354,921	34,913,060	7,558,139
Inflation hedging	3,474,135	4,453,357	979,222
Real estate securities	5,901,463	12,408,058	6,506,595
US Equities	17,304,727	44,049,510	26,744,783
Venture Capital	2,632,949	1,779,510	(853,439)
	<u>123,825,165</u>	<u>174,279,023</u>	<u>50,453,858</u>
	<u>\$ 133,240,660</u>	<u>\$ 183,694,518</u>	<u>\$ 50,453,858</u>
	2006		
	Cost	Fair Value	Unrealized Gains (Losses)
Short-term investments	\$ 9,436,889	\$ 9,436,889	\$ -
Endowment Investments:			
Corporate securities:			
Common stocks	7,143,848	9,770,840	2,626,992
International	563,864	963,504	399,640
Mutual funds:			
Domestic equity	21,503,203	27,918,469	6,415,266
International equity	11,216,489	13,341,565	2,125,076
Fixed income	19,889,547	19,326,471	(563,076)
Fixed income global	7,477,857	7,368,469	(109,388)
Partnerships:			
Hedge Funds	24,742,047	28,197,003	3,454,956
Inflation hedging	4,348,284	4,655,560	307,276
Real estate securities	6,902,142	13,107,020	6,204,878
US Equities	9,258,031	20,883,798	11,625,767
Venture Capital	915,449	552,366	(363,083)
	<u>113,960,761</u>	<u>146,085,065</u>	<u>32,124,304</u>
	<u>\$ 123,397,650</u>	<u>\$ 155,521,954</u>	<u>\$ 32,124,304</u>

The University of North Carolina at Greensboro
Investment Fund, Incorporated

Notes to Financial Statements

Note 3. Investments (Continued)

At June 30, 2007, the Fund held the following investments that are subject to credit and interest rate risk.

Investment Type	Fair Value	Maturity	Rating
Money market funds	\$ 9,392,995	N/A	Aaa/AAA
Bond mutual fund	19,358,021	5 years	Aa/AA
Bond foreign mutual fund	7,384,949	9 years	Aaa/AAA
	<u>\$ 36,135,965</u>		

Credit risk and interest rate risks: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk of a debt investment's exposure to fair value fluctuations arising from changing interest rates. The Fund's formal policy limits the majority of fixed income holdings to those investments that have a high quality rating (AA or better) and those with a sufficient duration (4 years or more) to provide effective protection in a deflationary environment.

Concentration of credit risk: The Fund has the following investments that represent 5% or more of total investments as of June 30, 2007 and 2006.

	2007	
	Fair Value	Cost
Alliance Bernstein International Value Trust	\$ 18,214,712	\$ 9,694,073
Iridian Private Business Value Equity Fund, LP	12,840,500	3,193,073
Forester Partners, LP	13,571,811	10,192,843
Wellington Real Assets	9,987,653	5,000,405
	<u>\$ 54,614,676</u>	<u>\$ 28,080,394</u>
	2006	
	Fair Value	Cost
Alliance Bernstein International Value Trust	\$ 13,541,305	\$ 8,351,205
Iridian Private Business Value Equity Fund, LP	12,764,305	4,079,763
Forester Partners, LP	11,409,593	10,192,843
Wellington Real Assets	8,528,290	5,000,405
Wellington Small Cap Fund	8,119,493	5,178,269
	<u>\$ 54,362,986</u>	<u>\$ 32,802,485</u>

Investments issued or explicitly guaranteed by the U. S. Government and investments in mutual funds, external investment pools, and other pooled investments are not required to be, and have not been, included in the tables above.

The Participants purchase equity in the Fund based on funds deposited for investment. Individual Participant equity is determined on a market unit valuation basis. The original basis was \$1,000 per unit. For the years ended June 30, 2007 and 2006, the respective total rate of return was a gain of 18.7% and 12.3%. As of June 30, 2007 and 2006, total units of 55,043.74 and 54,927.09 had a fair value of \$3,338.28 and \$2,833.61 per unit, respectively.

Notes to Financial Statements

Note 3. Investments (Continued)

The Fund realized a net gain of \$6,907,066 and \$7,196,223 from the sale of investments for the years ended June 30, 2007 and 2006, respectively. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The net increase in the fair value of investments during the years ended June 30, 2007 and 2006, respectively, were \$18,329,554 and \$7,226,473. This amount takes into account all changes in the fair value (including purchases and sales) that occurred during the period. The cumulative unrealized appreciation on investments held at June 30, 2007 and 2006 is \$50,453,858 and \$32,124,304, respectively.

Note 4. Financial Instruments and Derivatives

In the management of the Fund, the Board Members are responsible for exercising ordinary business care and prudence under the facts and circumstances prevailing at the time of an action or decision.

The Fund believes it is in compliance with all legal, regulatory and contractual provisions including the investment policy of the Fund and the laws and regulations of the State of North Carolina.

The Fund utilizes selective derivative investment instruments to increase the yield and return on its investment portfolio given the available investment alternatives, to mitigate credit risk of default by a counter party, and to control and minimize certain market risks. During the year, the Fund was invested in four hedge funds; therefore, there were no direct derivative holdings. Following is a description of indirect derivative investments utilized by the Fund.

Indirect derivative holdings: The Fund utilizes external investment managers to identify specific investment funds and limited partnerships that meet asset allocation and investment management objectives. These managers and related funds are used to increase the yield and return on the investment portfolio given the available alternative investment opportunities and to diversify its asset holdings.

Certain of these investments expose the Fund to market risk by trading or holding derivative securities and by leveraging the securities in the Fund.

The Fund's holding in indirect derivatives (i.e., derivatives held by external investment managers) are primarily used to decrease risk by managing interest rate and volatility exposure. This is because the indirect derivatives are used by the Fund's external managers primarily to hedge underlying positions and to gain exposure to specific markets in an efficient, inexpensive, liquid, and diversified manner. The Fund considers the risk associated with these holdings to be prudent and within acceptable bounds.

As of June 30, 2007 and 2006, indirect derivative holdings had a fair value of \$34,913,060 and \$28,197,003 representing approximately 19% and 18%, respectively, of the total investments in the Fund.

Notes to Financial Statements

Note 5. Distributions

It is the Investment Fund's policy to make annual distributions to Participants in the Investment Fund. Distributions are based on each Participant's assets at December 31 for the three preceding years. In addition to annual distributions, the Investment Fund makes distributions to Participants upon request.

Note 6. Commitments

At June 30, 2007, the Fund had commitments to invest in certain Commonfund Limited Partnerships. The Fund had committed to invest up to \$18.5 million in various Commonfund Limited Partnerships. The partnership agreements require the Fund to contribute capital up to certain limits agreed to by the Partnership and the Fund. The Fund has seven days from the call date to transfer the required capital or risk being in default of the partnership agreement. The call dates are determined at the discretion of Fairfield Partners 2005 LLC, the General Partner in each of the Partnerships. The Partnerships are set to liquidate starting March 31, 2017 through July 31, 2019. Some of the partnership agreements include extensions of three years that could increase the term of the partnerships. A total of \$2,329,150 had been paid into these partnerships as of June 30, 2007.

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

The Board of Directors
The University of North Carolina at Greensboro
Investment Fund, Incorporated
Greensboro, North Carolina

We have audited the financial statements of The University of North Carolina at Greensboro Investment Fund, Incorporated (the "Fund") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, in our letter dated September 21, 2007, we identified a matter that we believe is a control deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, management, the University of North Carolina at Greensboro and the State Auditor of North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Greensboro, North Carolina
September 21, 2007