

**UNIVERSITY OF NORTH TEXAS  
FOUNDATION, INC.**

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FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
University of North Texas Foundation, Inc.  
Denton, Texas

We have audited the accompanying statements of financial position of University of North Texas Foundation, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 University of North Texas Foundation, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

June 10, 2008

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

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	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 4,696,304	\$ 5,937,407
Investments	67,523,269	50,168,409
Contributions and other receivables	3,372,226	3,951,394
Prepaid expenses	28,400	24,063
Real property	111,735	111,735
Other assets	8,400	8,400
Cash value - life insurance policies	332,578	330,281
Assets held under trust agreements	<u>4,125,217</u>	<u>4,137,480</u>
Total Assets	<u>\$80,198,129</u>	<u>\$64,669,169</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 54,285	\$ 42,523
Agency funds	131,231	158,659
Annuity obligations	1,590,788	1,514,372
Refundable advances	<u>2,009,534</u>	<u>2,034,469</u>
Total Liabilities	<u>3,785,838</u>	<u>3,750,023</u>
Net Assets:		
Unrestricted:		
Board designated for reserves	1,120,118	621,329
Fair value of endowments below historical cost	(30,017)	(21,807)
Undesignated	<u>244,413</u>	<u>328,518</u>
Total Unrestricted	1,334,514	928,040
Temporarily restricted	20,875,140	18,195,279
Permanently restricted	<u>54,202,637</u>	<u>41,795,827</u>
Total Net Assets	<u>76,412,291</u>	<u>60,919,146</u>
Total Liabilities and Net Assets	<u>\$80,198,129</u>	<u>\$64,669,169</u>

See accompanying notes to financial statements.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ 1,000	\$ 2,425,407
Life insurance premiums	-	-
Investment income	89,980	1,056,349
Internal management fee	806,271	-
Other income	3	219,000
Realized and unrealized gain (loss) on market value of investments	-	3,994,678
Actuarial gain (loss) on annuity obligations	-	-
Increase in cash value - life insurance	-	-
	<u>897,254</u>	<u>7,695,434</u>
Total Revenues, Gains, And Other Support		
	<u>897,254</u>	<u>7,695,434</u>
Net Assets Released from Restrictions	4,582,518	(4,560,049)
Transfers/Changes in Donor Restrictions	<u>(8,210)</u>	<u>(455,524)</u>
Total Net Assets Released From Restrictions	<u>4,574,308</u>	<u>(5,015,573)</u>
Program Services		
Internal management fee	806,271	-
Scholarships	1,006,933	-
Expense reimbursements	13,740	-
Services for programs	574,497	-
Distributions to UNT	2,147,248	-
Distributions to other Institutions	24,600	-
Life insurance premiums	<u>9,229</u>	-
Total Program Services	<u>4,582,518</u>	<u>-</u>

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2007 Total</u>
\$11,959,258	\$14,385,665
8,588	8,588
-	1,146,329
-	806,271
10,062	229,065
2,350	3,997,028
(17,009)	(17,009)
2,296	2,296
11,965,545	20,558,233
(22,469)	-
463,734	-
441,265	-
-	806,271
-	1,006,933
-	13,740
-	574,497
-	2,147,248
-	24,600
-	9,229
-	4,582,518

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Salaries and benefits	\$ 393,538	\$ -
Consulting fees	19,860	-
Professional services	19,430	-
Travel	6,913	-
Administrative	8,220	-
Bank and credit card charges	5,590	-
Office and computer equipment	7,515	-
Insurance	13,459	-
Professional development	<u>8,045</u>	<u>-</u>
Total Management and General Expenses	<u>482,570</u>	<u>-</u>
Total Program Services and Expenses	<u>5,065,088</u>	<u>-</u>
Change in Net Assets	406,474	2,679,861
Net Assets - Beginning of Year	<u>928,040</u>	<u>18,195,279</u>
Net Assets - End of Year	<u>\$ 1,334,514</u>	<u>\$20,875,140</u>

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2007 Total</u>
\$ -	\$ 393,538
-	19,860
-	19,430
-	6,913
-	8,220
-	5,590
-	7,515
-	13,459
-	<u>8,045</u>
-	<u>482,570</u>
-	<u>5,065,088</u>
12,406,810	15,493,145
<u>41,795,827</u>	<u>60,919,146</u>
<u>\$54,202,637</u>	<u>\$76,412,291</u>



**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ 315	\$ 3,133,053
Life insurance premiums	-	-
Investment income	37,638	730,539
Internal management fee	629,324	-
Other income	175	347,353
Realized and unrealized gain (loss) on market value of investments	-	4,847,219
Actuarial gain (loss) on annuity obligations	-	-
Increase in cash value - life insurance	-	-
Total Revenues, Gains, And Other Support	<u>667,452</u>	<u>9,058,164</u>
Net Assets Released from Restrictions	4,322,116	(4,322,116)
Transfers/Changes in Donor Restrictions	<u>5,951</u>	<u>(46,443)</u>
Total Net Assets Released From Restrictions	<u>4,328,067</u>	<u>(4,368,559)</u>
Program Services		
Internal management fee	629,324	-
Scholarships	766,343	-
Expense reimbursements	26,006	-
Services for programs	267,355	-
Distributions to UNT	2,605,212	-
Distributions to other Institutions	17,150	-
Life insurance premiums	<u>10,726</u>	-
Total Program Services	<u>4,322,116</u>	-

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2006 Total</u>
\$ 5,778,472	\$ 8,911,840
8,352	8,352
-	768,177
-	629,324
2,484	350,012
103,482	4,950,701
(65,913)	(65,913)
20,673	20,673
5,847,550	15,573,166
-	-
40,492	-
40,492	-
-	629,324
-	766,343
-	26,006
-	267,355
-	2,605,212
-	17,150
-	10,726
-	4,322,116

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Salaries and benefits	\$ 363,127	\$ -
Consulting fees	37,693	-
Professional services	13,500	-
Travel	4,326	-
Administrative	7,557	-
Bank and credit card charges	5,173	-
Office and computer equipment	7,400	-
Insurance	10,420	-
Professional development	<u>9,048</u>	<u>-</u>
Total Management and General Expenses	<u>458,244</u>	<u>-</u>
Total Program Services and Expenses	<u>4,780,360</u>	<u>-</u>
Change in Net Assets	215,159	4,689,605
Net Assets - Beginning of Year	<u>712,881</u>	<u>13,505,674</u>
Net Assets - End of Year	<u>\$ 928,040</u>	<u>\$18,195,279</u>

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2006 Total</u>
\$ -	\$ 363,127
-	37,693
-	13,500
-	4,326
-	7,557
-	5,173
-	7,400
-	10,420
-	9,048
-	458,244
-	4,780,360
5,888,042	10,792,806
<u>35,907,785</u>	<u>50,126,340</u>
<u>\$41,795,827</u>	<u>\$60,919,146</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Change in net assets	\$15,493,145	\$10,792,806
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Realized and unrealized gain on market value of investments	(3,997,028)	(4,950,701)
(Increase)/Decrease in contributions and other receivables	579,168	(566,182)
Actuarial (gain)/loss on annuity obligations	17,009	65,913
(Increase) in cash value – life insurance	(2,296)	(20,672)
(Increase)/Decrease in prepaid expense	(4,337)	(67)
Increase/(Decrease) in accounts payable and accrued expenses	11,762	(33,423)
Increase/(Decrease) in agency funds	(27,428)	114,360
Increase/(Decrease) in annuity obligations	76,416	(75,755)
Noncash contributions	<u>(613,689)</u>	<u>(1,309,028)</u>
Net Cash Provided (Used) By Operating Activities	<u>11,532,722</u>	<u>4,017,251</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	21,465,027	43,130,860
Purchases of investments	<u>(34,238,852)</u>	<u>(43,921,931)</u>
Net Cash Provided (Used) By Investing Activities	<u>(12,773,825)</u>	<u>(791,071)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,241,103)	3,226,180
Cash and Cash Equivalents- Beginning of Year	<u>5,937,407</u>	<u>2,711,227</u>
Cash and Cash Equivalents- End of Year	<u>\$ 4,696,304</u>	<u>\$ 5,937,407</u>
Supplemental Cash Flow Information:		
Gifts of securities	\$ 613,689	\$ 1,309,028
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to financial statements.

**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**NOTE 1 – PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Purpose

The University of North Texas Foundation, Inc. (Foundation) is a nonprofit organization with the purpose of providing financial support to the University of North Texas. This purpose is accomplished by the Foundation receiving and managing donations (cash and non-cash) from individuals and organizations.

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

Contributions

Contributions are generally temporarily or permanently restricted by the donor to support specific programs within the University of North Texas. Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises to give has been provided based on management's evaluation of contributions receivable at year end.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in temporarily restricted net assets because of program restrictions. The portion of the fair value of endowment funds which is below the endowment fund's historical cost is recorded as a reduction in unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**NOTE 1 – PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES  
(Continued)**

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity at the time of purchase of three months or less.

Investments

The Foundation carries investments in marketable securities and other common stocks with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Real Property

Real property consists of property that has been donated to the Foundation. The property is stated at the estimated fair value at the time of the donation.

Other Assets

Other assets consists of paintings donated to the Foundation and held for sale. The paintings are recorded at their fair value as of the date of the donation.

Agency Funds

Agency funds consist of resources held by the Foundation as an agent for resource providers and will be transferred to third-party recipients specified by the resource provider.

**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**NOTE 2 – INVESTMENTS**

Investment securities consisted of the following at December 31, 2007 and 2006:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. and International Stocks and Equity Mutual Funds	\$33,135,805	\$35,548,769	\$23,810,571	\$27,042,887
U.S. and International Fixed Income Securities and Mutual Funds	17,888,781	19,169,318	12,220,984	12,418,800
Real Estate Investment Trust Exchange Traded Funds	2,572,711	2,493,537	2,501,041	2,877,031
Natural Resource Exchange Traded Fund	2,215,022	3,015,756	1,815,050	1,931,111
Hedge Funds Mutual Funds	6,271,782	7,274,114	4,502,431	4,684,456
Non-Publicly Traded Common Stocks	<u>33,500</u>	<u>21,775</u>	<u>1,111,007</u>	<u>1,214,124</u>
	<u>\$62,117,601</u>	<u>\$67,523,269</u>	<u>\$45,961,084</u>	<u>\$50,168,409</u>

The investment in non-publicly traded common stocks represent shares in companies that are not publicly traded or non-registered (restricted) shares of publicly traded companies.

Investment income consists of interest and dividends on investment securities and is shown net of investment fees and expenses.



**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**NOTE 3 – CONTRIBUTIONS AND OTHER RECEIVABLES**

Contributions and other receivables as of December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Contributions receivable in less than one year	\$1,497,349	\$1,817,921
Contributions receivable in one to five years	2,110,992	2,201,860
Contributions receivable in six to ten years	1,078,500	469,500
Contributions receivable in over ten years	<u>29,000</u>	<u>63,000</u>
 Total Contributions Receivables	 4,715,841	 4,552,281
 Less allowance for uncollectible amounts	 (363,408)	 (382,274)
Less discounts to net present value	<u>(1,081,762)</u>	<u>(729,544)</u>
 Net Contributions Receivable	 3,270,671	 3,440,463
 Other amounts receivable	 <u>101,555</u>	 <u>510,931</u>
 Total Contributions and Other Receivables	 <u>\$3,372,226</u>	 <u>\$3,951,394</u>

**NOTE 4 – UNRESTRICTED NET ASSETS**

Unrestricted net assets at December 31, 2007 and 2006 include \$1,120,118 and \$621,329 respectively, which has been designated by the Foundation's Board of Directors as a reserve for future operations.

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of contributions from donors who have specified certain programs or scholarships within the University of North Texas for use of the contributions. Temporarily restricted net assets also includes income from endowment funds that are available for distribution upon satisfaction of the specific program restriction stated in the endowment agreement.

**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Endowments to support various programs, scholarships and other activities of the University of North Texas	\$53,870,059	\$41,465,546
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>332,578</u>	<u>330,281</u>
Total	<u>\$54,202,637</u>	<u>\$41,795,827</u>

**NOTE 7 – REAL PROPERTY**

Real property donated to the Foundation is recorded at fair value at the date of the donation. Real estate purchased by the Foundation is recorded at cost. Real property consists of the following at December 31, 2007 and 2006:

	<u>Fair Value Recorded</u>		<u>Current Fair Value</u>
	<u>2007</u>	<u>2006</u>	
Mineral rights	\$ 12,860	\$ 12,860	Not Determined
1/4 undivided interest 34 acres – Loop 288	<u>98,875</u>	<u>98,875</u>	Not Determined
	<u>\$111,735</u>	<u>\$111,735</u>	

**NOTE 8 – LIFE INSURANCE POLICIES**

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the Foundation has been named owner and beneficiary. Premium payments made by the Foundation are reimbursed by the donors of the policies. As of December 31, 2007 and 2006, there were a total of 24 such policies with death benefits totaling \$1,687,906 and \$1,692,229 respectively, and cash values totaling \$332,578 and \$330,281 respectively.

**NOTE 9 – INCOME TAX STATUS**

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Foundation is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code.

**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**NOTE 10 – RETIREMENT PLAN**

The Foundation sponsors a defined contribution retirement plan covering all full time employees of the Foundation. The Foundation contributes 8.5% of eligible employees' compensation to the plan, and employees are required to contribute a minimum of 6.65% of compensation to the plan. Employees may make voluntary contributions in addition to the required contribution, up to the limits prescribed by the Internal Revenue Code. The expense to the Foundation for retirement plan contributions for 2007 and 2006 were \$25,755 and \$22,811 respectively.

**NOTE 11 – ASSETS HELD UNDER SPLIT INTEREST AGREEMENTS AND REFUNDABLE ADVANCES**

The Foundation is the Trustee or Co-Trustee of various charitable remainder trusts and administers several gift annuity contracts. The agreements require annuity payments to the income beneficiaries for life, with the remaining assets of the trusts or agreements creating endowments upon the death of the income beneficiary. The annuity obligations are recorded at the present value of the expected future cash payments to the beneficiaries based on published life expectancy tables using a discount rate of eight percent.

Two trusts for which the Foundation serves as Trustee currently name the Foundation as the remainder beneficiary, however, the donors have retained the right to change the remainder beneficiary to other charitable organizations. As a result, the Foundation has recorded the assets held under these trusts as refundable advances.

The assets held under these agreements are included in the statement of financial position at fair value.

**NOTE 12 – DEFERRED GIFTS**

The Foundation has been advised by many donors of bequests and other deferred gifts to the Foundation to be made in the future. The total of such deferred gifts that the Foundation has been informed of is approximately \$98 million.

These deferred gifts do not meet the requirements of unconditional promises to give, therefore have not been recorded in the financial statements of the Foundation.

**UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**NOTE 13 – CONCENTRATIONS OF CREDIT RISK**

The Foundation maintains cash balances at times in excess of \$100,000 in its depository bank, which are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Foundation's depository bank, Wells Fargo Bank N.A., has pledged government backed securities with a par value of \$8,794,533 to secure Foundation deposits in excess of \$100,000. The pledged securities are held by a third-party safekeeping bank under a pledged collateral agreement. The market value of the pledged securities at December 31, 2007 was \$8,932,979. The total amount of checking account deposits with Wells Fargo Bank N.A. as of December 31, 2007 was \$100,008. In addition to the checking account balance, the Foundation had cash balances of \$3,775,059 at December 31, 2007 invested with Wells Fargo Bank N.A. under a fully collateralized repurchase agreement.

The Foundation also maintains short-term cash investments in money-market mutual funds, which are not insured.