

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

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 4, 2009

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

| <u>ASSETS</u> | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 9,195,019 | \$ 4,696,304 |
| Investments | 49,358,712 | 67,523,269 |
| Contributions and other receivables | 3,024,290 | 3,372,226 |
| Prepaid expenses | 31,293 | 28,400 |
| Real property | 111,735 | 111,735 |
| Other assets | 8,400 | 8,400 |
| Cash value - life insurance policies | 366,685 | 332,578 |
| Assets held under trust agreements | <u>3,167,839</u> | <u>4,125,217</u> |
| Total Assets | <u>\$65,263,973</u> | <u>\$80,198,129</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 710,866 | \$ 54,285 |
| Agency funds | 245,325 | 131,231 |
| Annuity obligations | 1,544,272 | 1,590,788 |
| Refundable advances | <u>1,432,310</u> | <u>2,009,534</u> |
| Total Liabilities | <u>3,932,773</u> | <u>3,785,838</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Board designated for reserves | 1,078,959 | 1,120,118 |
| Fair value of endowments below historical cost | (10,595,471) | (30,017) |
| Undesignated | <u>469,620</u> | <u>244,413</u> |
| Total Unrestricted | (9,046,892) | 1,334,514 |
| Temporarily restricted | 13,648,727 | 20,875,140 |
| Permanently restricted | <u>56,729,365</u> | <u>54,202,637</u> |
| Total Net Assets | <u>61,331,200</u> | <u>76,412,291</u> |
| Total Liabilities and Net Assets | <u>\$65,263,973</u> | <u>\$80,198,129</u> |

See accompanying notes to financial statements.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> |
|---|---------------------|-----------------------------------|
| Revenues, Gains, and Other Support | | |
| Contributions | \$ - | \$ 5,088,542 |
| Life insurance premiums | - | - |
| Investment income | (18,023) | 1,052,923 |
| Internal management fee | 824,163 | - |
| Other income | (2,139) | 227,722 |
| Realized and unrealized gain (loss) on market value of investments | (18,894) | (19,191,354) |
| Actuarial gain (loss) on annuity obligations | - | - |
| Increase in cash value - life insurance | - | - |
| | <hr/> | <hr/> |
| Total Revenues, Gains, And Other Support | <u>785,107</u> | <u>(12,822,167)</u> |
| Net Assets Released from Restrictions | 4,964,612 | (4,939,415) |
| Transfers/Changes in Donor Restrictions | <u>(10,565,454)</u> | <u>10,535,169</u> |
| | <hr/> | <hr/> |
| Total Net Assets Released From Restrictions/Transfers | <u>(5,600,842)</u> | <u>5,595,754</u> |
| Program Services | | |
| Internal management fee | 824,163 | - |
| Scholarships and awards | 1,066,132 | - |
| Expense reimbursements | 16,727 | - |
| Services for programs | 396,679 | - |
| Distributions to UNT | 2,630,280 | - |
| Distributions to other Institutions | 44,000 | - |
| Life insurance premiums | 11,734 | - |
| | <hr/> | <hr/> |
| Total Program Services | <u>4,989,715</u> | <u>-</u> |

See accompanying notes to financial statements.

| <u>Permanently Restricted</u> | <u>2008 Total</u> |
|-----------------------------------|------------------------|
| \$ 2,702,427 | \$ 7,790,969 |
| 10,820 | 10,820 |
| - | 1,034,900 |
| - | 824,163 |
| 35,590 | 261,173 |
| 23,875 | (19,186,373) |
| (272,385) | (272,385) |
| <u>21,313</u> | <u>21,313</u> |
| <u>2,521,640</u> | <u>(9,515,420)</u> |
| (25,197) | - |
| <u>30,285</u> | <u>-</u> |
| <u>5,088</u> | <u>-</u> |
| - | 824,163 |
| - | 1,066,132 |
| - | 16,727 |
| - | 396,679 |
| - | 2,630,280 |
| - | 44,000 |
| <u>-</u> | <u>11,734</u> |
| <u>-</u> | <u>4,989,715</u> |

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> |
|---------------------------------------|-----------------------------|-----------------------------------|
| Management and General Expenses | | |
| Salaries and benefits | \$ 464,958 | \$ - |
| Consulting fees | 23,510 | - |
| Professional services | 34,825 | - |
| Travel | 4,353 | - |
| Administrative | 13,193 | - |
| Bank and credit card charges | 6,867 | - |
| Office and computer equipment | 5,946 | - |
| Insurance | 13,913 | - |
| Professional development | <u>8,391</u> | <u>-</u> |
| Total Management and General Expenses | <u>575,956</u> | <u>-</u> |
| Total Program Services and Expenses | <u>5,565,671</u> | <u>-</u> |
| Change in Net Assets | (10,381,406) | (7,226,413) |
| Net Assets - Beginning of Year | <u>1,334,514</u> | <u>20,875,140</u> |
| Net Assets - End of Year | <u><u>\$(9,046,892)</u></u> | <u><u>\$13,648,727</u></u> |

See accompanying notes to financial statements.

| <u>Permanently Restricted</u> | <u>2008 Total</u> |
|-----------------------------------|-----------------------|
| \$ - | \$ 464,958 |
| - | 23,510 |
| - | 34,825 |
| - | 4,353 |
| - | 13,193 |
| - | 6,867 |
| - | 5,946 |
| - | 13,913 |
| - | 8,391 |
| <u>-</u> | <u>575,956</u> |
| - | 5,565,671 |
| 2,526,728 | (15,081,091) |
| <u>54,202,637</u> | <u>76,412,291</u> |
| <u>\$56,729,365</u> | <u>\$61,331,200</u> |

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | <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 | - | - |
| | <hr/> | <hr/> |
| 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> |
| | <hr/> | <hr/> |
| Total Net Assets Released From Restrictions/Transfers | <u>4,574,308</u> | <u>(5,015,573)</u> |
| Program Services | | |
| Internal management fee | 806,271 | - |
| Scholarships and awards | 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> | <u>-</u> |
| | <hr/> | <hr/> |
| Total Program Services | <u>4,582,518</u> | <u>-</u> |

See accompanying notes to financial statements.

| <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) |
| <u>2,296</u> | <u>2,296</u> |
| <u>11,965,545</u> | <u>20,558,233</u> |
| (22,469) | - |
| <u>463,734</u> | <u>-</u> |
| <u>441,265</u> | <u>-</u> |
| - | 806,271 |
| - | 1,006,933 |
| - | 13,740 |
| - | 574,497 |
| - | 2,147,248 |
| - | 24,600 |
| <u>-</u> | <u>9,229</u> |
| <u>-</u> | <u>4,582,518</u> |

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | <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.

| <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>-</u> | <u>482,570</u> |
| <u>-</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.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$(15,081,091) | \$15,493,145 |
| Adjustments to reconcile change in net assets to net cash provided by Operating activities: | | |
| Realized and unrealized gain on market value of investments | 19,186,373 | (3,997,028) |
| (Increase)/Decrease in contributions and other receivables | 347,936 | 579,168 |
| Actuarial (gain)/loss on annuity obligations | 272,385 | 17,009 |
| (Increase) in cash value – life insurance | (34,107) | (2,296) |
| (Increase)/Decrease in prepaid expense | (2,893) | (4,337) |
| Increase/(Decrease) in accounts payable and accrued expenses | 656,581 | 11,762 |
| Increase/(Decrease) in agency funds | 114,094 | (27,428) |
| Increase/(Decrease) in annuity obligations | (46,516) | 76,416 |
| Noncash contributions | <u>(348,193)</u> | <u>(613,689)</u> |
| Net Cash Provided (Used) By Operating Activities | <u>5,064,569</u> | <u>11,532,722</u> |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of investments | 11,970,632 | 21,465,027 |
| Purchases of investments | <u>(12,536,486)</u> | <u>(34,238,852)</u> |
| Net Cash Provided (Used) By Investing Activities | <u>(565,854)</u> | <u>(12,773,825)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,498,715 | (1,241,103) |
| Cash and Cash Equivalents- Beginning of Year | <u>4,696,304</u> | <u>5,937,407</u> |
| Cash and Cash Equivalents- End of Year | <u>\$ 9,195,019</u> | <u>\$ 4,696,304</u> |
| Supplemental Cash Flow Information: | | |
| Gifts of securities | \$ 348,193 | \$ 613,689 |
| 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, 2008 AND 2007

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 income available for distribution is 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, 2008 AND 2007

**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 based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. Investments in non-publicly traded Real Estate Investment Trust and Hedge Funds Mutual Funds are carried at their fair value as determined using significant unobservable inputs (Level 3 measurements). 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, 2008 AND 2007**

NOTE 2 – INVESTMENTS

Investment securities consisted of the following at December 31, 2008 and 2007:

| | 2008 | | 2007 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| U.S. and International Stocks and Equity Mutual Funds | \$34,278,051 | \$22,082,373 | \$33,135,805 | \$35,548,769 |
| U.S. and International Fixed Income Securities and Mutual Funds | 17,909,207 | 17,945,046 | 17,888,781 | 19,169,318 |
| Real Estate Investment Trust and REIT Exchange Traded Funds | 3,409,144 | 2,223,343 | 2,572,711 | 2,493,537 |
| Natural Resource Exchange Traded Fund | 2,215,022 | 1,704,694 | 2,215,022 | 3,015,756 |
| Hedge Funds Mutual Funds | 5,446,623 | 5,399,906 | 6,271,782 | 7,274,114 |
| Non-Publicly Traded Common Stocks | <u>33,500</u> | <u>3,350</u> | <u>33,500</u> | <u>21,775</u> |
| | <u>\$63,291,547</u> | <u>\$49,358,712</u> | <u>\$62,117,601</u> | <u>\$67,523,269</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 of \$116,201 and \$106,732 in 2008 and 2007, respectively.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles requires disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments other than investments are cash and cash equivalents, contributions and other receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2008 and 2007 are as follows:

| | | <u>Fair Value Measurements at Reporting Date Using</u> | |
|------------------------------|----------------------|---|--|
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| December 31, 2008: | | | |
| Securities | \$ 42,642,849 | \$ 42,642,849 | \$ - |
| Real Estate Investment Trust | 1,315,957 | - | 1,315,957 |
| Hedge Funds Mutual Funds | <u>5,399,906</u> | <u>-</u> | <u>5,399,906</u> |
| Total | <u>\$ 49,358,712</u> | <u>\$ 42,642,849</u> | <u>\$ 6,715,863</u> |
| December 31, 2007: | | | |
| Securities | \$ 59,010,710 | \$ 59,010,710 | \$ - |
| Real Estate Investment Trust | 1,238,445 | - | 1,238,445 |
| Hedge Funds Mutual Funds | <u>7,274,114</u> | <u>-</u> | <u>7,274,114</u> |
| Total | <u>\$ 67,523,269</u> | <u>\$ 59,010,710</u> | <u>\$ 8,512,559</u> |

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| | <u>Real Estate Investment Trust</u> | <u>Hedge Funds Mutual Funds</u> | <u>Total</u> |
|--|-------------------------------------|---------------------------------|---------------------|
| January 1, 2007 | \$ - | \$ 4,684,456 | \$ 4,684,456 |
| Total gains/(losses) (realized/unrealized) | 49,974 | 820,306 | 870,280 |
| Purchases, issuance, and settlements | <u>1,188,471</u> | <u>1,769,352</u> | <u>2,957,823</u> |
| December 31, 2007 | 1,238,445 | 7,274,114 | 8,512,559 |
| Total gains/(losses) (realized/unrealized) | (484,017) | (1,049,049) | (1,533,066) |
| Purchases, issuance, and settlements | <u>561,529</u> | <u>(825,159)</u> | <u>(263,630)</u> |
| December 31, 2008 | <u>\$ 1,315,957</u> | <u>\$ 5,399,906</u> | <u>\$ 6,715,863</u> |

The gains and losses for each year are included in the statement of activities under realized and unrealized gain (loss) on market value of investments.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Fair values for the Real Estate Investment Trust and Hedge Funds Mutual Funds are determined by third-party valuations of the investments. There were no changes in valuation methods during 2007 or 2008.

NOTE 5 – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables as of December 31, 2008 and 2007 are as follows:

| | <u>2008</u> | <u>2007</u> |
|--|--------------------|--------------------|
| Contributions receivable in less than one year | \$1,367,826 | \$1,497,349 |
| Contributions receivable in one to five years | 1,411,514 | 2,110,992 |
| Contributions receivable in six to ten years | 1,252,950 | 1,078,500 |
| Contributions receivable in over ten years | <u>17,200</u> | <u>29,000</u> |
| Total Contributions Receivables | 4,049,490 | 4,715,841 |
| Less allowance for uncollectible amounts | (325,830) | (363,408) |
| Less discounts to net present value | <u>(791,188)</u> | <u>(1,081,762)</u> |
| Net Contributions Receivable | 2,932,472 | 3,270,671 |
| Other amounts receivable | <u>91,818</u> | <u>101,555</u> |
| Total Contributions and Other Receivables | <u>\$3,024,290</u> | <u>\$3,372,226</u> |

NOTE 6 – UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2008 and 2007 include \$1,078,959 and \$1,120,118 respectively, which has been designated by the Foundation's Board of Directors as a reserve for future operations.

NOTE 7 – 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, 2008 AND 2007

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2008 and 2007:

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| Endowments to support various programs, scholarships and other activities of the University of North Texas | \$56,362,680 | \$53,870,059 |
| Cash value of life insurance policies that will provide proceeds upon death of insured for endowments | <u>366,685</u> | <u>332,578</u> |
| Total | <u>\$56,729,365</u> | <u>\$54,202,637</u> |

NOTE 9 – 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, 2008 and 2007:

| | <u>Fair Value Recorded</u> | | <u>Current Fair Value</u> |
|---|----------------------------|------------------|-------------------------------|
| | <u>2008</u> | <u>2007</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 10 – 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, 2008 and 2007, there were a total of 24 such policies with death benefits totaling \$1,738,279 and \$1,687,906 respectively, and cash values totaling \$366,685 and \$332,578 respectively.

NOTE 11 – 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, 2008 AND 2007

NOTE 12 – 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 2008 and 2007 were \$29,793 and \$25,755 respectively.

NOTE 13 – 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 14 – CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at times in excess of \$250,000 in its depository bank, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 (effective October 3, 2008). The Foundation's depository bank, Wells Fargo Bank N.A., has pledged government backed securities with a par value of \$7,918,296 at December 31, 2008 to secure Foundation deposits in excess of \$250,000. 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, 2008 was \$8,161,131. The total amount of checking account deposits with Wells Fargo Bank N.A. as of December 31, 2008 was \$100,004. In addition to the checking account balance, the Foundation had cash balances of \$7,560,067 at December 31, 2008 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. The amount held in money market mutual funds was \$1,534,948 and \$821,237 at December 31, 2008 and 2007, respectively.

