

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

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FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010

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MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
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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, 2011 and 2010, 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 audits.

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, 2011 and 2010, 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

May 22, 2012

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2011 AND 2010

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<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 8,118,472	\$ 8,088,710
Investments	75,146,855	74,017,609
Contributions and other receivables	21,538,931	5,518,201
Prepaid expenses	3,119	49,598
Real property	111,735	111,735
Other assets	7,500	7,500
Cash value - life insurance policies	417,724	422,134
Assets held under trust agreements	<u>3,756,451</u>	<u>3,933,188</u>
 Total Assets	 <u>\$109,100,787</u>	 <u>\$92,148,675</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 79,763	\$ 57,568
Agency funds	220,316	281,575
Annuity obligations	1,832,881	1,615,795
Refundable advances	<u>1,797,048</u>	<u>1,824,431</u>
 Total Liabilities	 <u>3,930,008</u>	 <u>3,779,369</u>
Net Assets:		
Unrestricted:		
Board designated for reserves	1,282,342	1,248,443
Fair value of endowments below historical cost	(3,820,815)	(2,163,772)
Undesignated	<u>371,380</u>	<u>589,709</u>
Total Unrestricted	(2,167,093)	(325,620)
 Temporarily restricted	38,619,538	23,306,269
Permanently restricted	<u>68,718,334</u>	<u>65,388,657</u>
 Total Net Assets	 <u>105,170,779</u>	 <u>88,369,306</u>
 Total Liabilities and Net Assets	 <u>\$109,100,787</u>	 <u>\$92,148,675</u>

See accompanying notes to financial statements.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ -	\$19,173,022
Investment income	(82,003)	1,463,386
Internal management fee	839,975	-
Other income	287	328,334
Realized and unrealized gain (loss) on market value of investments	115	(1,896,027)
Actuarial gain (loss) on annuity obligations	-	-
Increase in cash value - life insurance	-	-
	<u>758,374</u>	<u>19,068,715</u>
Total Revenues, Gains, And Other Support		
Net Assets Released from Restrictions	5,270,527	(5,242,962)
Transfers/Changes in Donor Restrictions	<u>(1,759,429)</u>	<u>1,487,516</u>
Total Net Assets Released From Restrictions/Transfers	<u>3,511,098</u>	<u>(3,755,446)</u>
Program Services		
Internal management fee	839,975	-
Scholarships and awards	1,101,896	-
Expense reimbursements	5,839	-
Services for programs	1,030,578	-
Distributions to UNT	2,256,993	-
Grant to University President	64,932	-
Distributions to other Institutions	21,500	-
Life insurance premiums	<u>13,746</u>	<u>-</u>
Total Program Services	<u>5,335,459</u>	<u>-</u>

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2011 Total</u>
\$ 3,410,085	\$22,583,107
-	1,381,383
-	839,975
-	328,621
-	(1,895,912)
(320,345)	(320,345)
<u>(4,411)</u>	<u>(4,411)</u>
 <u>3,085,329</u>	 <u>22,912,418</u>
 (27,565)	 -
<u>271,913</u>	<u>-</u>
 <u>244,348</u>	 <u>-</u>
 -	 839,975
-	1,101,896
-	5,839
-	1,030,578
-	2,256,993
-	64,932
-	21,500
<u>-</u>	<u>13,746</u>
 <u>-</u>	 <u>5,335,459</u>

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

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Salaries and benefits	\$ 576,629	\$ -
Consulting fees	19,345	-
Professional services	21,000	-
Travel	9,055	-
Administrative and other	18,364	-
Bank and credit card charges	21,360	-
Office and computer equipment	2,343	-
Insurance	11,932	-
Professional development	10,140	-
Website design	<u>85,318</u>	<u>-</u>
Total Management and General Expenses	<u>775,486</u>	<u>-</u>
Total Program Services and Expenses	<u>6,110,945</u>	<u>-</u>
Change in Net Assets	(1,841,473)	15,313,269
Net Assets - Beginning of Year	<u>(325,620)</u>	<u>23,306,269</u>
Net Assets - End of Year	<u><u>\$(2,167,093)</u></u>	<u><u>\$38,619,538</u></u>

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2011 Total</u>
\$ -	\$ 576,629
-	19,345
-	21,000
-	9,055
-	18,364
-	21,360
-	2,343
-	11,932
-	10,140
-	<u>85,318</u>
-	<u>775,486</u>
-	<u>6,110,945</u>
3,329,677	16,801,473
<u>65,388,657</u>	<u>88,369,306</u>
<u>\$68,718,334</u>	<u>\$105,170,779</u>



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

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ -	\$ 3,708,007
Investment income	(86,237)	931,804
Internal management fee	887,689	-
Other income	-	364,376
Realized and unrealized gain (loss) on market value of investments	33,201	6,837,598
Actuarial gain (loss) on annuity obligations	-	-
Increase in cash value - life insurance	-	-
	<u>834,653</u>	<u>11,841,785</u>
Total Revenues, Gains, And Other Support		
Net Assets Released from Restrictions	5,801,337	(5,770,093)
Transfers/Changes in Donor Restrictions	<u>1,476,916</u>	<u>(1,476,716)</u>
Total Net Assets Released From Restrictions/Transfers	<u>7,278,253</u>	<u>(7,246,809)</u>
Program Services		
Internal management fee	887,689	-
Scholarships and awards	1,092,799	-
Expense reimbursements	2,595	-
Services for programs	706,034	-
Distributions to UNT	3,103,728	-
Grant to University President	-	-
Distributions to other Institutions	25,000	-
Life insurance premiums	<u>11,734</u>	<u>-</u>
Total Program Services	<u>5,829,579</u>	<u>-</u>

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2010 Total</u>
\$ 3,477,370	\$ 7,185,377
-	845,567
-	887,689
3,423	367,799
(4,620)	6,866,179
96,101	96,101
<u>43,464</u>	<u>43,464</u>
 <u>3,615,738</u>	 <u>16,292,176</u>
 (31,244)	 -
<u>(200)</u>	<u>-</u>
 <u>(31,444)</u>	 <u>-</u>
 -	887,689
-	1,092,799
-	2,595
-	706,034
-	3,103,728
-	-
-	25,000
<u>-</u>	<u>11,734</u>
 <u>-</u>	 <u>5,829,579</u>

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

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Salaries and benefits	\$ 522,981	\$ -
Consulting fees	26,633	-
Professional services	20,000	-
Travel	8,881	-
Administrative and other	23,119	-
Bank and credit card charges	9,897	-
Office and computer equipment	3,156	-
Insurance	11,885	-
Professional development	10,027	-
Website design	<u>-</u>	<u>-</u>
Total Management and General Expenses	<u>636,579</u>	<u>-</u>
Total Program Services and Expenses	<u>6,466,158</u>	<u>-</u>
Change in Net Assets	1,646,748	4,594,976
Net Assets - Beginning of Year	<u>(1,972,368)</u>	<u>18,711,293</u>
Net Assets - End of Year	<u>\$ (325,620)</u>	<u>\$23,306,269</u>

See accompanying notes to financial statements.

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<u>Permanently Restricted</u>	<u>2010 Total</u>
\$ -	\$ 522,981
-	26,633
-	20,000
-	8,881
-	23,119
-	9,897
-	3,156
-	11,885
-	10,027
<u>-</u>	<u>-</u>
<u>-</u>	<u>636,579</u>
<u>-</u>	<u>6,466,158</u>
3,584,294	9,826,018
<u>61,804,363</u>	<u>78,543,288</u>
<u>\$65,388,657</u>	<u>\$88,369,306</u>

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

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 16,801,473	\$ 9,826,018
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Realized and unrealized (gain)/loss on market value of investments	1,895,912	(6,866,179)
(Increase)/Decrease in contributions and other receivables	(16,020,730)	(1,481,762)
Actuarial (gain)/loss on annuity obligations	320,345	(96,101)
(Increase) in cash value – life insurance	4,411	(43,464)
(Increase)/Decrease in prepaid expense	46,479	(45,598)
Increase/(Decrease) in accounts payable and accrued expenses	22,195	26,032
Increase/(Decrease) in agency funds	(61,259)	241,072
Increase/(Decrease) in annuity obligations	217,086	(6,393)
Noncash contributions	<u>(345,178)</u>	<u>(563,939)</u>
Net Cash Provided (Used) By Operating Activities	<u>2,880,734</u>	<u>989,686</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	9,855,014	8,109,908
Purchases of investments	<u>(12,705,986)</u>	<u>(10,600,476)</u>
Net Cash Provided (Used) By Investing Activities	<u>(2,850,972)</u>	<u>(2,490,568)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	29,762	(1,500,882)
Cash and Cash Equivalents- Beginning of Year	<u>8,088,710</u>	<u>9,589,592</u>
Cash and Cash Equivalents- End of Year	<u>\$ 8,118,472</u>	<u>\$ 8,088,710</u>
Supplemental Cash Flow Information:		
Gifts of securities	\$ 345,178	\$ 563,939
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, 2011 AND 2010

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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 estimated net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their estimated 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.

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, 2011 AND 2010

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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, actively traded mutual funds, 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 of 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.

Date of Management's Review

Subsequent events were evaluated through May 22, 2012, which is the date the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

**NOTE 2 – INVESTMENTS**

Investment securities consisted of the following at December 31, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
U.S. and International Stocks and Equity Mutual Funds	\$34,515,404	\$37,561,844	\$34,557,451	\$40,731,582
U.S. and International Fixed Income Securities and Mutual Funds	23,204,120	25,526,018	18,995,641	20,844,540
Real Estate Investment Trust and REIT Exchange Traded Funds	1,750,000	553,768	1,750,000	499,646
Natural Resource Exchange Traded Fund/Global Hard Assets Mutual Fund	3,017,819	3,634,769	3,017,819	4,343,154
Hedge Funds of Funds	7,194,763	7,870,456	7,194,763	7,598,436
Non-Registered Common Stocks	<u>33,500</u>	<u>-</u>	<u>33,500</u>	<u>251</u>
	<u>\$69,715,606</u>	<u>\$75,146,855</u>	<u>\$65,549,174</u>	<u>\$74,017,609</u>

The investment in non-registered common stocks represent shares in companies that are not 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 \$119,400 and \$131,833 in 2011 and 2010, 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, 2011 AND 2010

**NOTE 4 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2011:			
Securities	\$ 66,722,631	\$ 66,722,631	\$ -
Real Estate Investment Trust	553,768	-	553,768
Hedge Funds of Funds	<u>7,870,456</u>	<u>-</u>	<u>7,870,456</u>
Total	<u>\$ 75,146,855</u>	<u>\$ 66,722,631</u>	<u>\$ 8,424,224</u>
December 31, 2010:			
Securities	\$ 65,919,527	\$ 65,919,527	\$ -
Real Estate Investment Trust	499,646	-	499,646
Hedge Funds of Funds	<u>7,598,436</u>	<u>-</u>	<u>7,598,436</u>
Total	<u>\$ 74,017,609</u>	<u>\$ 65,919,527</u>	<u>\$ 8,098,082</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, 2010	\$ 443,561	\$ 7,476,771	\$ 7,920,332
Total gains/(losses) (realized/unrealized)	56,085	121,665	177,750
Purchases, issuance, and settlements	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2010	499,646	7,598,436	8,098,082
Total gains/(losses) (realized/unrealized)	54,122	272,020	326,142
Purchases, issuance, and settlements	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2011	<u>\$ 553,768</u>	<u>\$ 7,870,456</u>	<u>\$ 8,424,224</u>

The gains and losses for each year are included in the statements 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, 2011 AND 2010

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**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 of Funds are determined by third-party valuations of the investments. There were no changes in valuation methods during 2010 or 2011.

**NOTE 5 – CONTRIBUTIONS AND OTHER RECEIVABLES**

Contributions and other receivables as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Contributions receivable in less than one year	\$ 2,641,579	\$2,632,838
Contributions receivable in one to five years	25,745,471	3,571,890
Contributions receivable in six to ten years	427,724	803,022
Contributions receivable in over ten years	<u>-</u>	<u>-</u>
Total Contributions Receivables	28,814,774	7,007,750
Less allowance for uncollectible amounts	(668,768)	(606,057)
Less discounts to net present value	<u>(6,643,931)</u>	<u>(947,176)</u>
Net Contributions Receivable	21,502,075	5,454,517
Other amounts receivable	<u>36,856</u>	<u>63,684</u>
Total Contributions and Other Receivables	<u>\$21,538,931</u>	<u>\$5,518,201</u>

Contributions receivable in more than one year have been discounted to net present value using an interest rate of eight percent. Contributions receivable in one to five years include one promise to give of \$22,000,000 from Mr. Charn Uwachoke. The contribution is expected to be collected by December 31, 2015, and has been recorded at a net present value of \$16,167,248.

**NOTE 6 – UNRESTRICTED NET ASSETS**

Unrestricted net assets at December 31, 2011 and 2010 include \$1,282,342 and \$1,248,443 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 to specified programs or scholarships within the University of North Texas. 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, 2011 AND 2010

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**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (continued)**

Included in temporarily restricted net assets is \$16,167,248 resulting from the 2011 promise to give from Mr. Charn Uswachoke (see Note 5). As of December 31, 2011, the Foundation, the University of North Texas, and the donor were working to determine the wishes of the donor as to the various ways the donor's gift will be used. It is anticipated that some portion of the gift will be designated for several permanent endowments to support programs within the University of North Texas. As these designations are finalized, these net assets will be reclassified as permanently restricted.

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Endowments to support various programs, scholarships and other activities of the University of North Texas	\$68,300,610	\$64,966,523
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>417,724</u>	<u>422,134</u>
Total	<u>\$68,718,334</u>	<u>\$65,388,657</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, 2011 and 2010:

	<u>Fair Value Recorded</u>		<u>Current Fair Value</u>
	<u>2011</u>	<u>2010</u>	
Mineral rights 1/4 undivided interest	\$ 12,860	\$ 12,860	Not Determined
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, 2011 and 2010, there were a total of 24 such policies with death benefits totaling \$1,731,660 and \$1,737,006 respectively, and cash values totaling \$417,724 and \$422,134 respectively.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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**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.

**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. All employer and employee contributions are fully vested when made. The expense to the Foundation for retirement plan contributions for 2011 and 2010 were \$34,731 and \$32,146 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.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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**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. The Foundation's depository bank, Wells Fargo Bank N.A., has pledged government backed securities with a par value of \$3,696,770 at December 31, 2011 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, 2011 was \$4,041,008. The total amount of checking account deposits with Wells Fargo Bank N.A. as of December 31, 2011 was \$120,005. In addition to the checking account balance, the Foundation had cash balances of \$5,309,519 at December 31, 2011 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 \$1,611,034 and \$2,685,275 at December 31, 2011 and 2010, respectively.