

# COMBINED FINANCIAL REPORT



FOR THE YEAR ENDED AUGUST 31, 2010

UNIVERSITY OF  
NORTH★TEXAS™  
SYSTEM



**COMBINED FINANCIAL REPORT**

**of the**

**UNIVERSITY OF NORTH TEXAS  
SYSTEM**

**DENTON, TEXAS**

**Lee Jackson, Chancellor**

**For the year ended August 31, 2010**



## TABLE OF CONTENTS

Letter of Transmittal .....	1
Organizational Data .....	3
Management’s Discussion and Analysis.....	4-13
Statements	
Statement of Net Assets, UNT System .....	14-15
Statement of Revenues, Expenses and Changes in Net Assets, UNT System .....	16-19
Statement of Cash Flows, UNT System.....	20-21
Notes to the Financial Statements, UNT System .....	22-40
Schedules	
1A Notes to Schedule of Expenditures of Federal Awards.....	42
1B Schedule of State Grant Pass Throughs From/To State Agencies .....	43
2A Miscellaneous Bond Information .....	45
2B Changes in Bonded Indebtedness.....	46-47
2C Debt Service Requirements .....	48-49
2D Analysis of Funds Available for Debt Service.....	50
2E Defeased Bonds Outstanding .....	51
2F Early Extinguishment and Refunding .....	52
3 Reconciliation of Cash in State Treasury .....	53
Statements – Component Unit	
Statement of Financial Position, UNT Foundation, Inc. ....	55
Statement of Activities, UNT Foundation, Inc. ....	56-63
Statement of Cash Flows, UNT Foundation, Inc. ....	64
Notes to the Financial Statements, UNT Foundation, Inc. ....	65-72

**UNT**  
UNIVERSITY OF  
**NORTH\*TEXAS**  
SYSTEM



Discover the power of ideas.

OFFICE OF THE SENIOR ASSOCIATE VICE PRESIDENT FOR FINANCE

November 20, 2010

Lee Jackson  
Chancellor  
University of North Texas System  
1901 Main St.  
Dallas, TX 75201

Dear Chancellor Jackson:

We are pleased to submit the Annual Financial Report of the University of North Texas System for the year ended August 31, 2010, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Ginny Anderson at (940) 565-3231. Liz Linder may be contacted at (940) 565-3214 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Pankratz", is positioned above the printed name.

Terry Pankratz  
Vice Chancellor for Finance





**UNIVERSITY OF NORTH TEXAS SYSTEM**

**ORGANIZATIONAL DATA**

**August 31, 2010**

**BOARD OF REGENTS**

Charles Mitchell.....(Term expires 5-22-11).....Mesquite  
C. Dan Smith .....(Term expires 5-22-11)..... Plano  
Al Silva .....(Term expires 5-22-11)..... San Antonio  
  
Gwyn Shea.....(Term expires 5-22-13)..... Irving  
Jack A. Wall.....(Term expires 5-22-13)..... Dallas  
Don A. Buchholz .....(Term expires 5-22-13)..... Dallas  
  
Michael R. Bradford.....(Term expires 5-22-15)..... Midland  
Steve Mitchell.....(Term expires 5-22-15)..... Richardson  
Brint Ryan.....(Term expires 5-22-15)..... Dallas

**STUDENT REGENT**

Jonathan Gallegos.....(Term expires 5-31-11).....Denton

**OFFICERS OF THE BOARD**

C. Dan Smith .....Chairman  
Jack Wall..... Vice Chairman  
Julia A. Boyce..... Secretary

**ADMINISTRATIVE OFFICERS**

Lee Jackson..... Chancellor  
Terry Pankratz ..... Vice Chancellor for Finance  
Virginia E. Anderson ..... System Controller

## UNAUDITED

### UNIVERSITY OF NORTH TEXAS SYSTEM (794) Management's Discussion and Analysis For the Year Ended August 31, 2010

#### Introduction

This section of the report represents management's discussion and analysis of the financial performance of the University of North Texas System (the System). It provides an overview of the System's financial activities for the fiscal year ended August 31, 2010 as compared to the prior fiscal year. The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements and note disclosures.

The UNT System was created by the 76th Legislature, and legislative funding was provided for the fiscal year beginning September 1, 1999. The UNT System is currently comprised of three components funded by the Legislature: the University of North Texas System Administration, the University of North Texas, and the University of North Texas Health Science Center (HSC) at Fort Worth. The UNT System components are agencies of the State of Texas.

Legislative appropriations for the University of North Texas System Administration in the 2006-2007 biennium included funding for the University of North Texas System Center at Dallas. Governor Rick Perry signed into law the creation of the University of North Texas at Dallas in May of 2001. In April, 2009, Texas Higher Education Coordinating Board certified that the Spring 2009 enrollment satisfied the enrollment requirements of Section 105.501(d) of the Texas Education Code, allowing UNT at Dallas to begin operations as a general academic teaching institution. Student enrollment in UNT at Dallas will begin with the Fall 2010 semester.

This report is prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements and the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies. The Combined System financial records comply with state statutes and regulations.

#### Financial Highlights

- The 2010 fall semester headcount enrollment at the University, the UNT System Center at Dallas, and the HSC continued to increase compared to the previous fall semester (increases of approximately 3.9% at the University, 10.6% at the System Center at Dallas, and 13.9% at UNTHSC). Even with the increasing enrollment, the System was able to meet the instructional and service needs of its students.
- Approximately \$12 million in cash contributions, non-cash capital donations, and pledged gifts were recognized as revenue by the System during the 2010 fiscal year, a 28.4% increase over the previous fiscal year.
- Federal and state grant revenues were \$124.2 million, a 21.5% increase over the previous fiscal year.
- In the fiscal year that ended August 31, 2010, Texas College of Osteopathic Medicine (TCOM) achieved the highest ranking of all Texas medical schools in *US News & World Report* for Primary Care, Family Medicine, Geriatrics, and Rural Medicine; extramural research funding grew to a record of \$41.7 million; UNT Health (UNTHSC's Practice Plan) posted record profits, revenues (\$83 million), and patient encounters and will soon be opening three new clinical sites to support even greater growth; raised a record-exceeding \$30 million in pledges and philanthropic gifts.
- UNT System issued Revenue Financing System Refunding Bonds, Series 2009B and Series 2010 during the fiscal year which resulted in an economic gain of \$5,335,413.

#### Overview of the Financial Statements and Financial Analysis

The System's combined financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. This report has been prepared in accordance with GASB Statement No. 35, Basic Financial Statements – and Management's

## UNAUDITED

### UNIVERSITY OF NORTH TEXAS SYSTEM (794) Management's Discussion and Analysis For the Year Ended August 31, 2010

Discussion and Analysis—for Public College and Universities; GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus, GASB Statement No. 38, Certain Financial Statement Disclosures; GASB Statement No. 40, Deposit and Investment Risk Disclosures; GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and GASB 51, Accounting and Financial Reporting for Intangible Assets. These reporting standards were established to make financial statements presented by public colleges and universities more comparable to those issued by the private sector.

These statements are prepared applying the following principles and standards:

- Reporting is on a full accrual basis of accounting. All current year's revenues and expenses are recognized when earned or incurred, regardless of when the cash is received or disbursed.
- Depreciation expense on capital assets is reported as an operating expense on the Statement of Revenues, Expenses, and Changes in Net Assets. The historical value of capital assets and the accumulated depreciation are reported on the Statement of Net Assets.
- Revenues and expenses are categorized as operating or nonoperating. Revenues from state appropriations, gifts, and investment income are reported as nonoperating revenue in accordance with GASB Statement No. 35.

#### **Statement of Net Assets**

The Statement of Net Assets reports all financial and capital resources (assets, liabilities, and net assets) of the System as of the end of the fiscal year using the accrual basis of accounting. This is consistent with the accounting method used by private-sector institutions. The statement reports the difference between the assets and liabilities as net assets rather than fund balances or equity. This statement represents the System's financial health or position. Nonfinancial factors such as student enrollment trends and the condition of the campus buildings are also important considerations. Definitions of the various categories of assets, liabilities and net assets reported on the Statement of Net Assets are included in Note 1 of the accompanying Notes to the Combined Financial Statements.

The net assets section of the statement is reported by three major categories: 1) Invested in Capital Assets, Net of Related Debt; 2) Restricted Net Assets; and 3) Unrestricted Net Assets. The Invested in Capital Assets, Net of Related Debt section, represents the System's equity in property, plant, and equipment, net of accumulated depreciation, and reduced by outstanding balances for bonds and other debt that are attributed to the acquisition, construction or improvement of those assets. Restricted Net Assets are divided into four categories: 1) Restricted for Debt Retirement; 2) Restricted for Capital Projects; 3) Funds Held as Permanent Investments (endowment funds); and 4) Other Restricted.

Those funds held as permanent investments are further categorized by non-expendable and expendable. The non-expendable portion represents the corpus balance of the endowment funds that must continue in perpetuity. The Other Restricted category represents funds that have been restricted by bond covenants or an external donor/agency. Unrestricted net assets are available for any lawful purpose of the institution.

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
Management's Discussion and Analysis  
For the Year Ended August 31, 2010**

The following table reflects the Condensed Comparative Statement of Nets Assets for the System as of August 31, 2010 and 2009:

<b>Condensed Comparative Statement of Net Assets</b>			
<b>As of August 31, 2010 and 2009</b>			
<b>(\$ in millions)</b>			
	<b>2010</b>	<b>2009</b>	<b>% Incr/Decr</b>
<b>Assets</b>			
Current Assets	\$ 550.3	\$ 484.0	
Noncurrent Assets			
Capital Assets, Net	629.2	545.1	
Other Noncurrent Assets	225.1	156.1	
<b>Total Assets</b>	<b>\$ 1,404.6</b>	<b>\$ 1,185.2</b>	<b>18.51%</b>
<b>Liabilities</b>			
Current Liabilities	253.7	220.9	
Noncurrent Liabilities			
Bonded Indebtedness	421.1	269.4	
Other Noncurrent Liabilities	26.5	23.3	
<b>Total Liabilities</b>	<b>701.3</b>	<b>513.6</b>	<b>36.53%</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	190.2	267.3	
Restricted			
Debt Retirement	0.0	0.5	
Capital Projects	146.5	28.2	
Funds Held as Permanent Investments			
Non-Expendable	40.6	38.8	
Expendable	3.4	3.7	
Other Restricted	57.4	53.8	
Total Restricted	247.8	125.1	
Unrestricted	265.3	279.2	
<b>Total Net Assets</b>	<b>703.3</b>	<b>671.6</b>	<b>4.73%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,404.6</b>	<b>\$ 1,185.2</b>	<b>18.51%</b>

- Increase in total assets: \$219.4 million
  - \$130.4 million net increase in cash and cash equivalents and investments
  - \$10.5 million decrease in legislative appropriations
  - \$13.5 million increase in receivables
  - \$96.5 million increase in capital assets-land, buildings and construction in progress
  
- Increase in total liabilities: \$187.7 million
  - \$14.2 million increase in deferred revenues
  - \$11.6 million increase in accounts payable and payroll payable
  - \$172.8 million increase in current and noncurrent revenue bonds/notes payable
  
- Increase in total net assets: \$31.7 million
  - \$82.6 million decrease in invested in capital assets, net of related debt
  - \$1.8 million increase in nonexpendable funds held for permanent investment
  - \$6.5 million decrease in unrestricted net assets
  - \$116.2 million increase in restricted for capital projects

Unrestricted net assets of \$265.3 represent funds that have not been designated for specific purposes by external parties; however, the System's administration has committed most of these funds to meet institutional initiatives and for future operating budgets related to academic programs, special activities, and capital projects.

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
Management's Discussion and Analysis  
For the Year Ended August 31, 2010**

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets reports the System's operations for the fiscal year. Revenues are reported by major source and expenses are reported on the face of the statement by the National Association of College and University Business Officers' functional (programmatic) categories. A matrix immediately follows the statement showing the expenses by natural classifications. Both revenues and expenses on the statement are reported as either operating or nonoperating. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the primary mission of the System. Nonoperating activities are those activities not related to the provision of goods or services to customers. Examples of nonoperating items include the revenue appropriated to the System by the State Legislature and revenue and expenses related to capital financing and investing activities.

The following table reflects the System's Condensed Comparative Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended August 31, 2010 and 2009.

<b>Condensed Comparative Statement of Revenues, Expenses and Changes in Net Assets For the Fiscal Years Ended August 31, 2010 and 2009 (\$ in millions)</b>			
	<b>2010</b>	<b>2009</b>	<b>% Incr/Decr</b>
Operating Revenues	\$ 509.0	\$ 463.2	9.9%
Operating Expenses	718.4	667.9	7.6%
<b>Operating Income/(Loss)</b>	<b>(209.4)</b>	<b>(204.7)</b>	<b>17.4%</b>
Nonoperating Revenues/(Expenses)	204.7	217.9	-6.0%
Income/(Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(4.7)	13.2	-135.5%
Other Revenues, Expenses, Gains, Losses and Funds Held as Permanent Investments	36.5	34.3	6.3%
<b>Change in Net Assets</b>	<b>31.8</b>	<b>47.4</b>	<b>-33.0%</b>
Net Assets, Beginning of Year	671.5	624.8	
Restatements	(0.0)	(0.7)	
Restated Net Assets, Beginning of Year	671.5	624.1	7.6%
<b>Net Assets, End of Year</b>	<b>\$ 703.3</b>	<b>\$ 671.6</b>	<b>4.7%</b>

The System's significant operating loss reported for the current and prior fiscal years on this statement is reflective of GASB Statement No. 35 reporting requirements, which stipulate that revenue from legislative appropriations is to be reported as nonoperating revenue, but the expenditure of these funds must be reported as operating expense.

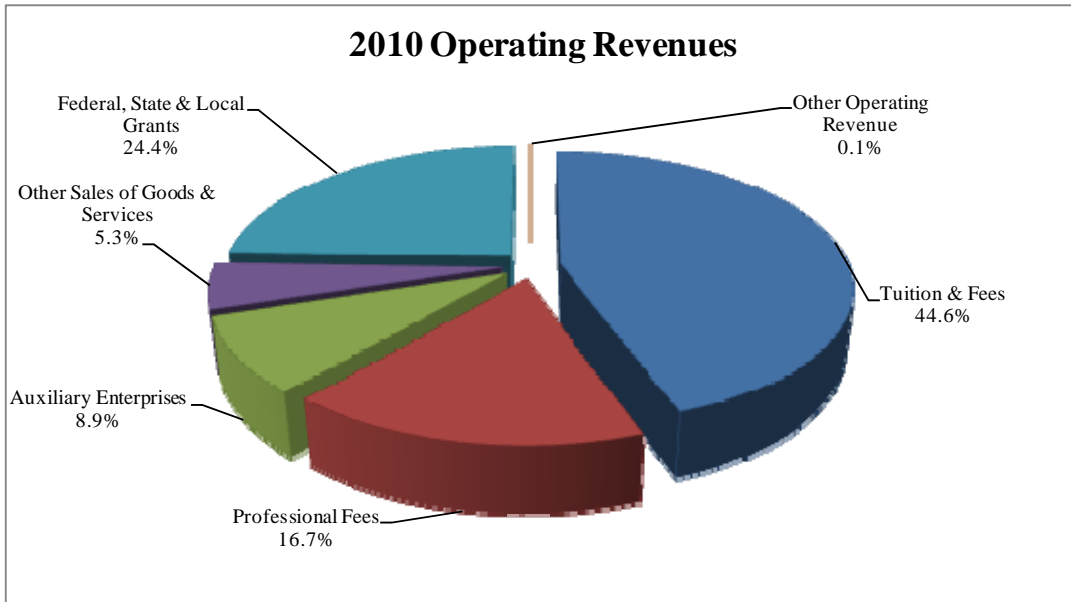
Included in nonoperating revenue above are legislative appropriations for the current fiscal year totaling \$168.3 million, additional appropriated revenue for state-paid fringe benefits of \$43.2 million, and American Recovery and Investment Act (2009) pass-through revenues in the amount of \$10.4 million. Also, the System's Higher Education Fund (HEF) annual revenue totaling \$35.1 million that is constitutionally-appropriated by the State for capital asset acquisitions and major improvements is reported as Other Revenue rather than operating revenue or nonoperating revenue, but the HEF expenditures are reported as operating expenses.

As the operating revenue pie chart below shows, 44.6% of the System's operating revenue for this fiscal year was generated from student tuition and fees. The total tuition and fee revenue for the fiscal year amounted to \$226.9 million. This figure is net of the scholarship discounts that have been subtracted from the gross tuition and fee revenue in accordance with GASB 35 reporting requirements.

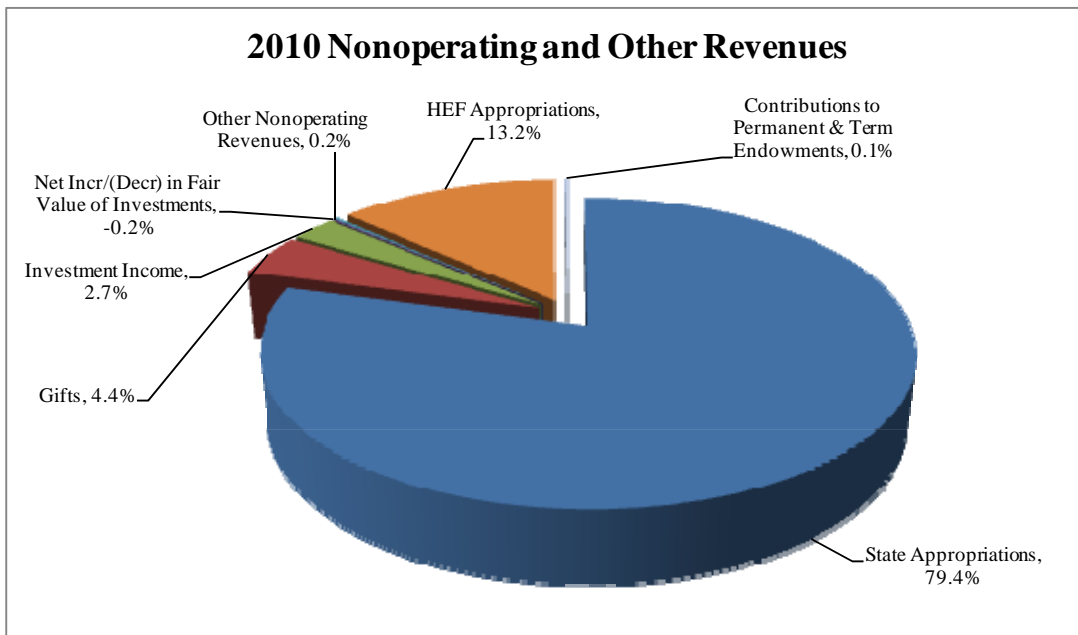
UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
Management's Discussion and Analysis  
For the Year Ended August 31, 2010

The System's operating revenue from all federal, state, and private grants and contracts, including pass through grant revenue, increased approximately 21.6% during this fiscal year. Faculty members of the University, in particular, have been strongly encouraged to pursue research funding in an effort to provide more funding and to more fully develop the University's image as a comprehensive graduate and research institution.



State appropriations, which represent the largest percentage of other nonoperating revenues, increased by 1.6% in the second year of the 2009-2010 biennium including \$10.4 million in ARRA pass through revenues.

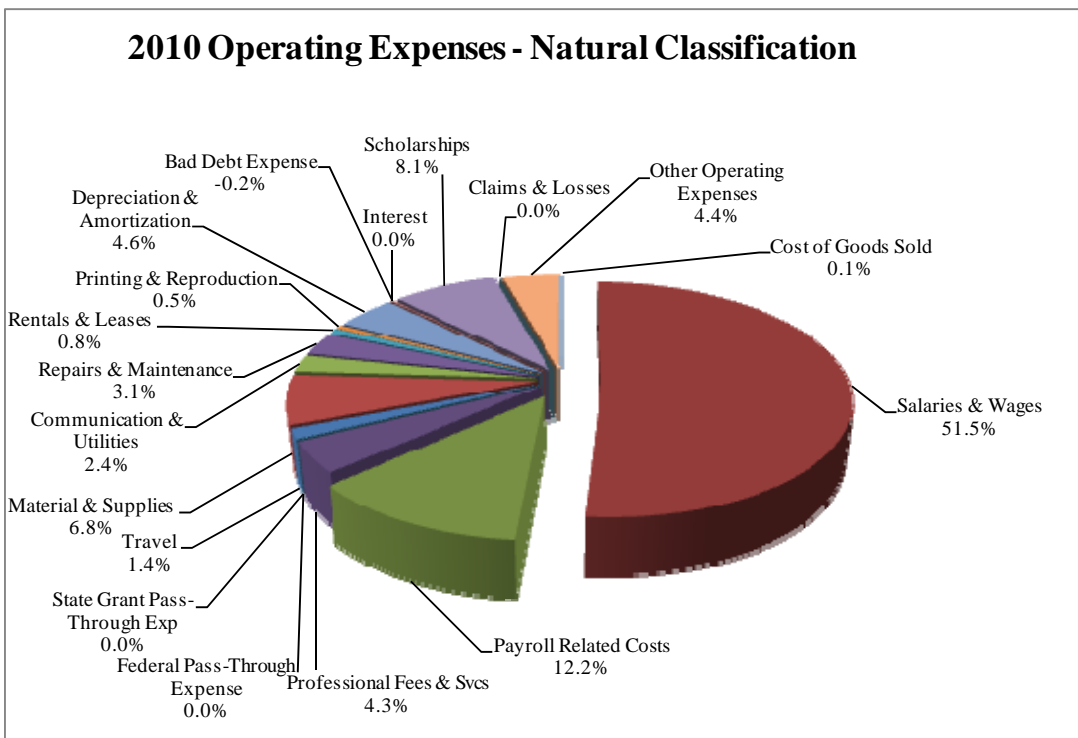
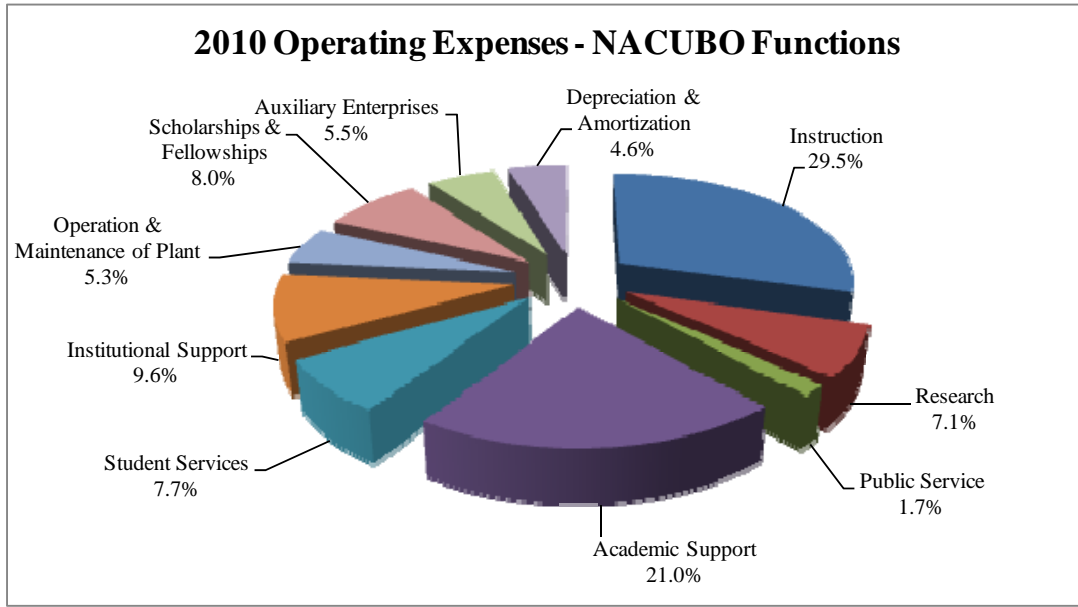


**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
Management's Discussion and Analysis  
For the Year Ended August 31, 2010**

The System's operating expenses reflect a 7.5% increase during the fiscal year. Increases are due primarily to additional faculty and staff to support additional teaching and research initiatives, and a 23.4% increase in expenses for scholarships to students.

The first table below shows the percentage of each NACUBO functional (programmatic) operating expense classification of total operating expenses. The second table shows the percentages of each type of operating expense based on a natural classification.



**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
Management's Discussion and Analysis  
For the Year Ended August 31, 2010**

**Statement of Cash Flows**

The Statement of Cash Flows reports the major sources and uses of the System's cash and cash equivalents during the fiscal year. Cash equivalents are short-term highly liquid investments with an original maturity of three months or less. When used with the information provided on the two statements previously discussed, the information from the cash flow statement should assist the financial statement user in evaluating the System's ability to generate future cash flows, its ability to meet obligations as they come due, its needs for external financing, and the reasons for the differences between the operating income/(loss) and associated cash receipts and payments.

The statement consists of five sections. The first section reports cash receipts and payments from operating activities. The second section reflects the cash flows from non-capital financing activities, including such items as receipts from state appropriations and gifts. The third section shows cash flows related to capital and related financing activities, including HEF appropriations, gift receipts designated for capital-related items, all payments for capital-related acquisitions, and receipts and payments associated with capital-related debt financing. The fourth section reports cash flows from investing activities and shows the purchases, proceeds, and interest received from investing. The fifth section is a reconciliation of the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. The table below is a Condensed Comparative System Statement of Cash Flows.

<b>Condensed Comparative Statement of Cash Flows For the Fiscal Years Ended August 31, 2010 and 2009 (\$ in millions)</b>			
	<b>2010</b>	<b>2009</b>	<b>% Incr/Decr</b>
<b>Cash Provided (Used) by:</b>			
Operating Activities	\$ (162.1)	\$ (172.8)	
Noncapital Financing Activities	233.3	218.1	
Capital and Related Financing Activities	51.8	(36.4)	
Investing Activities	(60.4)	28.9	
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>62.6</b>	<b>37.8</b>	
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>299.7</b>	<b>261.9</b>	
Restatement to Beginning Cash & Cash Equivalents Balance	0.1	-	
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 362.4</b>	<b>\$ 299.7</b>	<b>20.9%</b>

It is important to note that state appropriations provide a significant portion of the cash used to fund operating activities related to academic programs, the administration of the System, and the debt service on tuition revenue bonds. The appropriations, however, are reported in the noncapital financing activities section of the Statement of Cash Flows in accordance with GASB Statement No. 35 guidelines.

Although operating revenues from sponsored projects and auxiliaries increased, operating expenses had a greater increase in the areas of salaries and wages and payroll benefits, payments to suppliers, and payments for other expenses; this resulted in a greater use of cash for operating activities in fiscal year 2010.

The change in cash provided/used by investing activities was a result of the investment of bond proceeds until needed for construction payments. Additionally, new investments were purchased as market conditions improved during the year.



## UNAUDITED

### UNIVERSITY OF NORTH TEXAS SYSTEM (794) Management's Discussion and Analysis For the Year Ended August 31, 2010

#### Capital Asset and Debt Administration

The System's net capital asset additions from acquisitions, donations, and construction during the fiscal year totaled \$86 million. Included in the increase in capital assets were UNT's Life Sciences Complex, two sorority houses, Business Leadership Building, parking garage, and new football stadium; and UNT Dallas second academic building. In May 2010, UNTHSC opened a 112,000 square foot Medical Education and Training building, which will house classrooms and other functions. Total cost-to-date was approximately \$28 million. Additional costs will be incurred to finish out the building in fiscal year 2011. Funding for the costs will come from bonds issued by the System.

Tuition Revenue Bonds issued during 2010 were: RFS Series 2009A issued December 2, 2009 in the amount of \$159,310,000 to fund the second academic building at UNT Dallas, UNT Business Leadership Building, UNT parking garage, and UNT football stadium; RFS Refunding Series 2009B issued December 2, 2009 in the amount of \$15,800,000 to refund outstanding bonds; RFS Refunding Series 2010 issued July 23, 2010 in the amount of \$57,625,000 to refund outstanding bonds.

Bond ratings remained constant in 2010. More detailed information regarding the System's bonded indebtedness is provided in Note 6 of the accompanying Notes to the Combined Financial Statements.

The following table sets forth the Pledged Revenues under the Revenue Financing System for each of the three most recent fiscal years and an estimate of Pledged Revenues for fiscal year 2010-11:

	2008	2009	2010	2011 (Est.)
Available Pledged Revenues (not including Fund Balances) <sup>(1)(3)</sup>	\$ 196,159,526	\$ 214,199,887	\$ 240,586,318	\$ 251,144,494
Pledgeable Unappropriated Funds (Funds and Reserve Balances) <sup>(2)(3)</sup>	229,454,838	235,646,977	239,963,590	245,225,117
Total Pledged Revenues <sup>(3)</sup>	\$ 425,614,364	\$ 449,846,864	\$ 480,549,908	\$ 496,369,611

<sup>(1)</sup>The Available Pledged Revenues include the gross revenues of the University Building System, the pledged student tuition (Skiles Act), the Student Union Fee, pledged general tuition (which includes general use fees), and investment income or moneys on deposit in the Interest and Sinking Fund, and the Reserve Fund.

<sup>(2)</sup>In addition to current year Pledged Revenues, any unappropriated or reserve fund balances remaining at year end are available for payment of the subsequent year's debt service.

<sup>(3)</sup>Available Pledged Revenues and Pledgeable Unappropriated Funds do not include UNTHHealth and loan reserves at the Health Science Center.

## UNAUDITED

### UNIVERSITY OF NORTH TEXAS SYSTEM (794) Management's Discussion and Analysis For the Year Ended August 31, 2010

#### Economic Outlook

The State Legislature of Texas passed several statutes in the 2003 session that had a material impact on institutions of higher education in the 2004 fiscal year. Of particular significance was the reduction in the level of formula funding the State would provide. To offset the reduction, the Legislature removed the cap from Board Designated (BD) tuition that is set by the System's Board of Regents. The cap was previously set at the state-mandated tuition rate per semester credit hour. Although the BD tuition cap was eliminated, the statute provides that 20% of any increase in BD tuition must be set aside and used for financial aid to students. In response to the new legislation, the System's Board approved incremental increases in BD tuition at the University. BD Tuition increases are as follows:

Semester	BD Tuition
Fall 2006	\$90.50/SCH UNT
Fall 2007	\$94.50/SCH UNT / \$90.50/SCH UNT Dallas
Fall 2008	\$110.92/SCH UNT / \$90.50/SCH UNT Dallas
Fall 2009	\$128.67/SCH UNT / \$90.50/SCH UNT Dallas
Fall 2010	\$138.76/SCH UNT / \$155.00/SCH UNT Dallas*

\*UNT Dallas BD Tuition includes course, laboratory and special services fees.

Funding for research/sponsored grants and contracts continues to be a priority for the University. Research is a fundamental value of the University of North Texas. UNT is ranked by the Carnegie Foundation as a Doctoral Research-Extensive University and by the Texas Higher Education Coordinating Board as an Emerging Research University. In 2008-2009, UNT committed to invest \$25 million to support multi-disciplinary collaborative research clusters in Bio/Nano-Photonics, Materials Modeling and Simulation, Developmental Physiology and Genetics, Signaling Mechanisms in Plants, and Advanced Research in Technology and the Arts. Recruitment of faculty into the clusters began immediately. In 2009, UNT chose two additional research clusters to build: one in Subantarctic Biocultural Conservation and another in Renewable Bioproducts. To date, ten senior and junior faculty have been successfully hired into these research clusters. Negotiations are ongoing with two more potential hires, and ten searches are underway for the current academic year. Recently, UNT has decided to develop Phase II of this research cluster program. As part of Phase II, UNT intends to build four additional research clusters in Computational Chemical Biology, Renewable Energy and Conservation, Knowledge Discovery from Massive Digital Information Sources, and Surface Science and Engineering. Another component of Phase II is the decision to expand the scope of two existing Phase I clusters (Plant Signaling and Renewable Bioproducts) to create synergies in biochemical engineering and production. Phase II will also involve focused investments in five additional strategic areas for future growth. The Phase II cluster program will require an investment of \$30 million over three years. UNT is committed to investing \$55 million in nine research clusters and five other strategic research areas.

Research awards and expenditures are up over 60% since 2007, indicating that innovative research is attracting more external funding. The University of North Texas is one of seven "emerging research" universities selected for inclusion in the Tier One bill enacted by the 81<sup>st</sup> legislature. This bill will allow universities a chance to compete for extra state funding to build up research programs, endowments and other efforts that define great research campuses. Funding for the Tier One bill includes Texas Research Incentive Program (\$50 million over 2 years) that will match private gifts and scholarships secured by a university; National Research University Fund which rewards a university if it crosses a national threshold of excellence.

In 2010, the 81,000-square-foot Life Sciences Complex was completed and occupied. This state-of-the-art facility has already proven valuable in helping to recruit world-renowned faculty to join some of UNT's active research clusters. UNT also completed construction of the \$2.5 million *Talon*—the centralized high-performance computing facility that provided a dramatic increase in the university's computational power, placing it among the premier facilities of its kind in the country. A variety of other large-scale research infrastructure projects are underway or in the active planning stages. The construction of a \$6 million cleanroom will begin soon at Discovery Park. Approximately \$9 million will be invested to renovate the Science Research Building and the Business Administration Building to provide updated research space as the university hires new research-active faculty with strong records in research funding. UNT's premier materials characterization facility, CART, will be renovated and

## UNAUDITED

### UNIVERSITY OF NORTH TEXAS SYSTEM (794) Management's Discussion and Analysis For the Year Ended August 31, 2010

consolidated at Discovery Park alongside a new incubator for technology business startups, with an investment of more than \$3 million. In addition, Discovery Park will be the site of the \$50 million Science and Technology Research Building; planning for this building is expected to begin in the near future. UNT's graduate enrollment in the Fall 2009 semester increased 12.2%, which is important to the university's continued development as a national research university.

UNT will receive \$8.56 million in 2009-2010 from the U.S. Air Force Research Laboratory in Ohio to fund the new Institute for Science and Engineering Simulation (ISES). This project was made possible through congressional appropriations and will study the causes of engine failure and how to develop stronger, more durable engines.

The Osteopathic Research Center at UNTHSC received a four-year Research Education Project Partnership Grant from the National Institutes of Health's National Center for Complementary and Alternative Medicine. The \$758,000 grant will support the integration of biomedical research competencies into the osteopathic medical school curriculum.

H.B. 51 approved increases in the HEF allocations. The HEF allocation for fiscal years 2009 and 2010 are \$27,122,687 for UNT and \$7,994,676 for UNTHSC (in each year); in fiscal year 2011, UNT will receive \$27,846,476 and UNTHSC will receive \$8,771,265.

Although the economic climate in 2009 and 2010 was uncertain, state fiscal stabilization funds provided by the American Recovery and Reinvestment Act 2009 (ARRA) provided stabilization for 2010 appropriations as follows: University of North Texas System received \$5,000,000 for a public law school to be located in Dallas; the University received \$4,722,705 for operations support, \$2,000,000 for institutional enhancement and \$75,000 for Texas State Historical Association; the Health Science Center received \$2,899,981 for Medical Education Project and \$538,073 for Graduate Medical Education Project. Included in the 2011 appropriation were funds received from ARRA as follows: the University received \$75,000 for Texas State Historical Association and \$3,962,021 for Higher Education Performance Incentive. Future positive results in operations are largely dependent upon the System's effective management of operating costs while striving to continue to maintain its high quality in recruiting the best faculty, staff and students, and the continued financial and political support from the State.

A state mandate during fiscal year 2010 required that certain agencies return five percent of previously granted appropriations. Total general revenue returned to the state from UNT System was \$7.77 million. An additional return of appropriations for tuition revenue bonds in excess of actual debt service totaled \$772,583. It is possible that the state will mandate an additional 10% cut in state funding in the next biennium, with a possible cut up to 25% during the first quarter of fiscal year 2012. Plans to mitigate these cuts include: setting revenue expectations for growth as well as extramural research, contract, and philanthropic funding; continuing to improve efficiency and reduce unnecessary expenses and duplication of services throughout UNT System; and continuing to evaluate the effectiveness and efficiency in all areas of the UNT System participants to ensure that they achieve their core missions.

The System is committed to increasing its resources from endowed gifts and other contributions through ambitious development efforts. These contributions are an important supplement to the funding received from the state and a significant factor in the growth of academic and research programs.

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Combined Statement of Net Assets**  
**For the Year Ended August 31, 2010**

	<b>August 31, 2010</b>	<b>August 31, 2009</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
Current Assets		
Cash and Cash Equivalents		
Cash on Hand	\$ 136,480.52	\$ 115,469.05
Cash in Bank	(11,585,097.34)	(9,632,624.94)
Reimbursement Due from Treasury	16,246,087.92	13,978,460.55
Cash in State Treasury	20,238,635.22	17,605,469.97
Cash Equivalents	305,026,514.99	225,825,379.29
Short Term Investments		
Restricted:		
Cash and Cash Equivalents		
Cash on Hand	5,993.70	8,025.30
Cash in Bank	(1,064,938.13)	(1,664,558.33)
Cash in State Treasury	-	-
Cash Equivalents	33,349,068.94	53,471,821.68
Short Term Investments		
Legislative Appropriations		
Receivables from:		
Federal	29,912,431.38	20,871,238.67
Other Intergovernmental	475,279.34	305,335.25
Interest and Dividends	1,225,739.36	1,469,602.27
Accounts Receivable	54,023,425.52	37,083,729.28
Gifts Receivable	2,534,100.93	2,623,357.63
Other Receivables	-	12,039,852.05
Due From Other Agencies	5,161,856.22	5,124,803.68
Due From Other Components	-	-
Consumable Inventories	1,772,114.45	1,792,674.47
Merchandise Inventories	458,540.89	379,077.74
Deferred Charges	-	-
Loans and Contracts	6,793,656.12	6,568,463.46
Other Current Assets	20,533,991.13	20,428,023.41
<b>Total Current Assets</b>	<b>550,292,700.24</b>	<b>483,990,415.02</b>
Non-Current Assets and Deferred Outflows		
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	-	-
Cash in State Treasury	-	-
Cash Equivalents	-	-
Investments		
Investments	67,296,073.99	62,320,613.79
Loans and Contracts		
Loans and Contracts	5,929,336.13	6,334,998.33
Investments		
Investments	147,662,354.47	84,839,483.88
Derivative Instrument Assets		
Derivative Instrument Assets	-	-
Deferred Outflow of Resources		
Deferred Outflow of Resources	-	-
Gift Receivables		
Gift Receivables	2,085,377.34	2,281,477.67
Capital Assets:		
Non-Depreciable or Non-Amortizable		
Land and Land Improvements	66,869,463.09	63,706,944.97
Construction in Progress	108,673,487.95	44,914,656.26
Other Tangible Capital Assets	23,682,182.81	23,414,123.72
Land Use Rights	-	-
Other Intangible Capital Assets	-	-
Depreciable or Amortizable		
Buildings and Building Improvements	626,029,073.04	596,444,451.68
Less Accumulated Depreciation	(296,109,831.57)	(280,387,258.68)
Infrastructure	9,348,550.11	9,348,550.11
Less Accumulated Depreciation	(7,965,796.48)	(7,886,807.20)
Facilities and Other Improvement	16,907,597.78	16,907,597.78
Less Accumulated Depreciation	(9,714,697.46)	(9,098,266.16)
Furniture and Equipment	109,961,422.89	125,508,572.60
Less Accumulated Depreciation	(68,065,236.97)	(83,458,262.60)

**UNAUDITED**

	<b>August 31, 2010</b>	<b>August 31, 2009</b>
Vehicles, Boats and Aircraft	8,255,013.12	7,682,241.91
Less Accumulated Depreciation	(5,659,615.44)	(5,225,987.64)
Other Capital Assets	99,821,934.47	91,717,856.47
Less Accumulated Depreciation	(52,838,824.28)	(48,497,811.63)
Land Use Rights	-	-
Less Accumulated Amortization	-	-
Computer Software	21,785,703.64	-
Less Accumulated Amortization	(19,941,124.05)	-
Other Intangible Capital Assets	-	-
Less Accumulated Amortization	-	-
Other Non-Current Assets	268,267.62	335,417.53
<b>Total Non-Current Assets and Deferred Outflows</b>	<b>854,280,712.20</b>	<b>701,202,592.79</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,404,573,412.44</b>	<b>\$ 1,185,193,007.81</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Current Liabilities		
Payables From:		
Accounts Payable	\$ 30,198,645.39	\$ 18,327,586.59
Payroll Payable	36,079,539.69	33,884,897.15
Other Payables	1,878,055.07	1,691,336.07
Due to Other Funds	-	-
Due to Other Agencies	29,892.63	76,573.03
Due to Other Components	-	-
Deferred Revenues	142,909,724.51	131,238,302.94
Notes and Loans Payable	2,093,000.00	-
Revenue Bonds Payable, Net	19,399,192.00	12,945,000.00
Pollution Remediation Obligation	12,424.10	-
Claims and Judgements	-	-
Employees Compensable Leave	2,116,965.29	1,878,479.85
Capital Lease Obligations	-	-
Liabilities Paid from Restricted Assets	-	-
Funds Held for Others	13,410,879.81	16,656,502.90
Other Current Liabilities	5,600,596.34	4,204,523.10
<b>Total Current Liabilities</b>	<b>253,728,914.83</b>	<b>220,903,201.63</b>
Non-Current Liabilities and Deferred Inflows		
Notes and Loans Payable	5,287,000.00	4,381,000.00
Contra Liability-Due From Other Components-CP	-	-
Revenue Bonds Payable, Net	421,055,842.90	269,375,000.00
Derivative Investment Liability	-	-
Deferred Inflow of Resources	-	-
Pollution Remediation Obligation	-	-
Claims and Judgements	-	-
Employee's Compensable Leave	17,025,619.71	15,809,032.93
Capital Lease Obligations	-	-
Funds Held for Others	2,405,831.50	1,005,478.04
Other Non-Current Liabilities	1,757,386.92	2,146,006.25
<b>Total Non-Current Liabilities and Deferred Inflows</b>	<b>447,531,681.03</b>	<b>292,716,517.22</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>701,260,595.86</b>	<b>513,619,718.85</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	190,161,107.07	267,336,796.81
Restricted for:		
Debt Retirement	19,691.31	463,324.64
Capital Projects	146,476,797.92	28,245,000.83
Employee Benefits	-	-
Funds Held as Permanent Investments		
Non-Expendable	40,603,811.43	38,836,996.92
Expendable	3,354,035.19	3,700,601.93
Other Restricted	57,376,516.17	53,806,659.48
Unrestricted	265,320,857.49	279,183,908.35
<b>Total Net Assets</b>	<b>703,312,816.58</b>	<b>671,573,288.96</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,404,573,412.44</b>	<b>\$ 1,185,193,007.81</b>

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Combined Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Year Ended August 31, 2010**

	<b>August 31, 2010</b>	<b>August 31, 2009</b>
<b>OPERATING REVENUES</b>		
Sales of Goods and Services:		
Tuition and Fees - Non-Pledged	\$ 6,301,879.88	\$ 6,074,788.05
Tuition and Fees - Pledged <sup>(2)</sup>	269,227,967.14	240,249,982.65
Discounts and Allowances	(48,594,039.75)	(37,602,700.00)
Professional Fees - Non-Pledged	85,036,620.86	84,963,888.59
Professional Fees - Pledged	-	-
Discounts and Allowances	-	-
Auxiliary Enterprises - Non-Pledged	1,074,368.35	1,047,048.48
Auxiliary Enterprises - Pledged	44,520,377.17	41,944,296.13
Discounts and Allowances	(196,133.09)	(171,692.88)
Other Sales of Goods and Services - Non-Pledged	-	-
Other Sales of Goods and Services - Pledged <sup>(2)</sup>	27,213,533.29	24,295,916.90
Discounts and Allowances	-	-
Federal Revenue - Operating	89,129,741.81	69,115,089.70
Federal Pass Through Revenue	4,031,932.89	2,879,786.19
State Grant Revenue	3,464,429.94	1,564,160.44
State Grant Pass Through Revenue	17,749,991.44	19,190,826.23
Other Grants and Contracts - Operating	9,830,589.46	9,449,290.22
Other Operating Revenues	185,281.15	208,568.59
<b>Total Operating Revenues</b>	<b>508,976,540.54</b>	<b>463,209,249.29</b>
<b>OPERATING EXPENSES<sup>(1)</sup></b>		
Instruction	211,220,354.29	207,841,701.70
Research	51,199,409.72	45,307,519.59
Public Service	12,063,613.74	11,283,335.02
Academic Support	151,082,253.55	139,437,216.08
Student Services	55,077,944.29	51,893,631.94
Institutional Support	68,978,213.60	56,426,560.61
Operations and Maintenance of Plant	38,372,402.86	39,203,866.43
Scholarships and Fellowships	57,644,420.05	46,718,751.90
Auxiliary Enterprises	39,391,944.03	37,788,424.19
Depreciation and Amortization	33,357,528.49	32,042,076.50
<b>Total Operating Expenses</b>	<b>718,388,084.62</b>	<b>667,943,083.96</b>
<b>Operating Income/(Loss)</b>	<b>(209,411,544.08)</b>	<b>(204,733,834.67)</b>

**UNAUDITED**

	<b>August 31, 2010</b>	<b>August 31, 2009</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Legislative Appropriations (GR)	168,267,674.73	176,476,592.00
Additional Appropriations (GR)	43,203,214.84	41,785,403.76
Federal Grant Pass Through Revenue	10,384,569.20	-
State Grant Pass Through Revenue	-	-
Gifts	7,133,731.32	8,001,810.99
Investment Income	7,228,920.79	10,187,083.71
Loan Premium/Fees on Securities Lending	-	-
Investing Activities Expense	-	-
Interest Expense and Fiscal Charges	(23,883,496.44)	(12,304,112.90)
Borrower Rebates and Agent Fees	-	-
Gain/(Loss) on Sale of Capital Assets	(1,112,867.27)	(221,416.34)
Net Increase (Decrease) in Fair Value of Investments	(431,856.24)	(5,672,685.52)
Settlement of Claims	(1,009,299.29)	(757,677.01)
Other Nonoperating Revenues - Non-Pledged	516,478.21	573,211.24
Other Nonoperating Revenues - Pledged	-	-
Other Nonoperating Expenses	(5,562,532.56)	(177,414.50)
<b>Total Nonoperating Revenues /(Expenses)</b>	<b>204,734,537.29</b>	<b>217,890,795.43</b>
<b>Income/(Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</b>	<b>(4,677,006.79)</b>	<b>13,156,960.76</b>
<b>OTHER REVENUES, EXPENSES, GAINS LOSSES AND TRANSFERS</b>		
Capital Contributions	4,865,885.87	1,183,479.83
Capital Appropriations - HEF (GR)	35,117,363.00	35,117,363.00
Contributions to Permanent and Term Endowments	354,282.57	560,948.39
Special Items	-	-
Extraordinary Items	-	-
Interagency Transfers Cap Assets-Increase	-	160,555.01
Interagency Transfers Cap Assets-Decrease	(329,783.27)	-
Transfers-In	-	-
Transfers-Out	(3,548,534.61)	(2,731,076.83)
Legislative Transfers-In	-	-
Legislative Transfers-Out	-	-
Legislative Appropriation Lapses	-	(1,049.41)
<b>Total Other Revenue, Expenses, Gain/Losses and Transfers</b>	<b>36,459,213.56</b>	<b>34,290,219.99</b>
<b>CHANGE IN NET ASSETS</b>	<b>31,782,206.77</b>	<b>47,447,180.75</b>
Net Assets, Beginning	671,573,288.96	624,846,530.29
Restatements	(42,679.15)	(720,422.08)
Net Assets, Beginning, as Restated	671,530,609.81	624,126,108.21
<b>NET ASSETS, ENDING</b>	<b>\$ 703,312,816.58</b>	<b>\$ 671,573,288.96</b>

<sup>(1)</sup> See Note 1: Matrix of Operating Expenses Reported by Function on Page 18.

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Note 1: Matrix of Operating Expenses Reported by Function**  
**For the Fiscal Year Ended August 31, 2010**

<b>Operating Expenses</b>	<b>Instruction</b>	<b>Research</b>	<b>Public Service</b>	<b>Academic Support</b>	<b>Student Services</b>
<b>Cost of Goods Sold</b>	\$ (5,967.23)	\$ -	\$ -	\$ 171,277.70	\$ 107,643.24
<b>Salaries and Wages</b>	151,415,378.51	26,125,385.62	6,959,746.92	88,331,992.39	28,505,766.93
<b>Payroll Related Costs</b>	37,783,418.13	5,159,997.75	1,519,186.01	16,923,398.12	5,451,916.80
<b>Professional Fees &amp; Svcs</b>	1,292,365.57	6,895,386.55	832,643.62	18,261,751.49	1,006,356.74
<b>Federal Pass-Through Expense</b>	-	237,081.44	41,893.58	-	-
<b>State Grant Pass-Through Exp</b>	-	-	-	-	-
<b>Travel</b>	1,823,645.40	1,385,856.82	262,106.90	3,098,408.39	2,520,547.92
<b>Material and Supplies</b>	9,389,170.70	5,847,194.64	1,063,630.18	12,668,334.78	6,333,163.54
<b>Communication &amp; Utilities</b>	907,891.15	62,170.91	70,316.10	609,755.15	974,103.67
<b>Repairs and Maintenance</b>	2,055,730.73	1,575,329.64	59,860.40	2,723,119.62	712,799.35
<b>Rentals and Leases</b>	921,133.72	129,064.10	450,511.38	2,038,190.75	833,561.61
<b>Printing and Reproduction</b>	914,918.46	90,534.71	145,098.77	571,399.42	648,939.37
<b>Depreciation and Amortization</b>	-	-	-	-	-
<b>Bad Debt Expense</b>	(591,207.14)	-	-	264,429.00	(158,267.01)
<b>Interest</b>	-	-	-	-	-
<b>Scholarships</b>	1,010,105.40	910,694.90	127,694.40	52,249.98	-
<b>Claims and Losses</b>	-	-	-	-	-
<b>Other Operating Expenses</b>	4,303,770.89	2,780,712.64	530,925.48	5,367,946.76	8,141,412.13
<b>Total Operating Expenses</b>	<b>\$ 211,220,354.29</b>	<b>\$ 51,199,409.72</b>	<b>\$ 12,063,613.74</b>	<b>\$ 151,082,253.55</b>	<b>\$ 55,077,944.29</b>



**UNAUDITED**

<b>Institutional Support</b>	<b>Operation and Maintenance of Plant</b>	<b>Scholarships and Fellowships</b>	<b>Auxiliary Enterprises</b>	<b>Depreciation and Amortization</b>	<b>2010 Total Expenditures</b>
\$ 292,487.06	\$ 95,822.17	\$ -	\$ 3,766.05	\$ -	\$ 665,028.99
43,026,370.08	6,864,280.27	678,986.79	17,228,521.14	-	369,136,428.65
12,332,575.96	2,946,442.91	65,223.34	5,084,489.58	-	87,266,648.60
1,871,012.67	398,536.76	45,118.10	514,372.30	-	31,117,543.80
-	-	-	-	-	278,975.02
-	-	-	-	-	-
737,848.04	68,601.41	26,007.71	98,364.16	-	10,021,386.75
29,689.68	5,483,013.81	39,329.96	7,882,043.83	-	48,735,571.12
(471,438.18)	10,147,604.70	(882.73)	4,707,849.49	-	17,007,370.26
4,210,780.36	8,877,998.30	1,173.35	2,394,276.14	-	22,611,067.89
417,569.92	172,573.06	1,223.94	1,125,533.76	-	6,089,362.24
955,123.10	19,689.96	432.00	365,250.82	-	3,711,386.61
-	-	-	-	33,357,528.49	33,357,528.49
285,469.65	-	-	(911,451.03)	-	(1,111,026.53)
(24.63)	-	-	-	-	(24.63)
-	-	55,856,467.15	-	-	57,957,211.83
-	-	-	-	-	-
5,290,749.89	3,297,839.51	931,340.44	898,927.79	-	31,543,625.53
<b>\$ 68,978,213.60</b>	<b>\$ 38,372,402.86</b>	<b>\$ 57,644,420.05</b>	<b>\$ 39,391,944.03</b>	<b>\$ 33,357,528.49</b>	<b>\$ 718,388,084.62</b>

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Combined Statement of Cash Flows**  
**For the Fiscal Year Ended August 31, 2010**

	<b>August 31, 2010</b>	<b>August 31, 2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from Tuition and Fees	\$ 224,610,872.26	\$ 214,343,454.12
Proceeds Received from Customers	118,745,890.25	103,609,349.02
Proceeds from Sponsored Projects	114,703,836.83	98,033,766.31
Proceeds from Loan Programs	9,921,003.14	7,154,695.67
Proceeds from Auxiliaries	43,946,574.20	41,609,376.89
Proceeds from Other Revenues	1,225,023.58	205,154.22
Payments to Suppliers for Goods and Services	(154,120,874.25)	(160,592,655.74)
Payments to Employees for Salaries and Benefits	(453,256,086.04)	(408,129,743.13)
Payments for Loans Provided	(9,796,151.41)	(5,848,495.86)
Payments for Other Expenses	(58,131,488.45)	(63,214,356.65)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(162,151,399.89)</b>	<b>(172,829,455.15)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from State Appropriations	218,922,175.07	212,428,078.50
Proceeds from Debt Issuance	-	-
Proceeds from Legislative Transfers	-	-
Proceeds from Gifts	6,783,351.08	6,159,536.12
Proceeds from Endowments	354,282.57	560,948.39
Proceeds of Transfers from Other Agencies	-	-
Proceeds of Transfers from Other Components	-	-
Proceeds from Grant Receipts	10,384,569.20	-
Proceeds from Other Revenues	1,066,552.50	1,940,101.25
Proceeds from Contributed Capital	-	-
Payments of Principal on Debt Issuance	-	-
Payments of Interest	(71,529.80)	(54,222.65)
Payments of Other Costs of Debt Issuance	-	-
Payments for Transfers to Other Agencies	(3,548,534.61)	(2,731,076.83)
Payments for Transfers to Other Components	-	-
Payment for Grant Disbursements	-	-
Payments for Other Uses	(585,171.81)	(177,373.61)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>233,305,694.20</b>	<b>218,125,991.17</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from State Appropriations - HEF	36,363,724.03	34,447,345.50
Proceeds from Disposal of Capital Assets	47,021.25	-
Proceeds from Debt Issuance	256,178,914.92	47,100,892.50
Proceeds from Capital Contributions	-	-
Proceeds of Transfers from Other Components - Commercial Paper	-	-
Payments for Additions to Fixed Assets	(122,821,060.71)	(64,249,043.06)
Payments of Principal on Debt Issuance	(94,874,821.55)	(40,471,000.00)
Payments of Interest on Debt Issuance	(21,538,943.02)	(12,899,696.96)
Payments of Other Costs of Debt Issuance	(599,599.71)	(23,751.84)
Payments for Transfers to Other Components - Commercial Paper	-	-
Payments for Transfers to Other Components	-	-
Payments for Disposal of Capital Assets	(952,928.97)	(348,544.81)
<b>Net Cash Provided (Used) From Capital &amp; Related Financing Activities</b>	<b>51,802,306.24</b>	<b>(36,443,798.67)</b>

**UNAUDITED**

	<u>August 31,</u> <u>2010</u>	<u>August 31,</u> <u>2009</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	67,916,162.72	33,531,024.98
Proceeds from Interest and Investment Income	7,118,636.08	10,728,035.38
Proceeds from Principal Payments on Loans	-	-
Payments to Acquire Investments	(135,399,782.67)	(15,314,039.13)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(60,364,983.87)</b>	<b>28,945,021.23</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>62,591,616.68</b>	<b>37,797,758.58</b>
<b>Cash and Cash Equivalents --September 1, 2009 and 2008</b>	299,707,442.57	261,909,683.99
<b>Restatements to Beginning Cash and Cash Equivalents</b>	53,686.57	-
<b>Cash and Cash Equivalents --August 31, 2010 and 2009</b>	<b>\$ 362,352,745.82</b>	<b>\$ 299,707,442.57</b>
Displayed as:		
Unrestricted Cash and Cash Equivalents (Statement of Net Assets)	\$ 330,062,621.31	\$ 247,892,153.92
Short-term Investments (Statement of Net Assets)	-	-
Restricted Cash and Cash Equivalents (Statement of Net Assets)	32,290,124.51	51,815,288.65
Restricted Short-term Investments (Statement of Net Assets)	-	-
	<b>\$ 362,352,745.82</b>	<b>\$ 299,707,442.57</b>
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities</b>		
<b>Operating Income/(Loss)</b>	<b>\$ (209,411,544.08)</b>	<b>\$ (204,733,834.67)</b>
<b>Adjustments to Reconcile Operating Income to</b>		
<b>Net Cash Provided by Operating Activities</b>		
Depreciation and Amortization	33,357,528.49	32,042,076.50
Bad Debt Expense	(1,111,026.53)	3,393,545.87
Operating Income and Cash Flow Categories		
Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(13,524,670.52)	(15,727,820.22)
(Increase) Decrease in Inventories	8,246.78	(101,004.27)
(Increase) Decrease in Loans & Contracts	(158,147.64)	1,075,613.16
(Increase) Decrease in Other Assets	1,846,392.32	(3,599,555.65)
(Increase) Decrease in Prepaid Expenses	(102,011.11)	(4,277,117.08)
Increase (Decrease) in Payables	15,272,410.83	6,405,581.74
Increase (Decrease) in Due to Other Components	-	-
Increase (Decrease) in Deferred Income	11,671,421.57	12,693,059.47
Increase (Decrease) in Other Liabilities	-	-
<b>Total Adjustments</b>	<b>47,260,144.19</b>	<b>31,904,379.52</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (162,151,399.89)</b>	<b>\$ (172,829,455.15)</b>
<b>Non Cash Transactions</b>		
Net Increase (Decrease) in FMV of Investments	\$ (431,856.24)	\$ (5,672,685.52)
Amortization of Investment Premiums/(Discounts)	\$ 366,626.26	\$ 148,702.43
Amortization of Bond Premiums/(Discounts)	\$ 359,886.45	\$ -
Gain/(Loss) on disposal of Capital Assets	\$ (1,112,867.27)	\$ -

*The accompanying Notes to the Combined Financial Statements are an integral part of the financial statements.*

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010

**Note 1: Summary of Significant Accounting Policies**

**General Introduction**

The University of North Texas System is an agency of the state of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies and Universities.

The University of North Texas is the fourth-largest university in Texas and defines itself as a recognized student-centered public research university where the power of ideas is harnessed through a culture of learning based on diverse viewpoints, interdisciplinary endeavors, creativity and disciplined excellence. The University of North Texas Health Science Center at Fort Worth's mission is to improve the health and quality of life for the people of Texas and beyond through excellence in education, research, clinical care, community engagement and to provide national leadership in primary care.

The UNT System has no blended component units. The UNT System is reporting The University of North Texas Foundation, Inc. as a discrete component unit. Financial activity for the University of North Texas Health Science Center at Fort Worth Texas College of Osteopathic Medicine Foundation, Inc. (Foundation) is reported in UNTHSC's agency funds. The Foundation is a non-profit organization with the sole purpose of supporting the educational and other activities of UNTHSC. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The financial operations of the Foundation are overseen by a 34 member board of community business leaders, elected for a three-year term, which includes the four Alumni Association/Society presidents during their respective terms of office. The Executive Director, who is appointed by the Board and approved by the President of UNTHSC, is also the Vice President of Development.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

**Fund Structure**

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

**Proprietary Fund Types**

---

Enterprise Funds

Enterprise funds are used to account for any activity where a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services, including capital costs such as depreciation or debt service, be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency funds in institutions of higher education are reported in the proprietary funds.

## UNAUDITED

### UNIVERSITY OF NORTH TEXAS SYSTEM (794) NOTES TO THE COMBINED FINANCIAL STATEMENTS AUGUST 31, 2010

#### **Component Units**

---

The UNT System has no blended component units. The University of North Texas Foundation, Inc. is reported as a discrete component unit because the Foundation's governing body is not substantively the same as the governing body of the UNT System. Additional information may be found in Note 19.

#### **Basis of Accounting**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

#### **Restricted Net Assets**

When both restricted and unrestricted net assets are available for use, restricted resources are used first, and then unrestricted resources are used as they are needed.

#### **Budgets and Budgetary Accounting**

The UNT System component institutions' budgets are prepared annually and approved by the Board of Regents. The budgets for appropriated funds are prepared biennially and represent appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they are appropriated.

#### **Assets, Liabilities, and Fund Balances/Net Assets**

##### **ASSETS**

---

##### Cash and Cash Equivalents

Short-term highly liquid investments that are both readily convertible to known amounts of cash and having an original maturity of three months or less are considered cash equivalents.

##### Securities Lending Collateral

The UNT System had no securities lending collateral transactions during the fiscal year.

##### Derivatives

The UNT System had no investments in derivatives at August 31, 2010.

##### Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

##### Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the first-in-, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the proprietary fund types. The cost of these items is expensed when the items are consumed.

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all “exhaustible” assets. “Inexhaustible” assets such as works of art and historical treasures are not depreciated.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Current Receivables – Other

Other Receivables include year-end revenue accruals not included in any other receivable category.

Non-Current Receivables – Other

There are no Non-Current Receivables – Other reported for fiscal year 2010.

**LIABILITIES**

---

Accounts Payable

Accounts Payable represent the liability for the value of assets or services received at the statement of net assets date for which payment is pending.

Other Payables

Other Payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

Employees’ Compensable Leave

Employees’ Compensable Leave represents the liability that becomes “due” upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts. Liabilities are reported separately as either current or non-current in the statement of net assets.

Bonds Payable – Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The bonds payable are reported at par. Bond discounts and premiums are not amortized over the life of the bonds in proprietary funds if they are not individually greater than 5 percent of the par value of the bond issue. Revenue Bonds Payable is reported separately as either current or non-current in the statement of net assets.

**FUND BALANCE/NET ASSETS**

---

The difference between fund assets and liabilities is ‘Net Assets’ on the proprietary fund statements.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

Restricted Net Assets

Restricted Net Assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted Net Assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

**INTERFUND TRANSACTIONS AND BALANCES**

---

Not Applicable to proprietary funds.

UNAUDITED

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2010, is presented below:

BUSINESS-TYPE ACT.	Balance 9/1/2009	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2010
			Completed CIP	Increase Interagency Transfers	Decrease Interagency Transfers			
<b>Non-Depreciable or Non-Amortizable Assets:</b>	\$	\$	\$	\$	\$	\$	\$	\$
Land & Land Improvements	63,706,944.97					3,162,518.12		66,869,463.09
Construction in Progress	44,914,656.26	(497,891.00)	(31,376,354.11)			95,633,076.80		108,673,487.95
Other Tangible Capital Assets	23,414,123.72					321,809.09	(53,750.00)	23,682,182.81
<b>Total Non-Depreciable or Non-Amortizable Assets:</b>	<b>132,035,724.95</b>	<b>(497,891.00)</b>	<b>(31,376,354.11)</b>			<b>99,117,404.01</b>	<b>(53,750.00)</b>	<b>199,225,133.85</b>
<b>Depreciable Assets:</b>								
Buildings & Building Improvements	596,444,451.68		31,376,354.11			4,227,003.33	(6,018,736.08)	626,029,073.04
Infrastructure	9,348,550.11							9,348,550.11
Facilities & Other Improvements	16,907,597.78							16,907,597.78
Furniture & Equipment	125,508,572.60	(21,386,472.09)		285,710.48	(630,751.04)	12,444,623.07	(6,260,260.13)	109,961,422.89
Vehicles, Boats & Aircraft	7,682,241.91	15,132.50		27,568.50	(27,568.50)	834,757.00	(277,118.29)	8,255,013.12
Other Capital Assets	91,717,856.47					8,285,517.66	(181,439.66)	99,821,934.47
<b>Total Accumulated Depreciation</b>	<b>847,609,270.55</b>	<b>(21,371,339.59)</b>	<b>31,376,354.11</b>	<b>313,278.98</b>	<b>(658,319.54)</b>	<b>25,791,901.06</b>	<b>(12,737,554.16)</b>	<b>870,323,591.41</b>
<b>Less Accumulated Depreciation for:</b>								
Buildings & Improvements	(280,387,258.68)					(17,551,162.20)	1,828,589.31	(296,109,831.57)
Infrastructure	(7,886,807.20)					(78,989.28)		(7,965,796.48)
Facilities & Other Improvements	(9,098,266.16)					(616,431.30)		(9,714,697.46)
Furniture & Equipment	(83,458,262.60)	18,569,404.95		(122,479.09)	137,736.38	(8,535,075.04)	5,343,438.43	(68,065,236.97)
Vehicles, Boats & Aircraft	(5,225,987.64)	(5,180.78)		(27,568.50)	27,568.50	(696,859.38)	268,412.36	(5,659,615.44)
Other Capital Assets	(48,497,811.63)					(4,348,812.65)	7,800.00	(52,838,824.28)
<b>Total Accumulated Depreciation</b>	<b>(434,554,393.91)</b>	<b>18,564,224.17</b>		<b>(150,047.59)</b>	<b>165,304.88</b>	<b>(31,827,329.85)</b>	<b>7,448,240.10</b>	<b>(440,354,002.20)</b>
<b>Depreciable Assets, Net</b>	<b>413,054,876.64</b>	<b>(2,807,115.42)</b>	<b>31,376,354.11</b>	<b>163,231.39</b>	<b>(493,014.66)</b>	<b>(6,035,428.79)</b>	<b>(5,289,314.06)</b>	<b>429,969,589.21</b>
<b>Amortizable Assets - Intangible:</b>								
Land Use Rights								
Computer Software		21,675,374.24				119,442.19	(9,092.79)	21,785,703.64
Other Capital Intangible Assets								
<b>Total Amortizable Assets - Intangible</b>		<b>21,678,374.24</b>				<b>119,422.19</b>	<b>(9,092.79)</b>	<b>21,785,703.64</b>
<b>Less Accumulated Amortization for:</b>								
Land Use Rights								
Computer Software		(18,413,046.97)				(1,530,198.64)	2,121.56	(19,941,124.05)
Other Intangible Capital Assets								
<b>Total Accumulated Amortization</b>		<b>(18,413,046.97)</b>				<b>(1,530,198.64)</b>	<b>2,121.56</b>	<b>(19,941,124.05)</b>
<b>Amortizable Assets - Intangible, Net</b>		<b>3,262,327.27</b>				<b>(1,410,776.45)</b>	<b>(6,971.23)</b>	<b>1,844,579.59</b>
<b>Business-Type Activities Capital Assets, Net:</b>	<b>545,090,601.59</b>	<b>(42,679.15)</b>	<b>0.00</b>	<b>163,231.39</b>	<b>(493,014.66)</b>	<b>91,671,198.77</b>	<b>(5,350,035.29)</b>	<b>631,039,302.65</b>



UNAUDITED

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

**Note 3: Deposits, Investments and Repurchase Agreements**

The UNT System component institutions are authorized by statute to make investments following the “prudent person rule.” There were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank**

As of August 31, 2010, the carrying amount of deposits was \$(12,650,035.47) for Proprietary Funds and \$9,589,592.00 for University of North Texas Foundation, Inc. as presented below.

<b>Business-Type Activities</b>	
<b>CASH IN BANK – CARRYING VALUE</b>	<b>\$(12,650,035.47)</b>
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalents	
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	
<b>Cash in Bank per AFR</b>	<b>\$(12,650,035.47)</b>
Proprietary Funds Current Assets Cash in Bank	\$(11,585,097.34)
Proprietary Funds Current Assets Restricted Cash in Bank	\$(1,064,938.13)
<b>Cash in Bank per AFR</b>	<b>\$(12,650,035.47)</b>

<b>Discrete Component Unit</b>	
<b>CASH IN BANK – CARRYING VALUE</b>	<b>\$9,589,592</b>
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalents	
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	
<b>Cash in Bank per AFR</b>	<b>\$9,589,592</b>
Discrete Component Unit Current Assets Cash in Bank	\$9,589,592
Discrete Component Unit Current Assets Restricted Cash in Bank	
Discrete Component Unit Non-Current Restricted Cash in Bank	
<b>Cash in Bank per AFR</b>	<b>\$9,589,592</b>

These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the Combined Statement of Net Assets as part of the Cash and Cash Equivalents accounts.

As of August 31, 2010, the total bank balance was as follows:

Business-Type Activities	\$1,911,488.97
Discrete Component Unit	\$6,169,307.00

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The University of North Texas Foundation, Inc., presented as a discrete component unit, maintains cash balances at times in excess of \$250,000 in banks, 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 \$5,950,651 at December 3, 2009 to secure

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

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, 2009 was \$6,320,711. The total amount of checking account deposits with Wells Fargo Bank N.A. as of December 31, 2009 was \$199,904. In addition to the checking account balance, the Foundation had cash balances of \$6,169,307 at December 31, 2009 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 \$2,318,789 at December 31, 2009.

**Investments**

The University of North Texas System's investment portfolio is invested pursuant to Section 51.0032 of the Texas Education Code; Public Funds Collateral Act, Chapter 2257 of the Texas Government Code; the Public Funds Investment Act (PFIA); and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Chapter 163 of the Texas Property Code. Under the PFIA the University of North Texas' governing board is required to adopt a written investment policy and strategy, review the policy and strategy not less than annually, appoint an investment office, and adopt internal controls to safeguard the University's funds. Chapter 2257, Government Code, The Public Funds Collateral Act sets the standards for collateralization of public funds in Texas.

As of August 31, 2010, the carrying values of investments are presented below. The fair value is equivalent to the carrying value.

<b>Business-Type Activities</b>	<b>Carrying Value</b>
U.S. Government	
U.S. Treasury Securities	\$ 73,609.38
U.S. Treasury Strips	
U.S. Treasury TIPS	
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	81,274,276.55
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	
Corporate Obligations	308,168.51
Corporate Asset and Mortgage Backed Securities	
Equity	5,462,997.48
Endowment Funds- collective	22,289,326.17
International Obligations (Govt. and Corp.)	23,745.76
International Equity	3,177,905.89
Repurchase Agreement	12,830,775.59
Repurchase Agreement (Texas Treasury Safekeeping Trust Co.)	
Fixed Income Money Market and Bond Mutual Fund	64,954,298.81
Other Commingled Funds	109,189,476.34
Other Commingled Funds (Texpool)	236,113,606.62
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Alternative Investments-Domestic	3,468,518.12
Alternative Investments-Foreign	
Misc (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	14,167,307.17
<b>Total</b>	<b>\$ 553,334,012.39</b>

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

Discrete Component Unit	Fair Value
U.S. Government	
U.S. Treasury Securities	
U.S. Treasury Strips	
U.S. Treasury TIPS	
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	
Corporate Obligations	
Corporate Asset and Mortgage Backed Securities	
Equity	\$ 34,470,959
Endowment Funds- collective	
International Obligations (Govt. and Corp.)	
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co.)	
Fixed Income Money Market and Bond Mutual Fund	18,382,523
Other Commingled Funds	
Other Commingled Funds (Texpool)	
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Alternative Investments-Domestic	
Alternative Investments-Foreign	
Misc (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	11,291,281
<b>Total</b>	<b>\$ 64,144,763</b>

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The exposure to foreign risk at August 31, 2010, was as follows:

Fund Type	GAAP Fund	Currency	Balance
05	0001	Euro	\$536,281.06

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. As of August 31, 2010, UNT System's credit quality distribution for securities with credit risk exposure was as follows:

*Standard and Poor's*

Fund Type	GAAP Fund	Investment Type	AAA	AAAm	AA	A	BBB	BB	B	CCC	Unrated
			\$	\$	\$	\$	\$	\$	\$	\$	\$
5	0001	U.S. Government Agency Obligations	78,103,904								3,134,700
		Corporate Obligations					3,156	110,320	173,357	9,743	11,593
		International Obligations						6,852	13,671	1,659	1,564
		Repurchase Agreement			12,830,776						
		Fixed Income Money Market and Bond Mutual Fund		58,093,498							4,609,859
		Miscellaneous	917,885			3,022,544					3,386,913

**Reverse Repurchase Agreements**

The UNT System components, by statute, are authorized to enter into reverse repurchase agreements. The UNT System did not enter into any reverse repurchase agreements during the current fiscal year.

**Securities Lending Transactions**

The UNT System did not participate in any securities-lending program.

**Derivatives**

The UNT System did not participate in any derivatives.

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

**Note 4: Short-Term Debt**

University of North Texas System issues commercial paper with the intent and ability to treat it as long term debt (reported in Note 5 Notes & Loans Payable). The commercial paper debt service requirement due within one year includes \$2,093,000.00 principal and \$18,018.08 interest.

**Note 5: Long Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2010, the following changes occurred in long-term liabilities:

<b>Business-Type Activities</b>	<b>Balance 09-01-09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 08-31-10</b>	<b>Amounts Due Within One Year</b>
Notes & Loans Payable	\$ 4,381,000.00	\$ 3,849,000.00	\$ (850,000.00)	\$ 7,380,000.00	\$ 2,093,000.00
Revenue Bonds Payable	282,320,000.00	251,875,034.90	(93,740,000.00)	440,455,034.90	19,399,192.00
Claims & Judgments	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00
Compensable Leave	17,687,512.78	2,739,142.22	(1,284,070.00)	19,142,585.00	2,116,965.29
Pollution Remediation Obligation	325,000.00	12,424.10	(325,000.00)	12,424.10	12,424.10
<b>Total Business-Type Activities</b>	<b>\$ 304,713,512.78</b>	<b>\$ 258,475,601.22</b>	<b>\$ (96,199,070.00)</b>	<b>\$ 466,990,044.00</b>	<b>\$ 23,621,581.39</b>

**Commercial Paper**

The University of North Texas System increased the commercial paper program in fiscal year 2009. The issuance of commercial paper notes may not exceed, in aggregate, the principal amount of \$100,000,000 of which \$25,000,000 may be used as taxable notes. Additional University of North Texas System Revenue Financing System Commercial Paper Notes, Series A in the amount of \$3,849,000 were issued during the fiscal year to finance various capital projects and notes in the amount of \$850,000 matured. The outstanding balance at August 31, 2010, is \$7,380,000 with an interest rate of 0.31% for the outstanding issue. The University of North Texas System will provide liquidity support for \$100,000,000 in commercial paper notes by utilizing available funds of The University of North Texas System in lieu of or in addition to bank liquidity support.

The maximum maturity for commercial paper is 270 days. In practice, UNT System rolls, pays off, and/or issues new commercial paper at each maturity. Commercial paper will continue to be used as interim funding until long-term bonds are approved and issued or gifts are received to retire the commercial paper debt.

Long-Term Liabilities are presented for each component with an offsetting contra-account representing the amount due from/to other components.

The debt service requirements for Commercial Paper are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 2,093,000.00	\$ 18,018.08	\$ 2,111,018.08
2012	1,166,000.00	13,703.03	1,179,703.03
2013	1,038,000.00	9,942.68	1,047,942.68
2014	1,038,000.00	6,595.13	1,044,595.13
2015	1,038,000.00	3,247.58	1,041,247.58
2016-2017	\$ 1,007,000.00	\$ 332.18	\$ 1,007,332.18

## UNAUDITED

### UNIVERSITY OF NORTH TEXAS SYSTEM (794) NOTES TO THE COMBINED FINANCIAL STATEMENTS AUGUST 31, 2010

Average variable interest rate for 2010 of 0.32% was used to estimate interest in future years. Actual rate will fluctuate based upon market conditions in each year.

#### **Notes and Loans Payable**

The UNT System did not have any long-term notes and loans payable during the current fiscal year.

#### **Claims and Judgments**

As of August 31, 2010, the UNT System did not have any material claims or judgments that were settled and unpaid. There is one unresolved material claim that has not been paid. The University of North Texas has a conditional settlement agreement with the City of Denton pending the outcome of a declaratory judgment action regarding a statutory discount rate for utilities provided to institutions of higher education. The declaratory judgment action is City of Denton, Texas, Acting by and through its Electric Utility Department, Denton Municipal Electric v. University of North Texas, which is currently on appeal. Payment under the settlement agreement by the University is not due unless and until the University loses its appeal(s) in this matter. It is reasonably possible that the University could lose its appeal(s). In the event the University loses on final appeal, it will owe the City of Denton \$1,071,245.49 plus statutory interest of 9.25% per year, and attorney's fees up to \$45,500.

#### **Employees' Compensable Leave**

A state employee is entitled to be paid for all unused vacation time and 1.5 compensatory time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types is recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

#### **Pollution Remediation Obligations**

UNT Risk Management/Facilities identified one property in fiscal year 2010 that will require asbestos abatement in the next fiscal year under the Texas Asbestos Health Protection Act (TAHPA) Article 4477-3A V.T.C.S. and rules 25 TAC 295.31-295.70; and National Emission Standards for Hazardous Air Pollutants (NESHAP), 40CFR Part 61, Subpart M. No restatement of prior year liability was required; however UNT recorded an expense and liability in 2010 in the amount of \$12,424.10 (based on an environmental site assessment) for the property located at 2600 N. Interstate 35 E. Abatement is expected to be completed by August 31, 2011. No insurance recoveries are anticipated.

#### **Note 6: Bonded Indebtedness**

##### **Bonds Payable**

Detailed supplemental bond information is disclosed in the Combined Schedule 2A, Miscellaneous Bond Information; Combined Schedule 2B, Changes in Bonded Indebtedness; Combined Schedule 2C, Debt Service Requirements; Combined Schedule 2D, Analysis of Funds Available for Debt Service; Combined Schedule 2E, Defeased Bonds Outstanding; Combined Schedule 2F, Early Extinguishment and Refunding.

General information related to bonds is summarized below:

##### **University of North Texas System Administration**

Revenue Financing System Refunding and Improvement Bonds, Series 2005

- To provide funds for constructing and equipping a building for the UNT-Dallas campus including a library, classrooms, offices and related parking
- Issued 10-01-2005
- \$22,655,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010

Revenue Financing System Bonds, Series 2007

- To provide funds for the purposes of refunding a portion of the Board's outstanding commercial paper notes; and acquiring, renovating and equipping property in Dallas for academic and administrative purposes
- Issued 01-01-2007
- \$16,980,000; all authorized bonds have been issued
- Source of revenue for debt service – all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Series 2009A

- To provide funds for constructing and equipping the second academic building for the UNT-Dallas campus
- Issued 12-02-2009
- \$31,485,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

**University of North Texas**

Consolidated University Revenue Bonds, Series 1994

- To provide funds sufficient to purchase and renovate a facility for the purpose of storing library materials and surplus property, and provide work area for certain library staff; to construct an Advanced Learning and Student Service Center; to renovate the University Library; and pay the costs of issuance
- Issued 02-01-1994
- \$10,000,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and Gross Revenues of the University Building System, the General Fee (now called Designated Tuition), Pledged Student Tuition, Student Union Fee, and certain investment income

Revenue Financing System Bonds, Series 2001

- To provide funds for the construction and equipping of a student-oriented recreation facility (the "Recreation Center") and pay the costs of issuance
- Issued 12-01-2001
- \$33,860,000; all authorized bonds have been issued
- Source of revenue for debt service – Student Recreational Facility Fee of \$78 per student per semester approved by the Texas Legislature to be charged beginning with the first semester the facility is occupied and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Series 2002

- To provide funds for the purposes of constructing and equipping a new science building; the renovation of existing space at the University's Discovery Park; the acquisition and renovation of two existing private housing facilities; and pay the costs of issuance
- Issued 08-01-2002
- \$36,340,000; (total issue \$63,470,000 – \$27,130,000 Health Science Center portion); all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

Revenue Financing System Bonds, Series 2002A

- To provide funds for the purposes of constructing a 300-bed student residence hall for University students and pay the costs of issuance
- Issued 11-01-2002
- \$9,500,000; all authorized bonds have been issued
- Source of revenue for debt service – all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Series 2003

- To provide funds for the purposes of constructing a 600-bed student residence hall and dining facility for University students and pay the costs of issuance
- Issued 05-01-2003
- \$31,180,000; all authorized bonds have been issued
- Source of revenue for debt service – all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding Bonds, Series 2003A

- To provide funds sufficient to refund certain of the University's outstanding Consolidated University Revenue Bonds, Series 1994, Health Science Center Tuition Revenue Bonds, Series 1994, Consolidated University Revenue Bonds, Series 1996, Revenue Financing System Tuition Revenue Bonds, Series 1999, and Revenue Financing System Tuition Revenue Bonds, Series 2002; and to pay the costs of issuance
- Issued 09-01-2003
- \$3,270,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Taxable Series 2003B

- To provide funds for the purposes of constructing and equipping student housing facilities, to wit, five sorority houses to be owned by the University; paying a portion of the accrued interest; and paying certain costs of issuing the bonds
- Issued 09-01-2003
- \$4,980,000; all authorized bonds have been issued
- Source of revenue for debt service – fees charged for occupying the sorority facilities and also the pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding and Improvement Bonds, Series 2005

- To provide funds for the purposes of advance refunding a portion (\$37.7 million par value) of the Board's outstanding bonds; refunding a portion of the Board's outstanding commercial paper notes; constructing and equipping a student wellness and career center; paying a portion of the accrued interest; and paying certain costs of issuing the bonds
- Issued 10-01-2005
- \$42,890,000; all authorized bonds have been issued
- Source of revenue for debt service – pledged revenues of the participants of the University of North Texas System Revenue Financing System

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010

Revenue Financing System Bonds, Series 2007

- To provide funds for the purposes of refunding a portion of the Board's outstanding commercial paper notes; constructing and equipping two residence halls; paying a portion of the accrued interest; and paying certain costs of issuing the bonds
- Issued 01-01-2007
- \$39,070,000; all authorized bonds have been issued
- Source of revenue for debt service – pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Series 2009A

- To provide funds for the purposes of constructing and equipping the Business Leadership Building, football stadium, and other projects
- Issued 12-02-2009
- \$127,825,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding Bonds, Series 2009B

- To provide funds for the purposes of refunding certain of the University's outstanding Consolidated University Revenue Bonds, Series 1994, Revenue Financing System Bonds, Series 1999A, and Revenue Financing System Bonds, Series 2001; and to pay the costs of issuance
- Issued 12-02-2009
- \$12,345,000; all authorized bonds have been issued
- Source of revenue for debt service – pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding Bonds, Series 2010

- To provide funds for the purposes of refunding certain of the Revenue Financing System Bonds, Series 2001, Revenue Financing System Bonds, Series 2002, and Revenue Financing System Bonds, Series 2002A
- Issued 07-23-2010
- \$42,085,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

**University of North Texas Health Science Center**

Revenue Financing System Refunding and Improvement Bond Series 1999A

- To provide funds for the purposes of constructing a parking garage at the University of North Texas Health Science Center at Fort Worth; refunding a portion of the currently outstanding Health Science Center General Tuition Revenue Bonds, Series 1994; paying the municipal bond insurance premium for the bonds; and paying certain costs of issuing the bonds
- Issued 09-01-1999
- \$15,535,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System



**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

Revenue Financing System Bonds, Series 2002

- To provide funds for the purposes of acquiring, purchasing, constructing, improving, renovating, enlarging, or equipping property, buildings, structures, facilities, roads, or related infrastructure for the Health Science Center; paying the municipal bond insurance premium for the bonds; and paying certain costs of issuing the bonds
- Issued 08-01-02
- \$27,130,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding Bonds, Series 2003A

- To advance refund a portion of the Board's outstanding bonds in order to reduce debt service requirements of the Board in certain years
- Issued 09-01-03
- \$2,915,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding and Improvement Bonds, Series 2005

- To provide funds for the purposes of advance refunding a portion (\$11.43 million par value) of the Board's outstanding bonds; paying a portion of the accrued interest; and paying certain costs of issuing the bonds
- Issued 10-01-05
- \$11,250,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Series 2009

- To provide funds for the purposes of advance refunding a portion (\$18.175 million par value) of the Board's outstanding commercial paper notes; constructing and equipping a Public Health Education Building; paying a portion of the interest accruing on the bonds; and paying certain costs of issuing the bonds
- Issued 02-19-09
- \$38,650,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding Bonds, Series 2009B

- To provide funds for the purposes of refunding the currently outstanding UNTHSC General Tuition Revenue Bonds, Series 1999A; paying a portion of the accrued interest; and paying certain costs of issuing the bonds
- Issued 11-15-09
- \$3,455,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding Bonds, Series 2010

- To provide funds for the purposes of refunding a portion of the Board's outstanding Tuition Revenue Bonds, Series 2002; and paying certain costs of issuing the bonds
- Issued 7-23-10
- \$15,540,000; all authorized bonds have been issued
- Source of revenue for debt service – legislative appropriation and all pledged revenues of the participants of the University of North Texas System Revenue Financing System

UNAUDITED

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

**Pledged Future Revenues**

GASB statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing), on the other. The following table provides the pledged future revenue information for UNT System’s revenue bonds:

	<b>Government Activities</b>	<b>Business – Type Activities</b>	<b>Component Units</b>
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	N/A	\$ 673,779,832.00	N/A
Term of Commitment Year Ending 08/31		2040	
Percentage of Pledged Revenue			
Current Year Pledged Revenue		480,549,908.00	
Current Year Principal and Interest Paid		33,916,968.42	
<b>Pledged revenue sources:</b>			
Government activities -			
Business – type activities – tuition and fees, operating income from residential housing, dining services			
Component Units -			

**Note 7: Capital Leases**

Not Applicable.

**Note 8: Operating Leases**

The UNT System does not have any non-cancelable operating leases.

**Note 9: Retirement Plans**

The state has established an optional retirement program for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The contributions made by plan members and employers for the fiscal year ended August 31, 2010 are:

<b>ORP Participation</b>	
Member Contributions	\$9,169,477.00
Employer Contributions	10,159,349.00
<b>Total</b>	<b>\$19,328,826.00</b>

**Note 10: Deferred Compensation**

Not Applicable.

**Note 11: Postemployment Health Care and Life Insurance Benefits**

Not Applicable.

**Note 12: Interfund Activity and Transactions**

The UNT System experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

UNAUDITED

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010**

Individual balances and activity at August 31, 2010, follows:

Current Portion	Current Interfund Receivable	Current Interfund Payable
ENTERPRISE FUND (05)	\$ 0.00	\$ 0.00
<b>Total Interfund Receivable/Payable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable
ENTERPRISE FUND (05)	\$ 0.00	\$ 0.00
<b>Total Interfund Receivable/Payable</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

	Legislative Transfers In	Legislative Transfers Out
ENTERPRISE FUND (05)	\$ 0.00	\$ 0.00
<b>Total Legislative Transfers</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

The detailed State Grant Pass Through information is listed on Schedule 1B – Schedule of State Grant Pass Throughs From/To State Agencies.

**Note 13: Continuance Subject to Review**

Not Applicable.

**Note 14: Adjustments to Fund Balances and Net Assets**

A restatement decrease of \$42,679.15 in beginning net assets resulted from the implementation of Governmental Accounting Standards Board Statement No. 51 and corrections for prior year accounting errors in the recording of capital equipment. Procedures have been corrected and due diligence completed to confirm that the same error was not made in fiscal year 2010.

**Note 15: Contingencies and Commitments**

The UNT System receives several grants for specific purposes that are subject to review and audit by the federal, state, private and non-profit grant sponsors. Such audits could lead to a request for reimbursements to grant sponsors for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

As of August 31, 2010, there are no known contingent liabilities that are likely to have a material effect on the System.

**Note 16: Subsequent Events**

Not Applicable.

**Note 17: Risk Management**

The UNT System is exposed to a variety of civil claims resulting from the performance of its duties. It is the UNT System policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The UNT System assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is no purchase of System-wide commercial general liability insurance for any of the UNT System components as an entity, nor is the UNT System involved in any risk pools with other government entities. General liability policies are purchased only on an as-needed basis to address unique exposures.

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010

The UNT System's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated.

All state employees are insured by the State. The UNT System has various insured and self-insured arrangements for coverage of employees in the areas of liability and workers' compensation. There are no claims pending or significant nonaccrued liabilities, as stated in Note 5.

The State provides coverage for unemployment benefits from appropriations made to other state agencies for UNT System employees. The current General Appropriations Act provides that the UNT System components must reimburse General Revenue Fund – Consolidated, from UNT System appropriations, one-half of the unemployment benefits for former and current employees. The Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The UNT System Administration component has only one appropriated fund type. The UNT System components must reimburse the General Revenue Fund 100% of the cost for unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the state treasury.

Unemployment compensation is on a pay-as-you-go basis through the State of Texas, with the exception of locally funded enterprises that have fund expenses and set-aside amounts based on a percentage of payroll amounts. No material outstanding claims are pending at August 31, 2010.

UNT System maintains reserves for unemployment compensation and workers' compensation payments made for all claims and settlements not eligible for state funding. There were no material outstanding claims pending at August 31, 2010.

Health benefits are provided through the various state contracts administered by the Employee Retirement System (ERS).

The University of North Texas (UNT) and the Health Science Center (UNTHSC) are required by certain bond covenants to carry fire and/or extended coverage and boiler insurance on buildings financed through the issuance of bonds using pledged Auxiliary or other non-Educational and General Funds. The insurance protects the bondholders from a disruption to the revenue stream that is being utilized to make the bond interest and principal payments. The following insurance coverage was in force and all premium payments paid in full at the close of the fiscal year:

Standard Fire and Extended Coverage (Property) – \$750,000 limit. Limit of liability exceeds bond requirements. Carriers: National Union Fire Insurance Company and Lexington Insurance Company.

Business Automobile and Property Damage – Combined single limit of \$1,000,000 for bodily injury and property damage exceeds requirements. Carrier: The Hartford Insurance Company.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$25,000/\$50,000 bodily injury and \$25,000 property damage. In addition, UNT System has chosen to carry liability insurance on its licensed vehicles in the amount of \$1,000,000 combined single limit for bodily injury and property damage.

Medical Professional Liability - The UNT Student Health and Wellness Center has medical professional liability coverage with Columbia Casualty Company for a maximum per incident limit of \$250,000 and an aggregate of \$500,000 with a \$10,000 deductible.

UNTHSC manages a self-insurance plan for its physicians and medical students. As of August 31, 2010, UNTHSC had sufficient self-insurance reserves for known claims against its health care professionals. Medical professional liability coverage is purchased for allied health care professionals with a maximum per incident of \$200,000 and an aggregate limit of \$600,000 with no deductible. Carrier: Lexington Insurance Company.

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010

Directors and Officers/Employment Practices Liability insures all UNT System and its component institution employees and volunteers including coverage for the entity. The policy provides for a maximum limit of \$5,000,000 with a \$100,000 deductible per insured individual, a \$50,000 deductible for the entity, and a \$25,000 deductible for volunteers. Carrier: National Union Fire Insurance Company of Pittsburgh, PA.

Other lines of insurance purchased are: athletic accident, camp accident, commercial crime, fine arts, inland marine, foreign liability, global medical, kidnap and extortion, and student professional liability. A workers' compensation policy is purchased to address a unique exposure.

**Note 18: Management Discussion and Analysis**

Refer to the separate Management Discussion and Analysis section of this report.

**Note 19: The Financial Reporting Entity**

**Component Units**

The University of North Texas Foundation, Inc. is reported as a discrete component unit. The Foundation is a separate nonprofit organization that has as its central purpose the advancement and support of the University of North Texas. The governing board is comprised of elected members separate from the University Regents. The direction and management of the affairs of the Foundation and the control and disposition of its assets are vested in the directors of the Foundation. The University has no liability with regard to the Foundation's liabilities. The majority of endowments supporting University scholarships and other University programs are owned by the Foundation; therefore, it would be misleading to exclude the Foundation's financial reports. The Foundation is a necessary and beneficial component of the UNT System's overall program for university advancement and for the development of private sources of funding for capital acquisition operations, endowments, and other purposes relating to the mission of the UNT System.

In August of 2003, the University of North Texas entered into an agreement with the University of North Texas Foundation, Inc. to better define the relationship between the two entities and to comply with the statutory requirements of Chapters 2255 and 2260 of the Texas Government Code. The 2003 agreement provided that the development leadership for the University would be provided by the Foundation's Chief Executive Officer.

An amended agreement was approved by the UNT Foundation Board of Directors in their June 2009 meeting, and was subsequently approved by the UNT Board of Regents in August 2009. Under the amended agreement, the University's Vice President for Advancement will serve as the Foundation's Director of Development and will oversee, coordinate and have decision making authority over the fundraising activities of both the University and the Foundation. In this dual position, the University's Vice President for Advancement/Foundation's Director of Development (VPA/FDD) shall not have any decision making authority in regard to governance of the Foundation or expenditure of funds by the Foundation. The person in the VPA/FDD position will be an employee of the University, and compensation for the position is the sole obligation of the University. Based on this amended agreement, UNT System continues to report UNT Foundation, Inc. as a discrete component unit in the UNT System Financial Reports.

The Foundation has a fiscal year end of December 31. The Foundation issued scholarships totaling \$1,007,818 to the University, made direct cash transfers totaling \$2,709,122 and made payments of \$420,823 on the University's behalf as of June 30, 2010.

**Note 20: Stewardship, Compliance and Accountability**

Not Applicable.

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2010

**Note 21: Not Applicable**

Not Applicable for AFR reporting purposes.

**Note 22: Donor Restricted Endowments**

The University's spending policy for unitized endowments reflects an objective to distribute as much total return as is consistent with overall investment objectives while protecting the real value of the endowment principal. An endowment is excluded from target distribution until the endowment has been established for one year.

The target distribution of spendable income to each unit of the endowment fund will be between 3 and 6 percent of the moving average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the Finance Committee of the Board of Regents, the target annual distribution rate shall be 4 percent of the average unit market value. Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the distribution shall be net current yield.

If, in any given fiscal year, the total return, excluding the net unrealized appreciation, shall be less than the target annual distribution, the actual distribution shall be limited to the net current yield, not to exceed the target distribution rate. The amount of net appreciation on University donor-restricted endowments that was available for distribution and expenditure during the fiscal year was \$768,494.91. All distributions had been made as of the end of the fiscal year; therefore, none of this appreciation amount is reflected in the Net Assets section.

University endowments that do not provide for investments in equities will not be unitized, and they will receive interest and dividends on their funds invested in fixed income securities.

UNTHSC does not unitize its endowments. UNTHSC returns all investment earnings to their corresponding operation accounts unless directed otherwise by the donor. Currently, only one endowment requires a portion of earnings to be returned to the corpus. The operations accounts are only limited to the present available balance for spending authority. This authority cannot be exceeded based on future projections. The fair value of these endowments did not change during fiscal year 2010.

**Note 23: Extraordinary and Special Items**

Not Applicable.

**Note 24: Disaggregation of Receivable and Payable Balances**

Note Applicable.

**Note 25: Termination Benefits**

Not Applicable.

**Note 26: Segment Information**

Not Applicable.



**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Notes to Schedule 1A - Combined Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 2010**

**Note 1: Nonmonetary Assistance**

N/A

**Note 2: Reconciliation**

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of Federal revenues and federal grant pass-through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Federal Revenues - per Statement of Changes in Revenues, Expenses and Net Assets	
Federal Grants and Contracts	\$ 89,129,741.81
Federal Pass-Through Grants from Other State Agencies/Universities - Operating	4,031,932.89
Federal Pass-Through Grants from Other State Agencies/Universities - Nonoperating	10,384,569.20
Subtotal	\$ 103,546,243.90
Reconciling Items:	
Disadvantaged Student Loans	\$ 119,114.00
Federal Perkins Loan Program	121,212.00
Federal Family Education Loans	28,232,791.73
Federal Direct Student Loans (Direct Loans)	176,554,609.00
Total Pass - Through & Expenditures per Federal Schedule	\$ 308,573,970.63

**Note 3a: Student Loans Processed and Administrative Costs Recovered**

Federal Grantor/ CFDA Number/Program Name	New Loans Processed	Admin. Costs Recovered	Total Loans Processed & Admin Costs Recovered	Ending Balances of Previous Year's Loans
<i>U.S. Dept. of Health and Human Services</i>				
93.342 Health Professions/Disadvantaged Student Loans	\$ 119,114.00	\$ -	\$ 119,114.00	\$ 451,056.69
<i>Total U.S. Dept. of Health and Human Services</i>	\$ 119,114.00	\$ -	\$ 119,114.00	\$ 451,056.69
<i>U.S. Department of Education</i>				
84.032 Federal Family Education Loans	\$ 28,232,791.73	\$ -	\$ 28,232,791.73	\$ -
84.038 Federal Perkins Loan Program	121,212.00	-	121,212.00	4,772,803.09
84.268 Federal Direct Student Loans	176,554,609.00	-	176,554,609.00	-
<i>Total U.S. Department of Education</i>	204,908,612.73	-	204,908,612.73	4,772,803.09
<b>TOTAL LOANS AND RECOVERIES</b>	<b>\$ 205,027,726.73</b>	<b>\$ -</b>	<b>\$ 205,027,726.73</b>	<b>\$ 5,223,859.78</b>

The University of North Texas' general ledger reporting, billing and receiving, and some aspects of collections of the Perkins Loan program are outsourced to Campus Partners. Promissory note generation, final collections efforts, forbearance and deferment decisions are performed by UNT Financial Aid.

**Note 3b: Federally Funded Loans Processed and Administrative Cost Recovered**

N/A

**Note 4: Depository Libraries for Government Publications**

The University of North Texas participates as a depository library in the Government Printing Office's Depository Libraries for Government Publications Program, CFDA #40.001. The university is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

**Note 5: Unemployment Insurance Funds**

N/A (Agency 320 only)

**Note 6: Rebates from the Special Supplemental Food Program for Women, Infant and Children (WIC)**

N/A (Agency 537 only)

**Note 7: Deferred Federal Revenue**

The University of North Texas does not report any Federal Deferred Revenue



**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Schedule 1B - Combined Schedule of State Grant Pass-Throughs From/To State Agencies**  
**For the Fiscal Year Ended August 31, 2010**

**Pass-Through From: State Agencies**

**To University of North Texas System (794):**

Texas Dept. of State Health Services (Agency 537)		
Population Based Genetic Services	\$	63,118.35
Texas Water Development Board (Agency 580)		
WSC - Research		16,870.19
Texas Education Agency (Agency 701)		
Available School Fund - Per Capita		99,345.00
Foundation School Program - Formula		2,391,722.00
Technology Allotment		10,752.00
University of Texas - Arlington (Agency 714)		
Implantable Wireless Oxygen/Pressure Sensor		3,822.62
MRCEDM: Integrated Wireless Body Networking for Long -Term Therapeutic and Diagnostic Applications		22,958.46
MRCEDM: Nanoporous Membranes for Defense and Medical Applications		2,554.44
MRCEDM: Pressure Sensors on Flexiable Substrates		13,920.93
MRCDEM: Hydrogenation Microreactor		26,320.02
University of Texas System (720)		
Joint Admission Medical Program (JAMP)		133,313.51
University of Texas at Dallas (Agency 738)		
Millimeter Wave Phase-locked Loop Design with Enhanced Tolerance to Process and Temperature Variation		4,636.10
Texas Higher Education Coordinating Board (Agency 781)		
Family Practice Residency		145,645.00
General Academic Enrollment Growth		139,786.47
TEXAS Grant Program		12,310,422.50
Advanced Research Program		213,850.00
Teach for Texas Loan Repayment		150,000.00
Engineering Recruitment Program		20,027.57
Texas Research Incentive Program - HB51		857,592.79
College Work Study Program		183,911.43
5th Year Accounting Students Scholarship Program		8,781.00
College Readiness Initiative		109,736.57
Top 10% Scholarships		610,000.00
Work Study Mentorship Program		102,008.55
Work Study Mentorship Program Agency 769		18,096.17
Texas Commission of the Arts (Agency 813)		
Arts Create		8,500.00
Comptroller - State Energy Conservation Office		
State Energy Plan (SEP)		82,299.77
 Total Pass-Through From Other Agencies		
(Statement of Revenues, Expenses, and Changes in Net Assets)	<u>\$</u>	<u>17,749,991.44</u>

**Pass-Through To:**

N/A



**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Schedule 2A - Combined Miscellaneous Bond Information**  
**For the Fiscal Year Ended August 31, 2010**

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
				First Year	Last Year	
Consolidated University Revenue Bonds, Series 1994	\$ 10,000,000.00	4.00% - 7.00%	N/A	1995	2014	04/15/04
RFS Refunding and Improvement Bonds, Series 1999A	15,535,000.00	5.00% - 5.75%	N/A	2000	2019	04/15/09
RFS Bonds, Series 2001	33,860,000.00	4.00% - 5.50%	N/A	2002	2024	04/15/12
RFS Bonds, Series 2002	63,470,000.00	2.00% - 5.00%	N/A	2003	2022	04/15/12
RFS Bonds, Series 2002A	9,500,000.00	4.00% - 5.00%	N/A	2004	2022	04/15/12
RFS Bonds, Series 2003	31,180,000.00	3.00% - 5.00%	N/A	2005	2034	04/15/13
RFS Refunding Bonds, Series 2003A	6,185,000.00	5.375% - 5.500%	N/A	2003	2017	04/15/13
RFS Bonds, Taxable Series 2003B	4,980,000.00	2.50% - 6.20%	N/A	2003	2034	04/15/13
RFS Refunding and Improvement Bonds, Series 2005	76,795,000.00	3.25% - 5.25%	N/A	2006	2025	04/15/15
RFS Bonds, Series 2007	56,050,000.00	4.00% - 5.00%	N/A	2008	2036	04/15/16
RFS Bonds, Series 2009	38,650,000.00	3.00% - 5.25%	N/A	2009	2028	04/15/18
RFS Bonds, Series 2009A	159,310,000.00	3.00% - 5.00%	N/A	2010	2029	04/15/19
RFS Refunding Bonds, Series 2009B	15,800,000.00	3.00% - 4.75%	N/A	2010	2019	N/A
RFS Refunding Bonds, Series 2010	57,625,000.00	3.00% - 5.00%	N/A	2011	2024	04/15/20
Total	<u>\$ 578,940,000.00</u>					

\*RFS - Revenue Financing System

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Schedule 2B - Combined Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2010**

<b>Description of Issue</b>	<b>Bonds Outstanding 9/1/2009</b>	<b>Bonds Issued</b>	<b>Bonds Matured or Retired</b>	<b>Bonds Refunded or Extinguished</b>	<b>Bonds Outstanding 8/31/2010</b>
Consolidated University Revenue Bonds, Series 1994	\$ 2,295,000.00	\$ -	\$ -	\$ 2,295,000.00	\$ -
RFS Refunding and Improvement Bonds, Series 1999A	3,585,000.00	-	-	3,585,000.00	-
RFS Bonds, Series 2001	29,470,000.00	-	1,155,000.00	25,615,000.00	2,700,000.00
RFS Bonds, Series 2002	46,035,000.00	-	2,700,000.00	37,630,000.00	5,705,000.00
RFS Bonds, Series 2002A	7,450,000.00	-	435,000.00	6,085,000.00	930,000.00
RFS Bonds, Series 2003	28,160,000.00	-	660,000.00	-	27,500,000.00
RFS Refunding Bonds, Series 2003A	6,185,000.00	-	-	-	6,185,000.00
2003B	4,810,000.00	-	75,000.00	-	4,735,000.00
RFS Refunding and Improvement Bonds, Series 2005	64,895,000.00	-	5,145,000.00	-	59,750,000.00
RFS Bonds, Series 2007	54,040,000.00	-	1,065,000.00	-	52,975,000.00
RFS Bonds, Series 2009	35,395,000.00	-	1,285,000.00	-	34,110,000.00
RFS Bonds, Series 2009A *	-	159,310,000.00	5,445,000.00	-	153,865,000.00
RFS Refunding Bonds, Series 2009B *	-	15,800,000.00	565,000.00	-	15,235,000.00
RFS Refunding Bonds, Series 2010 *	-	57,625,000.00	-	-	57,625,000.00
<b>Total</b>	<b>\$ 282,320,000.00</b>	<b>\$ 232,735,000.00</b>	<b>\$ 18,530,000.00</b>	<b>\$ 75,210,000.00</b>	<b>\$ 421,315,000.00</b>

**Footnotes:**

\* Bond premiums greater than 5% of the par value of the bond issue are capitalized and amortized over the life of the bonds.

**UNAUDITED**

<b>Unamortized Premium</b>	<b>Unamortized Discount</b>	<b>Unamortized Gain/(Loss) on Refunding</b>	<b>Net Bonds Outstanding 8/31/2010</b>	<b>Amounts Due Within One Year</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	2,700,000.00	1,280,000.00
-	-	-	5,705,000.00	2,800,000.00
-	-	-	930,000.00	455,000.00
-	-	-	27,500,000.00	680,000.00
-	-	-	6,185,000.00	-
-	-	-	4,735,000.00	75,000.00
-	-	-	59,750,000.00	5,385,000.00
-	-	-	52,975,000.00	1,115,000.00
-	-	-	34,110,000.00	1,320,000.00
10,391,133.75	-	-	164,256,133.75	4,300,244.00
1,004,793.15	-	-	16,239,793.15	675,968.00
7,744,108.00	-	-	65,369,108.00	1,312,980.00
<u>\$ 19,140,034.90</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 440,455,034.90</u>	<u>\$ 19,399,192.00</u>

Net Bonds Payable per Statement of Net Assets

\$ 440,455,034.90

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Schedule 2C - Combined Debt Service Requirements**  
**For the Fiscal Year Ended August 31, 2010**

<u>Description of Issue</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
<b>Revenue Bonds</b>			
RFS Bonds, Series 2001	2011	1,280,000.00	135,000.00
	2012	1,420,000.00	71,000.00
		<u>2,700,000.00</u>	<u>206,000.00</u>
RFS Bonds, Series 2002	2011	2,800,000.00	224,700.02
	2012	2,905,000.00	116,200.00
		<u>5,705,000.00</u>	<u>340,900.02</u>
RFS Bonds, Series 2002A	2011	455,000.00	37,200.00
	2012	475,000.00	19,000.00
		<u>930,000.00</u>	<u>56,200.00</u>
RFS Bonds, Series 2003	2011	680,000.00	1,275,102.50
	2012	705,000.00	1,251,302.50
	2013	730,000.00	1,226,627.50
	2014	760,000.00	1,198,887.50
	2015	785,000.00	1,170,387.50
	2016-2020	4,435,000.00	5,351,343.78
	2021-2025	5,495,000.00	4,294,050.00
	2026-2030	6,970,000.00	2,814,750.00
	2031-2034	6,940,000.00	888,750.00
		<u>27,500,000.00</u>	<u>19,471,201.28</u>
RFS Refunding Bonds, Series 2003A	2011	-	337,912.50
	2012	-	337,912.50
	2013	-	337,912.50
	2014	-	337,912.50
	2015	890,000.00	337,912.50
	2016-2017	5,295,000.00	364,100.00
		<u>6,185,000.00</u>	<u>2,053,662.50</u>
RFS Bonds, Taxable Series 2003B	2011	75,000.00	286,005.00
	2012	80,000.00	282,180.00
	2013	85,000.00	278,100.00
	2014	90,000.00	273,765.00
	2015	120,000.00	268,702.50
	2016-2020	710,000.00	1,233,956.26
	2021-2025	955,000.00	992,812.50
	2026-2030	1,280,000.00	662,665.00
2031-2034	1,340,000.00	213,900.00	
		<u>4,735,000.00</u>	<u>4,492,086.26</u>
RFS Refunding and Improvement Bonds, Series 2005	2011	5,385,000.00	2,958,125.00
	2012	4,970,000.00	2,675,412.50
	2013	5,225,000.00	2,426,912.50
	2014	5,470,000.00	2,165,662.50
	2015	5,190,000.00	1,919,512.50
	2016-2020	20,305,000.00	6,124,012.50
	2021-2025	13,205,000.00	1,903,100.00
		<u>59,750,000.00</u>	<u>20,172,737.50</u>

**UNAUDITED**

<u>Description of Issue</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
<b>Revenue Bonds</b>			
RFS Bonds, Series 2007	2011	1,115,000.00	2,468,762.50
	2012	1,155,000.00	2,424,162.50
	2013	1,200,000.00	2,377,962.50
	2014	1,245,000.00	2,329,962.50
	2015	1,300,000.00	2,280,162.50
	2016-2020	7,395,000.00	10,499,662.50
	2021-2025	9,280,000.00	8,616,250.00
	2026-2030	11,840,000.00	6,052,500.00
	2031-2035	15,020,000.00	2,872,975.00
	2036	3,425,000.00	154,125.00
			<u>52,975,000.00</u>
RFS Bonds, Series 2009	2011	1,320,000.00	1,567,337.50
	2012	1,360,000.00	1,527,737.50
	2013	1,410,000.00	1,480,137.50
	2014	1,460,000.00	1,430,787.50
	2015	1,510,000.00	1,379,687.50
	2016-2020	8,455,000.00	5,991,962.50
	2021-2025	10,730,000.00	3,713,975.00
	2026-2028	7,865,000.00	799,250.00
		<u>34,110,000.00</u>	<u>17,890,875.00</u>
RFS Bonds, Series 2009A	2011	3,950,000.00	7,653,750.00
	2012	3,590,000.00	7,495,750.00
	2013	3,770,000.00	7,316,250.00
	2014	3,970,000.00	7,127,750.00
	2015	4,160,000.00	6,929,250.00
	2016-2020	24,135,000.00	31,309,250.00
	2021-2025	30,795,000.00	24,643,250.00
	2026-2030	34,115,000.00	16,132,500.00
	2031-2035	19,940,000.00	9,448,750.00
	2036-2040	25,440,000.00	3,939,750.00
		<u>153,865,000.00</u>	<u>121,996,250.00</u>
RFS Refunding Bonds, Series 2009B	2011	560,000.00	621,425.00
	2012	1,200,000.00	604,625.00
	2013	1,260,000.00	556,625.00
	2014	1,330,000.00	506,225.00
	2015	2,005,000.00	453,025.00
	2016-2019	8,880,000.00	975,898.00
		<u>15,235,000.00</u>	<u>3,717,823.00</u>
RFS Refunding Bonds, Series 2010	2011	720,000.00	1,786,321.67
	2012	-	2,691,800.00
	2013	4,895,000.00	2,691,800.00
	2014	5,160,000.00	2,447,050.00
	2015	3,660,000.00	2,189,050.00
	2016-2020	27,040,000.00	8,452,300.00
	2021-2024	16,150,000.00	1,732,250.00
		<u>57,625,000.00</u>	<u>21,990,571.67</u>
Less Accretion:		-	-
Total:		<u>\$ 421,315,000.00</u>	<u>\$ 252,464,832.23</u> *

\* In accordance with the State Comptroller's reporting requirements, the interest amounts on this schedule represent interest per the bonds amortization schedules rather than interest on a full accrual basis.

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
Schedule 2D - Analysis of Funds Available for Debt Service  
For the Fiscal Year Ended August 31, 2010**

<u>Description of Issue**</u>	<u>Pledged and other Sources and Related Expenditures for FY 2010</u>			
	<u>Total Pledged and Other Sources</u>	<u>Operating Expenses/ Expenditures &amp; Capital Outlay</u>	<u>Debt Service</u>	
			<u>Principal</u>	<u>Interest*</u>
Consolidated University Revenue Bonds, Series 1994	\$ -	\$ -	\$ -	\$ 45,900.00
Revenue Financing System Bonds, Series '99, '99A '01, '02, '02A, '03, '03A, '03B, '05, '07, '09, '09A, '09B & '10	480,549,908.34	1,552,118.42	18,530,000.00	15,751,065.29
Total	<u>\$ 480,549,908.34</u>	<u>\$ 1,552,118.42</u>	<u>\$ 18,530,000.00</u>	<u>\$ 15,796,965.29</u>

\* In accordance with the State Comptroller's reporting requirements, the interest amounts on this schedule represent interest per the bonds amortization schedules rather than interest on a full accrual basis.

\*\*UNT Cons Univ Rev Bonds, Ser '94 (Curr '94) were issued prior to the creation of the Revenue Financing System (RFS) and are classified as Prior Encumbered Obligations under the current RFS Master Resolution. The bonds were refunded by RFS Refunding Bonds, Series '09B

Pledged revenues for the RFS Parity Obligations include all revenues, funds and balances lawfully available and derived from or attributable to any participant of the Revenue Financing System, subject to the lien on the pledged revenues securing Prior Encumbered Obligations.



**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Schedule 2E - Combined Defeased Bonds Outstanding**  
**For the Fiscal Year Ended August 31, 2010**

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
RFS Bonds Series, 2001	2010	\$ 25,615,000.00
RFS Bonds Series, 2002	2010	37,630,000.00
RFS Bonds Series, 2002A	2010	<u>6,085,000.00</u>
		<u>\$ 69,330,000.00</u>

**UNAUDITED**

**UNIVERSITY OF NORTH TEXAS SYSTEM (794)**  
**Schedule 2F - Combined Early Extinguishment and Refunding**  
**For the Fiscal Year Ended August 31, 2010**

<b>Description of Issue</b>	<b>Category</b>	<b>Amount Extinguished or Refunded</b>	<b>For Refunding Only</b>		
			<b>Refunding Issue Par Value</b>	<b>Cash Flow Increase (Decrease)</b>	<b>Economic Gain/ Loss</b>
Consolidated University Revenue Bonds, Series 1994	Advance Refunding	\$ 2,295,000.00	\$ 2,190,000.00	\$ (138,731.81)	\$ 130,660.00
RFS Refunding and Improvement Bonds, Series 1999A	Current Refunding	3,585,000.00	3,455,000.00	(438,501.23)	381,842.00
RFS Bonds, Series 2001	Advance Refunding	25,615,000.00	25,575,000.00	(1,924,213.36)	1,568,790.00
RFS Bonds, Series 2002	Advance Refunding	37,630,000.00	36,345,000.00	(3,321,753.95)	2,828,383.00
RFS Bonds, Series 2002A	Advance Refunding	6,085,000.00	5,860,000.00	(500,671.28)	425,738.00
Total		<u>\$ 75,210,000.00</u>	<u>\$ 73,425,000.00</u>	<u>\$ (6,323,871.63)</u>	<u>\$ 5,335,413.00</u>

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)  
Schedule 3 - Combined Reconciliation of Cash in State Treasury  
For the Fiscal Year Ended August 31, 2010

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0258	\$ 16,011,025.75	\$ -	\$ 16,011,025.75
Local Revenue Fund 0280	3,525,120.68	-	3,525,120.68
Local Revenue Fund 0819	702,488.79	-	702,488.79
<b>Total Cash in State Treasury (Statement of Net Assets)</b>	<u><u>\$ 20,238,635.22</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,238,635.22</u></u>



**FINANCIAL STATEMENTS**

**of the**

**UNIVERSITY OF NORTH TEXAS  
FOUNDATION, INC**

**DENTON, TEXAS**

**For the years ended December 31, 2009 and 2008**



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

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2009 AND 2008

---

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 9,589,592	\$ 9,195,019
Investments	64,144,763	49,358,712
Contributions and other receivables	4,036,439	3,024,290
Prepaid expenses	4,000	31,293
Real property	111,735	111,735
Other assets	8,400	8,400
Cash value - life insurance policies	378,670	366,685
Assets held under trust agreements	<u>3,647,958</u>	<u>3,167,839</u>
Total Assets	<u>\$81,921,557</u>	<u>\$65,263,973</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 31,536	\$ 710,866
Agency funds	40,503	245,325
Annuity obligations	1,622,188	1,544,272
Refundable advances	<u>1,684,042</u>	<u>1,432,310</u>
Total Liabilities	<u>3,378,269</u>	<u>3,932,773</u>
Net Assets:		
Unrestricted:		
Board designated for reserves	1,164,320	1,078,959
Fair value of endowments below historical cost	(3,637,794)	(10,595,471)
Undesignated	<u>501,106</u>	<u>469,620</u>
Total Unrestricted	(1,972,368)	(9,046,892)
Temporarily restricted	18,711,293	13,648,727
Permanently restricted	<u>61,804,363</u>	<u>56,729,365</u>
Total Net Assets	<u>78,543,288</u>	<u>61,331,200</u>
Total Liabilities and Net Assets	<u>\$81,921,557</u>	<u>\$65,263,973</u>

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

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

---

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ -	\$ 3,067,110
Life insurance premiums	-	-
Investment income	(86,935)	1,091,730
Internal management fee	746,846	-
Other income	-	331,058
Realized and unrealized gain (loss) on market value of investments	32,389	11,833,504
Actuarial gain (loss) on annuity obligations	-	-
Increase in cash value - life insurance	-	-
	<u>692,300</u>	<u>16,323,402</u>
Total Revenues, Gains, And Other Support		
	<u>692,300</u>	<u>16,323,402</u>
Net Assets Released from Restrictions	4,333,077	(4,303,359)
Transfers/Changes in Donor Restrictions	<u>6,958,307</u>	<u>(6,957,477)</u>
Total Net Assets Released From Restrictions/Transfers	<u>11,291,384</u>	<u>(11,260,836)</u>
Program Services		
Internal management fee	746,846	-
Scholarships and awards	916,101	-
Expense reimbursements	11,653	-
Services for programs	462,870	-
Distributions to UNT	2,194,208	-
Distributions to other Institutions	19,750	-
Life insurance premiums	<u>11,649</u>	<u>-</u>
Total Program Services	<u>4,363,077</u>	<u>-</u>



---

<u>Permanently Restricted</u>	<u>2009 Total</u>
\$ 4,912,064	\$ 7,979,174
9,612	9,612
-	1,004,795
-	746,846
-	331,058
4,324	11,870,217
154,767	154,767
<u>24,779</u>	<u>24,779</u>
 <u>5,105,546</u>	 <u>22,121,248</u>
 (29,718)	 -
<u>(830)</u>	<u>-</u>
 <u>(30,548)</u>	 <u>-</u>
 -	746,846
-	916,101
-	11,653
-	462,870
-	2,194,208
-	19,750
-	<u>11,649</u>
<u>-</u>	<u>4,363,077</u>

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

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

---

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Management and General Expenses		
Salaries and benefits	\$ 387,387	\$ -
Consulting fees	86,128	-
Professional services	18,300	-
Travel	3,500	-
Administrative	12,543	-
Bank and credit card charges	9,907	-
Office and computer equipment	5,588	-
Insurance	13,731	-
Professional development	<u>8,999</u>	<u>-</u>
Total Management and General Expenses	<u>546,083</u>	<u>-</u>
Total Program Services and Expenses	<u>4,909,160</u>	<u>-</u>
Change in Net Assets	7,074,524	5,062,566
Net Assets - Beginning of Year	<u>(9,046,892)</u>	<u>13,648,727</u>
Net Assets - End of Year	<u>\$(1,972,368)</u>	<u>\$18,711,293</u>

---

<u>Permanently Restricted</u>	<u>2009 Total</u>
\$ -	\$ 387,387
-	86,128
-	18,300
-	3,500
-	12,543
-	9,907
-	5,588
-	13,731
-	<u>8,999</u>
-	<u>546,083</u>
-	<u>4,909,160</u>
5,074,998	17,212,088
<u>56,729,365</u>	<u>61,331,200</u>
<u>\$61,804,363</u>	<u>\$78,543,288</u>

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

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

---

	<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	-	-
	<u>785,107</u>	<u>(12,822,167)</u>
Total Revenues, Gains, And Other Support		
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>
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	<u>11,734</u>	<u>-</u>
Total Program Services	<u>4,989,715</u>	<u>-</u>

---

<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, 2009 AND 2008

---

	<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>

---

<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.**

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 17,212,088	\$(15,081,091)
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Realized and unrealized (gain)/loss on market value of investments	(11,870,217)	19,186,373
(Increase)/Decrease in contributions and other receivables	(1,012,149)	347,936
Actuarial (gain)/loss on annuity obligations	(154,767)	272,385
(Increase) in cash value – life insurance	(11,985)	(34,107)
(Increase)/Decrease in prepaid expense	27,293	(2,893)
Increase/(Decrease) in accounts payable and accrued expenses	(679,330)	656,581
Increase/(Decrease) in agency funds	(204,822)	114,094
Increase/(Decrease) in annuity obligations	77,916	(46,516)
Noncash contributions	<u>(388,882)</u>	<u>(348,193)</u>
Net Cash Provided (Used) By Operating Activities	<u>2,995,145</u>	<u>5,064,569</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	15,207,602	11,970,632
Purchases of investments	<u>(17,808,174)</u>	<u>(12,536,486)</u>
Net Cash Provided (Used) By Investing Activities	<u>(2,600,572)</u>	<u>(565,854)</u>
Net Increase in Cash and Cash Equivalents	394,573	4,498,715
Cash and Cash Equivalents- Beginning of Year	<u>9,195,019</u>	<u>4,696,304</u>
Cash and Cash Equivalents- End of Year	<u>\$ 9,589,592</u>	<u>\$ 9,195,019</u>
Supplemental Cash Flow Information:		
Gifts of securities	\$ 388,882	\$ 348,193
Interest paid	-	-
Income taxes paid	-	-



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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

---

**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, 2009 AND 2008

---

**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.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 – INVESTMENTS**

Investment securities consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. and International Stocks and Equity Mutual Funds	\$34,032,370	\$34,470,959	\$34,278,051	\$22,082,373
U.S. and International Fixed Income Securities and Mutual Funds	17,067,431	18,382,523	17,909,207	17,945,046
Real Estate Investment Trust and REIT Exchange Traded Funds	1,750,000	443,561	3,409,144	2,223,343
Natural Resource Exchange Traded Fund/Global Hard Assets Mutual Fund	3,000,000	3,368,520	2,215,022	1,704,694
Hedge Funds of Funds	7,194,763	7,476,771	5,446,623	5,399,906
Non-Registered Common Stocks	<u>33,500</u>	<u>2,429</u>	<u>33,500</u>	<u>3,350</u>
	<u>\$63,078,064</u>	<u>\$64,144,763</u>	<u>\$63,291,547</u>	<u>\$49,358,712</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 \$123,321 and \$116,201 in 2009 and 2008, 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, 2009 AND 2008

**NOTE 4 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2009 and 2008 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, 2009:			
Securities	\$ 56,224,431	\$ 56,224,431	\$ -
Real Estate Investment Trust	443,561	-	443,561
Hedge Funds of Funds	<u>7,476,771</u>	<u>-</u>	<u>7,476,771</u>
Total	<u>\$ 64,144,763</u>	<u>\$ 56,224,431</u>	<u>\$ 7,920,332</u>
December 31, 2008:			
Securities	\$ 42,642,849	\$ 42,642,849	\$ -
Real Estate Investment Trust	1,315,957	-	1,315,957
Hedge Funds of 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>

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, 2008	\$ 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	1,315,957	5,399,906	6,715,863
Total gains/(losses) (realized/unrealized)	(872,396)	326,865	(545,531)
Purchases, issuance, and settlements	<u>-</u>	<u>1,750,000</u>	<u>1,750,000</u>
December 31, 2009	<u>\$ 443,561</u>	<u>\$ 7,476,771</u>	<u>\$ 7,920,332</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, 2009 AND 2008

---

**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 2008 or 2009.

**NOTE 5 – CONTRIBUTIONS AND OTHER RECEIVABLES**

Contributions and other receivables as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Contributions receivable in less than one year	\$2,079,931	\$1,367,826
Contributions receivable in one to five years	2,310,439	1,411,514
Contributions receivable in six to ten years	776,105	1,252,950
Contributions receivable in over ten years	<u>1,800</u>	<u>17,200</u>
Total Contributions Receivables	5,168,275	4,049,490
Less allowance for uncollectible amounts	(442,568)	(325,830)
Less discounts to net present value	<u>(742,595)</u>	<u>(791,188)</u>
Net Contributions Receivable	3,983,112	2,932,472
Other amounts receivable	<u>53,327</u>	<u>91,818</u>
Total Contributions and Other Receivables	<u>\$4,036,439</u>	<u>\$3,024,290</u>

**NOTE 6 – UNRESTRICTED NET ASSETS**

Unrestricted net assets at December 31, 2009 and 2008 include \$1,164,320 and \$1,078,959 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, 2009 AND 2008

---

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted for the following purposes at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Endowments to support various programs, scholarships and other activities of the University of North Texas	\$61,425,693	\$56,362,680
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>378,670</u>	<u>366,685</u>
Total	<u>\$61,804,363</u>	<u>\$56,729,365</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, 2009 and 2008:

	<u>Fair Value Recorded</u>		<u>Current Fair Value</u>
	<u>2009</u>	<u>2008</u>	
Mineral rights 1/4 undivided interest 34 acres – Loop 288	\$ 12,860	\$ 12,860	Not Determined
	<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, 2009 and 2008, there were a total of 24 such policies with death benefits totaling \$1,733,611 and \$1,738,279 respectively, and cash values totaling \$378,670 and \$366,685 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, 2009 AND 2008

---

**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 2009 and 2008 were \$23,063 and \$29,793 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 \$5,950,651 at December 31, 2009 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, 2009 was \$6,320,711. The total amount of checking account deposits with Wells Fargo Bank N.A. as of December 31, 2009 was \$199,904. In addition to the checking account balance, the Foundation had cash balances of \$6,169,307 at December 31, 2009 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 \$2,318,789 and \$1,534,948 at December 31, 2009 and 2008, respectively.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

---

**NOTE 15 – SUBSEQUENT EVENTS**

Management has reviewed events subsequent to December 31, 2009 through June 1, 2010, which is the date the financial statements were available to be issued. No subsequent events were identified that were required to be recorded or disclosed in the financial statements.