



Audit, Risk and Compliance Committee

February 8, 2024

AGENDA

- | | |
|---|-----------------------------|
| (1) Call to Order | Trustee Yousry Sayed |
| (2) Statement from State Government Ethics Act | Trustee Yousry Sayed |
| (3) Approval of Minutes from October 13, 2023 | Trustee Yousry Sayed |
| (4) Internal Audit Update | Kelly Mintern |
| (5) Enterprise Risk Management Update | Kristy Burnette |
| (6) FY23 UNCW Financial Audits Update | Jennifer Leung |
| (7) Old Business | Trustee Yousry Sayed |
| (8) New Business | Trustee Yousry Sayed |
| (9) Adjournment | Trustee Yousry Sayed |

DRAFT

Minutes of the Audit, Risk and Compliance Committee
Board of Trustees
The University of North Carolina Wilmington
October 13, 2023, 8:00 a.m.

The Audit, Risk and Compliance Committee held its regular quarterly meeting on October 13, 2023. Chair Sayed called the meeting to order and read the required ethics statement. No conflicts were identified. Other committee members in attendance were Mr. Clark and Mr. Rippy, as well as the Board Chair Mr. Fisher and other Trustees.

The meeting began with review and approval of minutes from the meeting of July 27, 2023.

Chief Audit Officer Kelly Mintern presented the Audit, Risk and Compliance Committee Charter for approval. The annual review and approval of the charter is required by the *Standards* of the Institute of Internal Auditors. She provided an overview of the committee's responsibilities as outlined in the charter. After the overview and presentation of the Charter, the committee approved the Audit, Risk and Compliance Committee Charter. Ms. Mintern then presented the Internal Audit Charter for review and approval, as also required annually by the Institute of Internal Auditors. Ms. Mintern provided an overview of the information included in the charter and Internal Audit's responsibilities as defined by the charter. After the overview and presentation of the Charter, the committee approved the Internal Audit Charter.

Ms. Mintern also provided an update on the Office of Internal Audit. She first discussed Internal Audit's annual report for fiscal year 2023, sharing an overview of the office's work and metrics relating to the office's productivity and budget. She then provided an overview of the work completed by the office for the quarter ending September 30, 2023. Internal Audit completed a targeted expense review and audit follow up engagements with outstanding findings. At the end of the quarter, there were two pending engagements, including the Friends of UNCW financial audit and Housing and Residence Life review.

The last presenter was Ms. Leigh Fickling who presented UNCW's 2023 Annual Security and Fire Safety Reports. She first provided a summary of the annual fire safety report. She discussed the drills and educational programs related to fire safety and presented that there were no fire incidents in 2022.

Ms. Fickling then discussed the annual security report, providing an overview of Clery Act reportable crimes, the definition of Clery Act geography, and training and programming UNCW has in place in accordance with the Clery Act. She discussed the specific crime statistics for 2022 for the main campus, CMS, and D.C. Virgo. Discussion followed on how the statistics compare to prior years and at other institutions, and prevention and education measures in place for students.

There being no further business, the meeting was duly adjourned.

AGENDA ITEM

Internal Audit Update by Kelly Mintern, Chief Audit Officer

Situation:

Update on quarterly activities of the Office of Internal Audit for the quarter ending December 31, 2023.

Background:

This report and presentation are required to fulfill responsibilities of the internal audit function as outlined in the Internal Audit Charter and to facilitate the Audit, Risk and Compliance Committee oversight responsibilities as outlined in the Audit, Risk and Compliance Committee Charter.

Assessment:

N/A

Action:

This item is for information only.

Supporting Documentation:

Internal Audit Quarterly Report



OFFICE OF INTERNAL AUDIT QUARTERLY REPORT

Report for the Quarter Ending December 31, 2023

University of North Carolina Wilmington

Executive Summary

This report contains a summary of the Office of Internal Audit's operations for the quarter ending December 31, 2023. The following highlights provide an overview of the office's work.

Audits/Assurance Services

Completed Projects

- Friends of UNCW Financial Audit
- Housing and Residence Life Review

Pending Projects

- Campus Safety Review
- Enterprise Risk Management Maturity Assessment
- Quality Assurance Review – Self-Assessment

Follow-Up Audits

- Follow-up work was conducted on the following engagements:
 - D.C. Virgo Preparatory Academy
 - Human Resources
 - Targeted Expense
 - Title IX
- 6 findings were closed during the quarter
- 12 findings are in process and 7 findings are open as of December 31, 2023

Investigations

- There were no investigations completed for the quarter ending December 31, 2023.

Consultations/Advisory Services

Completed Projects

- Special Project Review – University Policy Review and Aging Analysis

Advisory Services

- Routine consultations included 15 minor projects and requests for information serving 10 UNCW units.
- 11 individuals from 10 units representing 3 out of 5 of UNCW's divisions attended the Internal Controls course offered by Internal Audit.
- The office was involved with 5 UNCW committees.

Other

- A staff auditor resigned in December 2023. Recruitment efforts for this position are under way.
- Individuals from the office attended or participated in 8 University events/functions.
- Individuals from the office participated in 5 UNCW training programs. In addition, they attended 1 in-person training, 9 workshops/webinars, and spent time on exam preparation for the Certified Internal Auditor (CIA) credential, participating in 81 hours of CPE.

Work Allocation			
Audits/Assurance Services	Follow Up Audits	Investigations	Consultations/ Advisory Services

Audits/Assurance Services

Audits and assurance engagements include planned reviews of compliance, operations, information technology, financial activity, internal controls, and other topics. They also include integrated audits, which incorporate more than one of those categories in a single engagement. Audits are typically included in our office's annual audit plan (work plan), and they result in a formal audit report which includes an overall opinion of the area under review and any findings and recommendations that were identified.

Completed Projects

Friends of UNCW Financial Audit

Our office completed the annual audit of the financial statements of the Friends of the University of North Carolina Wilmington, Inc. (Friends). The engagement was completed with the assistance of East Carolina University to ensure work was completed by someone who is independent in both fact and appearance as required for North Carolina Certified Public Accountants (CPAs).

The audit was conducted in accordance with auditing standards generally accepted in the United States and included a review of Friends' compliance with the requirements of a Minor Associated Entity under the policy of the University of North Carolina System. **Friends received an unqualified opinion**, and the final report was issued October 12, 2023.

Housing and Residence Life Review

A review of Housing and Residence Life (HRL) was completed to assess and evaluate operations and compliance for HRL, including the underlying internal controls. Our review focused on operations and compliance for select processes within HRL. Specifically, we reviewed and assessed the following:

- Training and education of HRL staff and student employees within the Facility Operations and Residence Life units
- Student employment hiring processes and timekeeping
- Adherence to and communication of housing residence requirements
- Revenue billing and collection processes
- Facilities and inventory management
- Physical security and key control
- General controls, including position backup/cross training, document storage, and system access
- Compliance with UNCW policies and procedures (as applicable)
- Overall internal controls
- Effectiveness and efficiency of operations

In our opinion, some improvement is needed for the system of internal control with respect to the areas reviewed within Housing and Residence Life. There were seven findings associated with this review, and we received positive responses from management to the findings. The final report was issued December 8, 2023.

Audits/Assurance Services (Continued)

Pending Projects

Campus Safety Review

A review of campus safety is in process. The audit scope and objectives of this review include the following:

- Evaluate the university's preparedness for an active attacker, armed intruder safety incident (including advanced emergency planning and training)
- Evaluate programs and structures in place to assess and manage campus safety crises/incidents (i.e. Threat Assessment Team, Student Behavioral Intervention Team, etc.)

Enterprise Risk Management Maturity Assessment

An assessment of UNCW's Enterprise Risk Management (ERM) program maturity is in process. The specific focus and objective of this audit is to assess the risk culture, risk governance, and risk identification and assessment processes at the University, including compliance with UNC System Policy 1300.7, *University Enterprise Risk Management and Compliance*.

Quality Assurance Review – Self-Assessment

Under the North Carolina Internal Audit Act (NCGS 143, Article 79), UNCW's Office of Internal Audit must comply with the *Standards* of the International Professional Practices Framework of the Institute of Internal Auditors. The *Standards* require a quality assurance review (peer review) of the Office of Internal Audit every five years. Between external reviews, the *Standards* require internal audit departments to complete thorough self-assessments which examine all aspects of operations for compliance with the *Standards* and to provide opportunities for benchmarking with best practices. A self-assessment is in process in preparation for the next peer review, scheduled for 2026.

Follow-Up Audits

Follow-up work is completed for any audit findings resulting from audit/assurance engagements and may be completed for other engagements as deemed necessary. We typically follow up on open audit findings on a quarterly basis. A formal memo is issued when all findings relating to an engagement are closed. If findings are not yet resolved, formal memos are also issued approximately one to two years after the initial audit to update all parties involved of progress. (Note that engagements prior to FY23 are on a two-year timeframe, while FY23 and future engagements are on an updated one-year timeframe).

Audit Finding Status

During the quarter ending December 31, 2023, follow-up work was completed related to open findings from the following engagements:

- D.C. Virgo Preparatory Academy
- Human Resources
- Targeted Expense
- Title IX

Follow-Up Audits (Continued)

Audit Finding Status (Continued)

The table below displays the status of audit findings for the quarter ending December 31, 2023. A summary of in process and open audit findings is included at Appendix A.

- **Closed** – Findings which were confirmed to be resolved during previous quarters and the quarter ending December 31, 2023. This includes findings where sufficient progress has been made and additional follow-up work is not planned.
- **In Process** – Findings where progress toward remediation has begun but is not yet complete or there is not a sufficient population to test the effectiveness of corrective measures. Movement of findings from 'Open' to 'In Process' requires work to be performed by Internal Audit for verification.
- **Open** – Findings which have not been resolved as of the quarter ending December 31, 2023, or where Internal Audit has not yet performed follow-up work.

Engagement	Original Report Date	Findings from Initial Review	Findings Closed (Previous Quarters)	Findings Closed (Current Quarter)	Number of In Process Findings	Number of Open Findings
Academic Affairs						
D.C. Virgo Preparatory Academy	3/30/2023	11	2	3	6	0
Business Affairs						
Targeted Expense	7/25/2023	3	0	0	3	0
Chancellor						
Human Resources	3/24/2022	9	5	2	2	0
Title IX*	8/18/2022	3	1	1	1	0
Student Affairs						
Housing and Residence Life	12/08/2023	7	0	0	0	7
Total for all Divisions		33	8	6	12	7
Findings % by Status			24%	18%	37%	21%

* As Title IX is a FY23 engagement, the follow-up timeline is typically one year. Although progress has been made, closure of the remaining Title IX finding has been delayed due to an organizational change and transition in leadership. Steps to remediate the outstanding finding have been discussed with the appropriate parties and will continue to be reviewed in the upcoming quarter.

Investigations

Investigations result from tips reported to our office via the Office of State Budget and Management's hotline, our internal hotline, the UNC System Office, and other sources.

There were no investigations completed for the quarter ending December 31, 2023.

Consultations/Advisory Services

Internal Audit provides consultative and advisory services which are intended to provide advice and information on internal controls, risk management, and sound business practices. This includes reviewing current practices, interpreting policies and procedures, participating on standing committees, completing limited-life projects, attending ad-hoc meetings, and responding to routine questions. In addition, our advisory work includes work with the UNC System Office and professional organizations and serving as liaisons between the University and various external auditors.

Completed Project

Special Project Review – University Policy Review and Aging Analysis

Although not specifically included on the office's annual audit plan, the Office of Internal Audit engaged in a special project review to complete an analysis of UNCW policies, focusing on an assessment and compilation of data on the ages of policies (specific review of policy content was not included). Key observations related to this review, covering policy aging statistics and policy structure, were shared with divisional leadership. Future discussions will occur as needed or requested around overall policy oversight.

Advisory Services

Routine Consultations

The Office of Internal Audit provided advisory services through 15 minor **projects and requests for information** during the quarter ending December 31, 2023.

Routine Consultations Served:

10 UNCW Units

INT 101: How to Pass an Audit (An Introduction to Internal Controls)

To proactively educate campus units about best practices for internal controls, we developed and teach a course on internal controls, currently offered through the Finance Certificate Program (via Percipio). Attendance for the quarter ending December 31, 2023, is included to the right.

INT 101 Attendees:

11 employees

representing

10 units

and

3 out of 5 UNCW divisions

Other Advisory Services

Advisory services were also provided through committee work.

Committee Work

- Athletic Eligibility
- Data Governance
- Data Stewards
- HR Liaison
- Systems Coordination

Other

This section contains a summary of the other projects and activities of the Office of Internal Audit.

Staffing Changes

The following staffing changes occurred:

- Crystal Roberts resigned in December 2023. Recruitment for this position is under way.

Participation in University Functions

Participating in University functions keeps our office informed of activities and events at UNCW, provides team-building opportunities, and creates an opportunity to interact with the University community outside of an audit setting. During the quarter ending December 31, 2023, staff participated in the functions noted below.

- 2023 Staff Service Awards
- Alderman Hall Potluck Luncheon
- Black Faculty and Staff Association Events
- Campus Holiday Breakfast
- Candidate Forums – Vice Chancellor for Student Affairs
- Employee Appreciation Cobbler and Ice Cream Social
- Faculty Senate Meetings
- Staff Senate Meetings

Professional Development / Training

Professional development is required for our certifications, and training allows our staff to stay informed of emerging topics and best practices, helping us to provide the best possible services to the University. During the quarter ending December 31, 2023, staff members attended the UNCW-sponsored and external training listed in the table below, **participating in 81 hours of continuing professional education (CPE).**

UNCW Training	External Training (Workshops/Webinars)
Finance Certificate Program Courses	2023 Annual Fraud Busters Conference
Open Enrollment Information Sessions	2023 Professional Ethics & Conduct
Seahawk Secure IT Training	An Auditor's Guide to Documentation Expectations for Sponsored Activities
UNCW Supervisors Develop Their Skills: Part 1	Artificial Intelligence: The Security Officer's Role in Transforming Contracts, Culture, and Corporate Compliance
UNCW Web Content Manager Courses	Certified Internal Auditor (CIA) Exam Preparation
	Equal Employment Opportunity and Diversity Fundamentals
	How to Speak So Others Will Listen
	How to Use Technology to Grow Your Value as an Internal Auditor
	Microsoft Office User Courses
	Skills Development: Technical Writing for Internal Audit
	University of North Carolina Auditor's Association (UNCAA) Annual Conference

Distribution List

Audit, Risk and Compliance Committee, UNCW Board of Trustees

Dr. Aswani K. Volety, Chancellor

Mr. Bradley Ballou, Chief of Staff

Ms. Kristy Burnette, Risk Manager

Mr. Miles Lackey, Vice Chancellor for Business Affairs

Mr. Michael Oblinger, Director, Athletics

Ms. Lori Preiss, Associate Vice Chancellor for Human Resources

Dr. Donyell Roseboro, Chief Diversity Officer

Dr. William D. Schafer, Interim Vice Chancellor for Student Affairs

Mr. John P. Scherer II, General Counsel

Mr. Eddie Stuart, Vice Chancellor for University Advancement

Ms. Tiffany Tramontozzi, Associate Chief of Staff

Mr. Marion R. Warren, Assistant to the Chancellor and Executive Director for Government and External Relations

Ms. Andrea Weaver, Chief Marketing and Communications Officer

Dr. James J. Winebrake, Provost and Vice Chancellor for Academic Affairs

Appendix A

UNCW Office of Internal Audit
In Process and Open Internal Audit Findings
As of December 31, 2023

Engagement	Original Report Date	Number of In Process Findings	Number of Open Findings
Academic Affairs			
D.C. Virgo Preparatory Academy	3/30/2023	6	0
Business Affairs			
Targeted Expense	7/25/2023	3	0
Chancellor			
Human Resources	3/24/2022	2	0
Title IX	8/18/2022	1	0
Student Affairs			
Housing and Residence Life	12/08/2023	0	7
Total for all Divisions		12	7

Academic Affairs

D.C. Virgo Preparatory Academy

In Process Findings

1. Need for annual review of D.C. Virgo policies to ensure accurate information and compliance
2. Improvements needed in controls and documentation over computer equipment tracking
3. Improvements needed in controls and documentation over library inventory tracking
4. Need to enhance knowledge of various funding sources and develop more efficient strategies for allocating and utilizing funds
5. Lack of comprehensive staffing plan for staffing continuity
6. Lack of adequate backup and cross training for significant functions, including management functions

Business Affairs

Targeted Expense

In Process Findings

1. UNCW Policy 05.001, *Discretionary Trust Funds Spending Policy*, is outdated and requires revision
2. UNCW Policy 05.107, *Business Entertainment Expenditures*, is outdated and requires revision
3. Travel policies are outdated and require revision

Appendix A (Continued)

Chancellor

Human Resources

In Process Findings

1. Need to clarify expectations and develop monitoring process for performance appraisal training for newly hired/appointed managerial roles
2. Improvements needed to ensure compliance with the Workplace Harassment Prevention program

Title IX

In Process Findings

1. Improvements needed to enhance faculty and staff education and training on Title IX reporting requirements

Student Affairs

Housing and Residence Life (HRL)

Open Findings

1. Need to assess and determine requirements for background checks for HRL student employees
2. Lack of formal process to ensure compliance with the two-year housing residency requirement
3. Lack of recurring reconciliations performed for HRL revenue activity
4. Improvements needed over warehouse controls and inventory reconciliation
5. Enhancements needed in key management practices
6. Improvements needed to ensure timely updates, review, and approval of the HRL COOP
7. Improvements needed to ensure vehicle compliance

AGENDA ITEM

Enterprise Risk Management Update by Kristy Burnette, Enterprise Risk Management Coordinator

Situation:

Update on the university's top identified risks (initially presented to the committee in July 2023) and related mitigation strategies and efforts.

Background:

This presentation engages the Audit, Risk and Compliance Committee in its oversight responsibilities for risk management as outlined in the Audit, Risk and Compliance Committee Charter. It also assists in meeting compliance with UNC Policy 1300.7, University Enterprise Risk Management and Compliance, which requires procedures for providing periodic updates to the chancellor and the board of trustees.

Assessment:

N/A

Action:

This item is for information only.

Supporting Documentation:

ERM Update PowerPoint Presentation

AGENDA ITEM

FY23 UNCW Financial Audits Update by Jennifer Leung, Associate Vice Chancellor for Finance

Situation:

Update on the fiscal year 2023 financial audits completed for UNCW and its associated entities

This presentation engages the Audit, Risk and Compliance Committee in its oversight responsibilities for financial reporting as outlined in the Audit, Risk and Compliance Committee Charter.

Assessment:

N/A

Action:

This item is for information only.

Supporting Documentation:

FY23 UNCW Financial Audits Update PowerPoint Presentation
Associated Entities Overview

UNCW Associated Entities

FISCAL YEAR ENDED JUNE 30, 2023 *					
	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Net Assets / Position
<u>Related Parties</u>					
The Foundation of the University of North Carolina at Wilmington, Inc. - single member of LLC: Seahawk Investment Strategies, LLC	\$ 7,605,405	\$ -	\$ -	\$ -	\$ 7,605,405
	2,344,674	-	-	-	2,344,674
	9,950,079	-	-	-	9,950,079
UNCW Student Aid Association, Inc. (AKA Seahawk Club)	2,915,951	-	17,053	-	2,898,898
The Alumni Association of the University of North Carolina at Wilmington, Inc.	986,656	-	-	-	986,656
Friends of the University of North Carolina at Wilmington, Inc.	13,611	-	-	-	13,611
Total Related Parties	13,866,297	-	17,053	-	13,849,244
<u>Blended Component Units</u>					
UNCW Corporation	105,003,038	4,767,354	105,003,038	4,767,354	-
UNCW Corporation II - single member of LLCs:	-	-	-	-	-
UNCW Corporation College Station LLC	1,246,000	-	-	-	1,246,000
UNCW Corporation Real Property I LLC	1,395,718	-	733,552	-	662,166
	2,641,718	-	733,552	-	1,908,166
UNCW Research Foundation - single member of LLCs:	49,822	-	-	-	49,822
UNCW Corporation Research I LLC	-	-	-	-	-
UNCW Center for Innovation & Entrepreneurship, LLC	385,801	-	5,327	-	380,474
The CREST Millennial Campus, LLC	-	-	-	-	-
MARBIONC Development Group LLC	163,349	-	1,219	-	162,130
	598,972	-	6,546	-	592,426
The Donald R. Watson Foundation, Inc.	1,440,739	-	-	-	1,440,739
Total Component Units	109,684,467	4,767,354	105,743,136	4,767,354	3,941,331
<u>All Associated Entities</u>	\$ 123,550,764	\$ 4,767,354	\$ 105,760,189	\$ 4,767,354	\$ 17,790,575

* Per Audited Financial information as of 06/30/23

UNCW Associated Entities

Establishment is approved by the Chancellor and the purpose is to provide services and activities in support of and in furtherance of the university's educational, research, and public service mission. The UNC Policy recognizes the independence of each entity as being separate from the University and controlled by its respective governing body. LLCs conduct the day-to-day activities and are managed by university officers and/or employees. The single members hold 100% interest in the LLCs.

EIN #	Corporation/Foundation	Associated Limited Liability Companies	Activities	Management Structure	Assets
56-6050338	The Foundation of the University of North Carolina at Wilmington, Inc. (single member) of the following:		Fundraising to support educational programs and student scholarship opportunities, with particular emphasis on non-cash gifts that the university may be unable to accept on its own	Volunteer Board of Directors	Cash, investments, real estate, insurance policies, gift annuities and trusts
27-4064967		Seahawk Investment Strategies, LLC	Investment in securities among sectors of S&P 500	Advisory Board comprised of 5 representatives from BB&T, UNCW administration, and Cameron School of Business	Equity investments
56-6075544	UNCW Student Aid Association, Inc. (A.K.A. Seahawk Club)		Fundraising to support UNCW athletic scholarships and facility improvements	Volunteer Board of Directors	Cash
58-1385518	The Alumni Association of the University of North Carolina at Wilmington		Support UNCW Alumni Outreach	Volunteer Board of Directors	Cash, Investments
56-6056752	Friends of the University of North Carolina at Wilmington Inc.		Support UNCW through a merit scholarship and funding special projects of faculty and staff	Volunteer Board of Directors	Cash
20-1949540	UNCW Corporation		Financing and development of UNCW student housing	Board of Directors (3 Internal, 3 External)	Capital lease with UNCW for Seahawk Village, Landing, Crossing, parking deck and retail store
26-2590233	UNCW Corporation II (single member) of the following:		Acquisition, development and disposition of UNCW property	Board of Directors (3 Internal, 3 External)	Investment in direct financing leases and capital assets
20-5562172		UNCW Corporation College Station, LLC	Property used by Osher Life Long Learning Institute	Manager - Vice Chancellor for Business Affairs	Land & building at 620 S College Road
20-3904725		UNCW Corporation Real Property I, LLC	Property used for UNCW operations	Manager - Vice Chancellor for Business Affairs	Land & building at 680 S College Road
26-2590097	UNCW Research Foundation (single member & sole equity owner) of the following:		Supporting organization for the development of intellectual property created at UNCW	Board of Directors (4 Internal)	Cash and equity interest in faculty start-ups
37-1615987		UNCW Corporation Research I, LLC	None at this time	Manager - Vice Chancellor for Business Affairs	None
N/A		UNCW Center for Innovation and Entrepreneurship, LLC	Serve as catalyst for entrepreneurial business growth, jobs and innovations in Southeastern NC by linking emerging, high-growth ventures, entrepreneurs and partner organizations	Manager - Director of the Center for Innovation and Entrepreneurship	Cash
N/A		The CREST Millennial Campus, LLC	None at this time	Manager - Vice Chancellor for Business Affairs	None
26-3853666		MARBIONC Development Group, LLC	Development of UNCW originated intellectual property	Manager - Director of Office of Innovation and Commercialization	Cash
36-4839691		UNCW Innovation Coalition Corporation	Support the sale of patented research for UNCW	Board of Directors (3 Internal)	Cash
56-1861816	The Donald R. Watson Foundation, Inc.		Support student scholarships at UNCW, Duke Medical and St. John's Episcopal Church	Board of Directors (3 Internal, 2 External)	Cash and Investments

Associated Entities

Establishment of Associated Entities

North Carolina General Statute Section 116-30.20 governs the establishment of private, nonprofit corporations (“Associated Entities”) to support the constituent institutions of The University of North Carolina and The University System (“UNC”). Section 116-30.20 further provides that each constituent institution may provide available administrative services, equipment, supplies and other resources to the Associated Entity.

Definition of an Associated Entity

UNC adopted policy 600.2.5.2 [R] on November 16, 2005, which was amended on June 25, 2014, on June 8, 2015, on May 11, 2021, and on April 11, 2022 to articulate the standards for governance and operations of Associated Entities (“UNC Policy”). Pursuant to UNC Policy, an Associated Entity is “any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity that was: (a) established by officers of the University; or (b) that is controlled by the University; or (c) that raises funds in the name of the University; or (d) 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 (e) that has a tax-exempt status that is based on being a support organization for the University.”

UNCW Associated Entities

UNCW has established 8 single member legal entities, and an additional 8 LLCs which are blended component units of the single member entities. Each Associated Entity must abide by relevant University policies, undergo a periodic review, meet organizational requirements, have a tax exempt status, have at least one senior officer or designee on the governing board or who sits *ex officio* (either voting or non-voting), maintain financial accounting controls, have independent audits, and submit annual financial reports to the Chancellor and UNC System Office.

University Involvement

The Chancellor determines whether to establish an Associated Entity and is responsible for ensuring that the relationship between the University and Associated Entity is cooperative and mutually beneficial. In accordance with the UNC Policy, the Chancellor must provide written approval prior to establishing an Associated Entity. For each of the University’s Associated Entities, the Chancellor has executed a Memorandum of Understanding, which among other things, establishes the purpose of the Associated Entity, the resources and services the University shall provide to the Associated Entity and outlines the terms governing the distribution of assets upon dissolution of the respective Associated Entity.

In some instances, the University has designated University officers to hold positions on an Associated Entity’s board of directors by virtue of the positions such officers hold with the University. Other University employees may indirectly be involved with the Associated Entity through the sharing of reporting systems such as advancement gift processing, purchasing or accounts payable.

Organizational Structure and Financial Reporting

Each Associated Entity has a unique purpose and provides important benefits or services to the University. Each Associated Entity’s classification is based on Governmental Accounting Standards Board (“GASB”) guidance. This requires an analysis of the Associated Entity’s board composition, including both university and non-university affiliated directors, fiduciary control by the University, fiscal dependency, and other criteria to determine if they are considered independent (“related party”) or an extension arm of the University (“component unit”).

GASB requires recognition of our connection with these Associated Entities in the University’s financial statements. The University includes financial contributions and services it receives from an Associated Entity deemed a related party in the University’s financial statement footnotes, but it does not recognize their operational activities, assets or liabilities. On the other hand, the University’s financial statements for the Associated Entities that are deemed component units are more inclusive and their financial activities, assets, and liabilities are blended with the University.

University Control of Associated Entities

The UNC Policy recognizes the independence of each Associated Entity as an organization that is separate from the University and controlled by its respective governing body; provided, however, its approved status may be removed for failure to abide by applicable policies, procedures, rules, laws, and/or regulations of UNCW or the UNC System. In the event the Associated Entity’s approved status is removed, then it shall be dissolved and all of its assets shall be distributed in accordance with its respective organizational documents.