

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

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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 financial statements of University of North Texas Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

February 10, 2015

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2014 AND 2013

	<u>ASSETS</u>	
	August 31, 2014	August 31, 2013
Cash and cash equivalents	\$ 16,767,831	\$ 14,686,018
Investments	280,169,952	246,128,880
Contributions and other receivables	17,251,728	17,974,917
Prepaid expenses	1,941	70,208
Real property	297,362	12,860
Other assets	7,500	7,500
Cash value - life insurance policies	468,248	458,065
Assets held under trust and annuity agreements	<u>6,731,605</u>	<u>5,585,313</u>
Total Assets	<u>\$ 321,696,167</u>	<u>\$ 284,923,761</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,197,991	\$ 1,397,964
Agency funds	148,907	116,721
Trust and annuity obligations	2,171,340	1,996,385
Assets held for others	<u>187,384,849</u>	<u>167,454,665</u>
Total Liabilities	<u>190,903,087</u>	<u>170,965,735</u>
Net Assets:		
Unrestricted:		
Board designated for reserves	1,271,885	1,162,929
Fair value of endowments below historical cost	(234,307)	(1,710,325)
Undesignated	<u>2,409,400</u>	<u>2,110,670</u>
Total Unrestricted	3,446,978	1,563,274
Temporarily restricted	46,280,764	37,256,800
Permanently restricted	<u>81,065,338</u>	<u>75,137,952</u>
Total Net Assets	<u>130,793,080</u>	<u>113,958,026</u>
Total Liabilities and Net Assets	<u>\$ 321,696,167</u>	<u>\$ 284,923,761</u>

See accompanying notes to the financial statements.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ -	\$ 2,677,788
Investment income	(49,773)	2,250,936
Management fee income	1,496,108	-
Other income	153	241,944
Realized and unrealized gain (loss) on market value of investments	74,763	10,774,999
Actuarial gain (loss) on annuity obligations	-	-
Increase in cash value - life insurance	-	-
	<u>1,521,251</u>	<u>15,945,667</u>
 Total Revenues, Gains, And Other Support	 <u>1,521,251</u>	 <u>15,945,667</u>
 Net Assets Released from Restrictions	 5,429,076	 (5,401,498)
Transfers/Changes in Donor Restrictions	<u>1,476,018</u>	<u>(1,520,205)</u>
	 <u>6,905,094</u>	 <u>(6,921,703)</u>
 Total Net Assets Released From Restrictions/Transfers	 <u>6,905,094</u>	 <u>(6,921,703)</u>
 Program Services		
Internal management fee	1,056,280	-
Scholarships and awards	1,272,900	-
Expense reimbursements	9,232	-
Services for programs	539,983	-
Distributions to UNT	2,506,421	-
Grant to University President	61,750	-
Distributions to other Institutions	32,366	-
Life insurance premiums	11,894	-
	<u>5,490,826</u>	<u>-</u>
 Total Program Services	 <u>5,490,826</u>	 <u>-</u>

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Year Ended August 31, 2014 Total</u>
\$ 5,692,383	\$ 8,370,171
-	2,201,163
-	1,496,108
-	242,097
-	10,849,762
208,211	208,211
<u>10,183</u>	<u>10,183</u>
 <u>5,910,777</u>	 <u>23,377,695</u>
 (27,578)	-
<u>44,187</u>	<u>-</u>
 <u>16,609</u>	 <u>-</u>
 -	1,056,280
-	1,272,900
-	9,232
-	539,983
-	2,506,421
-	61,750
-	32,366
-	11,894
<u>-</u>	<u>5,490,826</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Salaries and benefits	\$ 822,364	\$ -
Consulting fees	49,790	-
Professional services	48,682	-
Travel	9,287	-
Administrative and other	51,613	-
Bank and credit card charges	14,692	-
Office and computer equipment	13,976	-
Insurance	17,794	-
Professional development and memberships	13,357	-
Strategic planning	<u>10,260</u>	<u>-</u>
Total Management and General Expenses	<u>1,051,815</u>	<u>-</u>
Total Program Services and Expenses	<u>6,542,641</u>	<u>-</u>
Change in Net Assets	1,883,704	9,023,964
Net Assets - Beginning of Year	<u>1,563,274</u>	<u>37,256,800</u>
Net Assets - End of Year	<u>\$ 3,446,978</u>	<u>\$ 46,280,764</u>

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Year Ended August 31, 2014 Total</u>
\$ -	\$ 822,364
-	49,790
-	48,682
-	9,287
-	51,613
-	14,692
-	13,976
-	17,794
-	13,357
-	<u>10,260</u>
<u>-</u>	<u>1,051,815</u>
<u>-</u>	<u>6,542,641</u>
5,927,386	16,835,054
<u>75,137,952</u>	<u>113,958,026</u>
<u>\$ 81,065,338</u>	<u>\$ 130,793,080</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ -	\$ 3,079,711
Investment income	(66,884)	2,332,668
Management fee income	1,386,945	-
Other income	-	130,244
Realized and unrealized gain (loss) on market value of investments	21,463	3,753,851
Actuarial gain (loss) on annuity obligations	-	-
Increase in cash value - life insurance	-	-
	<u>1,341,524</u>	<u>9,296,474</u>
 Total Revenues, Gains, And Other Support	 <u>1,341,524</u>	 <u>9,296,474</u>
 Net Assets Released from Restrictions	 10,380,672	 (9,137,665)
Transfers/Changes in Donor Restrictions	<u>2,157,923</u>	<u>(2,164,573)</u>
	 <u>12,538,595</u>	 <u>(11,302,238)</u>
 Total Net Assets Released From Restrictions/Transfers	 <u>12,538,595</u>	 <u>(11,302,238)</u>
 Program Services		
Internal management fee	934,967	-
Scholarships and awards	1,896,155	-
Expense reimbursements	4,057	-
Services for programs	2,410,604	-
Distributions to UNT	5,090,374	-
Grant to University President	79,449	-
Distributions to other Institutions	23,500	-
Life insurance premiums	13,695	-
	<u>10,452,801</u>	<u>-</u>
 Total Program Services	 <u>10,452,801</u>	 <u>-</u>

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Year Ended August 31, 2013 Total</u>
\$ 5,742,153	\$ 8,821,864
-	2,265,784
-	1,386,945
-	130,244
-	3,775,314
175,360	175,360
<u>22,713</u>	<u>22,713</u>
 <u>5,940,226</u>	 <u>16,578,224</u>
 (1,243,007)	 -
<u>6,650</u>	<u>-</u>
 <u>(1,236,357)</u>	 <u>-</u>
 -	934,967
-	1,896,155
-	4,057
-	2,410,604
-	5,090,374
-	79,449
-	23,500
<u>-</u>	<u>13,695</u>
 <u>-</u>	 <u>10,452,801</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Salaries and benefits	\$ 771,153	\$ -
Consulting fees	27,124	-
Professional services	21,006	-
Travel	10,082	-
Administrative and other	49,492	-
Bank and credit card charges	42,785	-
Office and computer equipment	3,872	-
Insurance	4,381	-
Professional development and memberships	9,904	-
Strategic planning	<u>-</u>	<u>-</u>
Total Management and General Expenses	<u>939,799</u>	<u>-</u>
Total Program Services and Expenses	<u>11,392,600</u>	<u>-</u>
Change in Net Assets	2,487,519	(2,005,764)
Net Assets - Beginning of Year	<u>(924,245)</u>	<u>39,262,564</u>
Net Assets - End of Year	<u>\$ 1,563,274</u>	<u>\$ 37,256,800</u>

See accompanying notes to the financial statements.

<u>Permanently Restricted</u>	<u>Year Ended August 31, 2013 Total</u>
\$ -	\$ 771,153
-	27,124
-	21,006
-	10,082
-	49,492
-	42,785
-	3,872
-	4,381
-	9,904
-	-
<u>-</u>	<u>939,799</u>
-	11,392,600
<u>-</u>	<u>11,392,600</u>
4,703,869	5,185,624
<u>70,434,083</u>	<u>108,772,402</u>
<u>\$ 75,137,952</u>	<u>\$ 113,958,026</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

	<u>Year Ended August 31, 2014</u>	<u>Year Ended August 31, 2013</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 16,835,054	\$ 5,185,624
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Realized and unrealized (gain)/loss on market value of investments	(10,849,762)	(3,775,314)
(Increase)/Decrease in contributions and other receivables	723,189	2,232,737
Actuarial (gain)/loss on annuity obligations	(208,211)	(175,360)
(Increase) in cash value – life insurance	(10,183)	(22,713)
(Increase)/Decrease in prepaid expense	68,267	(63,849)
Increase/(Decrease) in accounts payable and accrued expenses	108,956	1,336,959
Increase/(Decrease) in agency funds	32,186	(152,664)
Increase/(Decrease) in annuity obligations	174,955	137,344
Noncash contributions	<u>(2,621,867)</u>	<u>(375,079)</u>
Net Cash Provided (Used) By Operating Activities	<u>4,252,584</u>	<u>4,327,685</u>
Cash Flows From Investing Activities		
Increase in assets held for others	19,930,184	82,085,931
Proceeds from sale of investments	17,524,074	4,616,528
Purchases of investments	<u>(39,625,029)</u>	<u>(98,258,214)</u>
Net Cash Provided (Used) By Investing Activities	<u>(2,170,771)</u>	<u>(11,555,755)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,081,813	(7,228,070)
Cash and Cash Equivalents- Beginning of Year	<u>14,686,018</u>	<u>21,914,088</u>
Cash and Cash Equivalents- End of Year	<u>\$ 16,767,831</u>	<u>\$ 14,686,018</u>
Supplemental Cash Flow Information:		
Gifts of securities and real estate	\$ 2,621,867	\$ 375,079
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to the financial statements.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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. Contributions of donated services that create or enhance non-financial 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.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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. At August 31, 2014 and 2013, there was \$7,273,320 and \$5,940,746, respectively, of cash equivalents in the Foundation's investment accounts awaiting investment.

Investments

The Foundation carries investments in marketable securities and other common stocks with readily determinable fair values at their fair values based on quoted prices in active markets (Level 1 measurements) in the statements of financial position. Investments in mutual funds are carried at their fair value based on published per share valuations (Level 2 measurements). 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 February 10, 2015, which is the date the financial statements were available to be issued.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS

Investment securities consisted of the following at August 31, 2014 and 2013:

	<u>August 31, 2014</u>		<u>August 31, 2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. and International Stocks and Equity Mutual Funds	\$120,953,761	\$ 152,843,338	\$ 117,963,023	\$ 132,489,336
U.S. and International Fixed Income Securities and Mutual Funds	61,937,198	63,603,402	60,986,222	60,097,041
Real Estate Investment Trust and Mutual Funds	6,404,972	6,269,780	6,053,669	5,220,340
Natural Resource Exchange Traded Fund/Global Hard Assets Mutual Fund	17,478,565	23,032,042	17,472,431	18,870,599
Hedge Funds of Funds/Loan Fund/Mutual Funds	31,784,678	34,421,390	29,120,171	29,451,564
Non-Registered Common Stocks	-	-	33,500	-
	<u>\$238,559,174</u>	<u>\$ 280,169,952</u>	<u>\$ 231,629,016</u>	<u>\$ 246,128,880</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 \$63,599 and \$86,213 for the years ended August 31, 2014 and 2013, 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 THE FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at August 31, 2014 and 2013 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>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
August 31, 2014:				
Securities/Mutual Funds	\$ 268,852,142	\$ 12,491,087	\$ 256,361,055	\$ -
Real Estate Investment Trust	670,599	-	-	670,599
Hedge Funds of Funds	5,477,340	-	-	5,477,340
Loan Fund	5,169,871	-	-	5,169,871
Total	<u>\$ 280,169,952</u>	<u>\$ 12,491,087</u>	<u>\$ 256,361,055</u>	<u>\$ 11,317,810</u>
August 31, 2013:				
Securities/Mutual Funds	\$ 237,214,998	\$ 11,187,373	\$ 226,027,625	\$ -
Real Estate Investment Trust	625,646	-	-	625,646
Hedge Funds of Funds	8,288,236	-	-	8,288,236
Total	<u>\$ 246,128,880</u>	<u>\$ 11,187,373</u>	<u>\$ 226,027,625</u>	<u>\$ 8,913,882</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>Loan Fund</u>	<u>Total</u>
August 31, 2012	\$ 572,851	\$ 7,972,839	\$ -	\$ 8,545,690
Total gains/(losses) (realized/unrealized)	52,858	315,397	-	368,255
Purchases, issuance, and settlements	(63)	-	-	(63)
August 31, 2013	\$ 625,646	\$ 8,288,236	\$ -	\$ 8,913,882
Total gains/(losses) (realized/unrealized)	44,953	483,509	169,871	698,333
Purchases, issuance, and settlements	-	(3,294,405)	5,000,000	1,705,595
August 31, 2014	<u>\$ 670,599</u>	<u>\$ 5,477,340</u>	<u>\$ 5,169,871</u>	<u>\$ 11,317,810</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 THE FINANCIAL STATEMENTS

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 mutual funds valued using level 2 inputs are based on published daily valuations. Fair values for the Real Estate Investment Trust, Hedge Funds of Funds, and Loan Fund are determined by third-party valuations of the investments. There were no changes in valuation methods during fiscal years 2014 or 2013.

NOTE 5 – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables as of August 31, 2014 and August 31, 2013 are as follows:

	August 31, 2014	August 31, 2013
Contributions receivable in less than one year	\$ 1,781,869	\$ 2,143,013
Contributions receivable in one to five years	23,644,108	24,142,677
Contributions receivable in six to ten years	410,850	192,750
Contributions receivable in over ten years	<u>55,000</u>	<u>1,525</u>
Total Contributions Receivables	25,891,827	26,479,965
Less allowance for uncollectible amounts	(6,011,920)	(4,457,775)
Less discounts to net present value	<u>(2,630,602)</u>	<u>(4,054,228)</u>
Net Contributions Receivable	17,249,305	17,967,962
Other amounts receivable	<u>2,423</u>	<u>6,955</u>
Total Contributions and Other Receivables	<u>\$17,251,728</u>	<u>\$17,974,917</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 Uswachoke. The contribution is expected to be collected by December 31, 2015, and has been recorded at a net present value of \$19,853,046.

NOTE 6 – UNRESTRICTED NET ASSETS

Unrestricted net assets at August 31, 2014 and 2013 include \$1,271,885 and \$1,162,929 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 THE FINANCIAL STATEMENTS

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Included in temporarily restricted net assets is \$14,550,523 resulting from the 2011 promise to give from Mr. Charn Uwachoke (see Note 5). As of August 31, 2014, 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 August 31, 2014 and 2013:

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Endowments to support various programs, scholarships and other activities of the University of North Texas	\$80,597,090	\$74,679,887
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>468,248</u>	<u>458,065</u>
Total	<u>\$81,065,338</u>	<u>\$75,137,952</u>

NOTE 9 – 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 August 31, 2014 and 2013, there were a total of 24 and 23 such policies, respectively, with death benefits totaling \$1,687,240 and \$1,672,167 respectively, and cash values totaling \$468,248 and \$458,065 respectively.

NOTE 10 – 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 THE FINANCIAL STATEMENTS

NOTE 11 – 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 the year ended August 31, 2014 and 2013 were \$54,020 and \$55,413 respectively.

NOTE 12 – ASSETS HELD UNDER SPLIT INTEREST AGREEMENTS

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 six percent.

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

NOTE 13 – ASSETS HELD FOR OTHERS

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 assets held for others.

The Foundation holds and invests certain funds in trust on behalf of the University of North Texas System (UNTS). Pursuant to an investment agreement dated March 15, 2012, certain UNTS long-term assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Pool. The UNTS investment funds are subject to the same investment management policy as the Foundation's investments, but receive monthly distributions of interest, dividends, and realized gains/losses. The initial term of the agreement ended February 28, 2013, with a provision to automatically renew annually thereafter.

The Foundation also holds and invests certain funds in trust on behalf of the University of North Texas (UNT). Pursuant to an investment management agreement dated August 24, 2012, certain UNT endowment assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Pool or the Foundation's DFA Short-Term Government fund. The UNT endowment funds invested in the Foundation's Consolidated Investment Pool are subject to the same investment management and distribution policies as the Foundation's endowments. The initial term of the agreement ended August 31, 2013, with a provision to automatically renew annually thereafter.

NOTE 13 – ASSETS HELD FOR OTHERS (continued)

UNTS and UNT are independent of the Foundation in all respects. UNTS and UNT are not subsidiaries or affiliates of the Foundation and are not directly or indirectly controlled by the Foundation. The Board of Regents of UNTS and UNT makes all decisions regarding the business and affairs of UNTS and UNT, and their long-term assets and endowment assets managed by the Foundation are the exclusive property of UNTS and UNT respectively. The Foundation does not have ownership of any of the UNTS or UNT assets, therefore, neither the principal nor income generated by these assets are included in the amount of net assets of the Foundation.

Assets held under these arrangements are included in the Statement of Financial Position at fair value, and the Foundation realized net management fee income of \$439,828 and \$451,978 respectively during the year ended August 31, 2014 and 2013, respectively for its services.

A summary of the assets held for others is as follows:

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Trusts for which beneficiary can be changed	\$ 2,687,973	\$ 2,070,574
UNTS assets managed by Foundation	140,443,804	127,746,896
UNT endowment assets managed by Foundation	<u>44,253,072</u>	<u>37,637,195</u>
Total Assets Held for Others	<u>\$187,384,849</u>	<u>\$167,454,665</u>

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 \$6,637,194 at August 31, 2014 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 August 31, 2014 and 2013 was \$6,760,806 and \$4,244,437, respectively. The total amount of checking account deposits with Wells Fargo Bank N.A. as of August 31, 2014 and 2013 was \$472,332 and \$582,213, respectively. In addition to the checking account balances, the Foundation had cash balances of \$4,605,259 and \$1,317,963 at August 31, 2014 and 2013, respectively, 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 \$11,715,150 and \$12,880,923 at August 31, 2014 and 2013, respectively.