

COMBINED FINANCIAL REPORT



FOR THE YEAR ENDED AUGUST 31, 2011

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, 2011

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UNT
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NORTH*TEXAS
SYSTEM



November 20, 2011

Lee Jackson
Chancellor
University of North Texas System
1901 Main Street
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, 2011 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 J. Carlos Hernandez at (940) 565-3231. Kellie Garrett – Ekeland may be contacted at (940) 565-3214 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Terry Pankratz
Vice Chancellor for Finance



UNIVERSITY OF NORTH TEXAS SYSTEM

ORGANIZATIONAL DATA

August 31, 2011

BOARD OF REGENTS

Jack Wall (Term expires 5-22-13) Dallas
Gwyn Shea (Term expires 5-22-13) Irving
Don A. Buchholz (Term expires 5-22-13) Dallas

Brint Ryan (Term expires 5-22-15) Dallas
Michael R. Bradford (Term expires 5-22-15) Midland
Steve Mitchell (Term expires 5-22-15) Richardson

Don Potts (Term expires 5-22-17) Dallas
Al Silva (Term expires 5-22-17) San Antonio
Michael R. Williams (Term expires 5-22-17) Fredericksburg

STUDENT REGENT

Christian Dean (Term expires 5-31-11) Dallas

OFFICERS OF THE BOARD

Jack Wall Chairman
Brint Ryan Vice Chairman
Julia A. Boyce Secretary

ADMINISTRATIVE OFFICERS

Lee Jackson Chancellor
Terry Pankratz Vice Chancellor for Finance
J. Carlos Hernandez System Controller

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UNIVERSITY OF NORTH TEXAS SYSTEM (794) Management's Discussion and Analysis For the Year Ended August 31, 2011

Introduction

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

The System serves the North Texas area, boosting economic activity in the region by nearly \$2 billion annually. Approximately 36,000 students are enrolled in undergraduate, graduate and professional programs. The System awards more than 5,300 degrees each year, including the largest number of master's and doctoral degrees in the region. More than 100,000 of its alumni live and work in the North Texas area. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a student Regent for a one-year term.

Overview of the Financial Statements and Financial Analysis

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended August 31, 2011, with selected comparative information for the year ended August 31, 2010. The MD&A was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on the current year data. Unless otherwise indicated, years in this MD&A refer to the fiscal years ended August 31. The System's consolidated financial report includes three primary financial statements: the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Highlights

- 2011 fall semester headcount enrollment at UNT, UNT at Dallas, and the HSC reflected an overall increase compared to the previous fall semester (this includes a decrease of 1% at UNT, and increases of 7% at UNT- Dallas, and 11% at UNTHSC). The impact of the small decline in headcount enrollment at UNT was largely offset by an increase in full time student enrollment.
- The system recognized approximately \$12.5 million in cash contributions, non-cash capital donations, and pledged gifts as revenue in the 2011 fiscal year. Additionally, the system received a \$20 million naming sponsorship for the new football stadium at UNT, a \$22 million pledge to support the Colleges of Music, Engineering and Business, student scholarships and endowed professorships, and an \$8 million bequest. These landmark gifts and sponsorship, totaling approximately \$50 million, are the largest of their kind in UNT's history.
- Federal, state, and other grant revenues were \$158.2 million, a 17.7% increase over the previous fiscal year.
- At the end of fiscal year 2011, Texas College of Osteopathic Medicine (TCOM) remained among the top 20 primary care medical schools in the nation and the very best in Texas as designated by *US News & World Report*. Overall, revenues for UNTHSC increased by approximately \$15 million in fiscal year 2011. During the fiscal year, UNT Health (UNTHSC's Practice Plan) generated more than \$83.3 million in revenue, research awards to our scientist reached more than \$37.3 million, and the UNTHSC raised approximately \$7.8 million in pledges and philanthropic gifts.

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- Investments in capital asset additions were \$314.9 million in 2011. Major capital projects completed in 2011 include:

- Apogee Stadium
- Business Leadership Building
- Life Sciences Complex
- Highland Street Parking Garage
- Medical Education and Training (MET) Building
- Energy Performance Contract (multi-year project/partial completion)

All of the aforementioned projects have been developed in a sustainable manner to meet or exceed a LEED gold rating. The Apogee Stadium, in particular was awarded a LEED platinum rating and is currently the only one of its kind.

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 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

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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.

The following table reflects the Condensed Comparative Statement of Nets Assets for the System as of August 31, 2011 and 2010:

Condensed Comparative Statement of Net Assets			
As of August 31, 2011 and 2010			
(\$ in millions)			
	<u>2011</u>	<u>2010</u>	<u>% Incr/Decr</u>
Assets			
Current Assets	\$ 589.6	\$ 550.3	
Noncurrent Assets			
Capital Assets, Net	808.4	629.2	
Other Noncurrent Assets	128.3	225.1	
Total Assets	<u>\$ 1,526.3</u>	<u>\$ 1,404.6</u>	<u>8.67%</u>
Liabilities			
Current Liabilities	313.9	253.7	
Noncurrent Liabilities			
Bonded Indebtedness	402.1	421.1	
Other Noncurrent Liabilities	56.8	26.5	
Total Liabilities	<u>772.8</u>	<u>701.3</u>	<u>10.21%</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	334.4	190.2	
Restricted			
Debt Retirement	0.2	0.0	
Capital Projects	48.7	146.5	
Funds Held as Permanent Investments			
Non-Expendable	44.7	40.6	
Expendable	2.7	3.4	
Other Restricted	49.5	57.4	
Total Restricted	145.7	247.8	
Unrestricted	273.4	265.3	
Total Net Assets	<u>753.5</u>	<u>703.3</u>	<u>7.13%</u>
Total Liabilities and Net Assets	<u>\$ 1,526.3</u>	<u>\$ 1,404.6</u>	<u>8.67%</u>

- Increase in total assets: \$121.7 million
 - \$72.1 million net decrease in cash and cash equivalents and investments
 - \$15.1 million increase in legislative appropriations
 - \$0.5 million decrease in receivables
 - \$178.9 million increase in capital assets-land, buildings and construction in progress

- Increase in total liabilities: \$71.5 million
 - \$12.8 million increase in deferred revenues
 - \$29.4 million increase in accounts payable and payroll payable
 - \$29.3 million increase in current and noncurrent revenue bonds/notes payable

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- Increase in total net assets: \$50.2 million
 - \$144.2 million increase in invested in capital assets, net of related debt
 - \$4.1 million increase in nonexpendable funds held for permanent investment
 - \$8.5 million decrease in other restricted
 - \$8.0 million increase in unrestricted net assets
 - \$97.6 million decrease in restricted for capital projects

Unrestricted net assets of \$273.4 million 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.

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, 2011 and 2010.

Condensed Comparative Statement of Revenues, Expenses and Changes in Net Assets For the Fiscal Years Ended August 31, 2011 and 2010 (\$ in millions)			
	2011	2010	% Incr/Decr
Operating Revenues	\$ 488.7	\$ 509.0	-4.0%
Operating Expenses	760.9	718.4	5.9%
Operating Income/(Loss)	(272.2)	(209.4)	1.9%
Nonoperating Revenues/(Expenses)	286.1	204.7	39.8%
Income/(Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	13.9	(4.7)	-398.0%
Other Revenues, Expenses, Gains, Losses and Funds Held as Permanent Investments	36.3	36.5	-0.4%
Change in Net Assets	50.3	31.8	58.1%
Net Assets, Beginning of Year	703.2	671.6	
Restatements	(0.1)	(0.0)	
Restated Net Assets, Beginning of Year	703.2	671.5	4.7%
Net Assets, End of Year	\$ 753.5	\$ 703.3	7.1%

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.

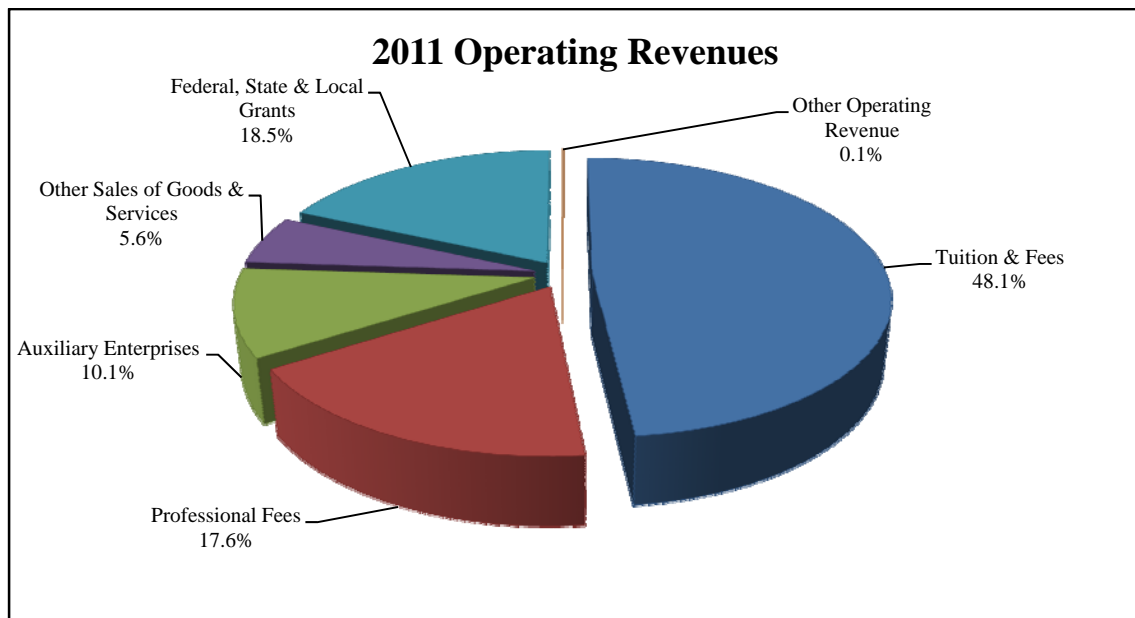
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Included in nonoperating revenue above are legislative appropriations for the current fiscal year totaling \$179.1 million, additional appropriated revenue for state-paid fringe benefits of \$46.6 million, proceeds from federal non-exchange sponsored programs of \$48.8 million and American Recovery and Investment Act (2009) pass-through revenues in the amount of \$12.3 million. Also, the System's Higher Education Fund (HEF) annual revenue totaling \$36.6 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, 48.1% 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 \$235.6 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.

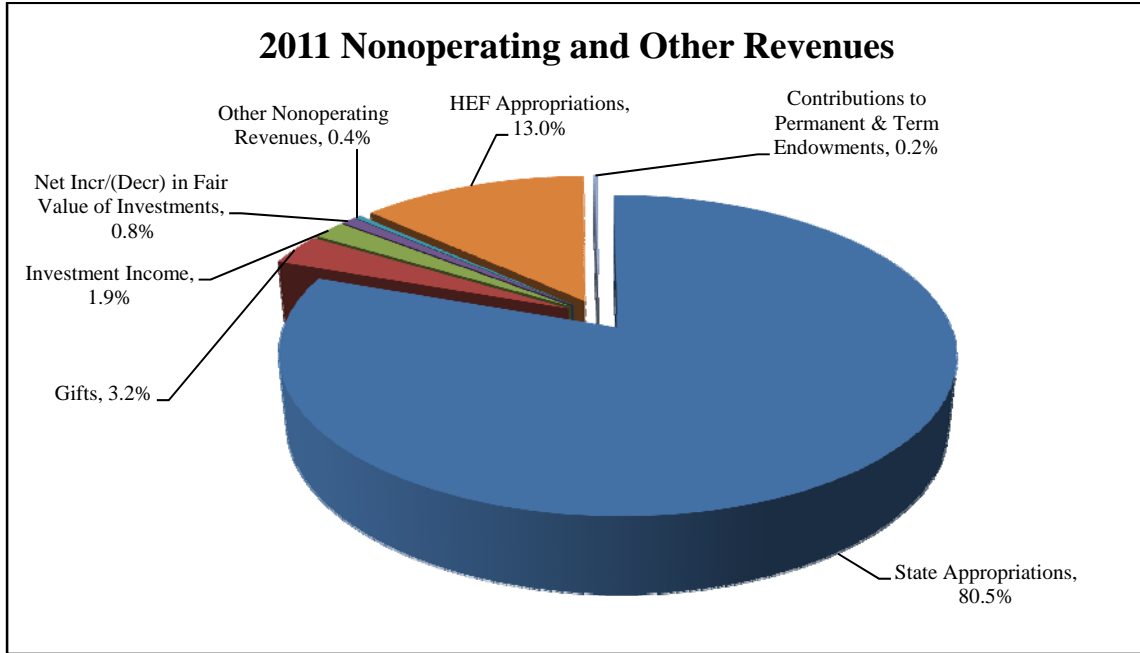
The System's operating revenue from all federal, state, and private grants and contracts, including pass through grant revenue, decreased by approximately 27.3% during this fiscal year. This is due to a change in reporting of non-exchange federal sponsored programs that moved this activity from operating to non-operating revenue. Total sponsored activities (both operating and non-operating) have increased by approximately 13.5 % as efforts to increase extramural funding continue to increase their efforts to advance the University's research initiatives.



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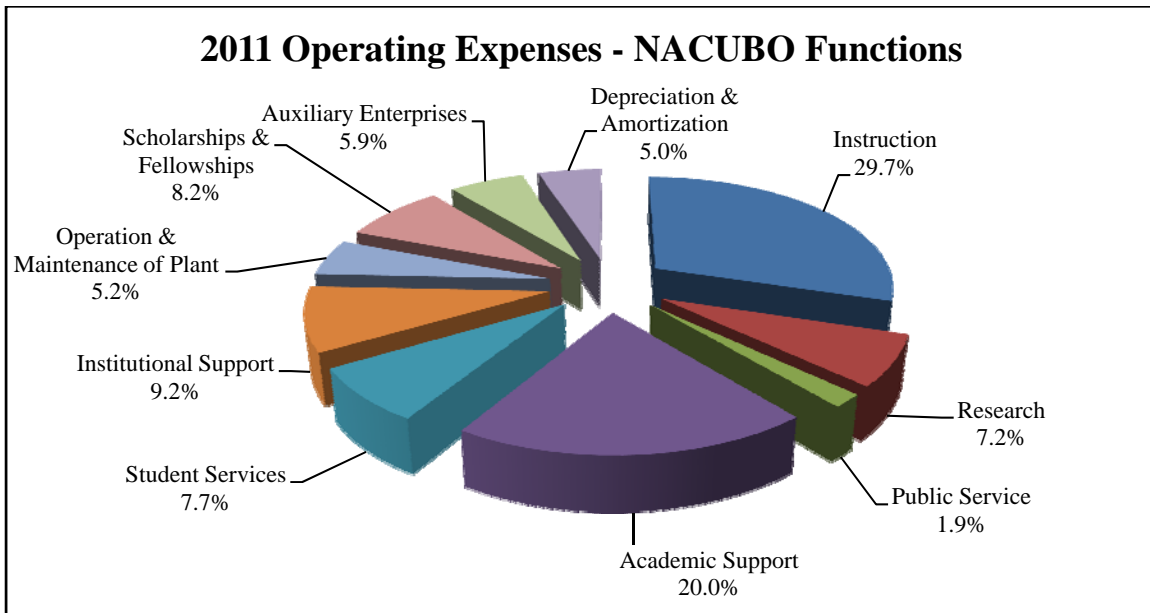
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State appropriations, which represent the largest percentage of other nonoperating revenues, increased by 6.43%.



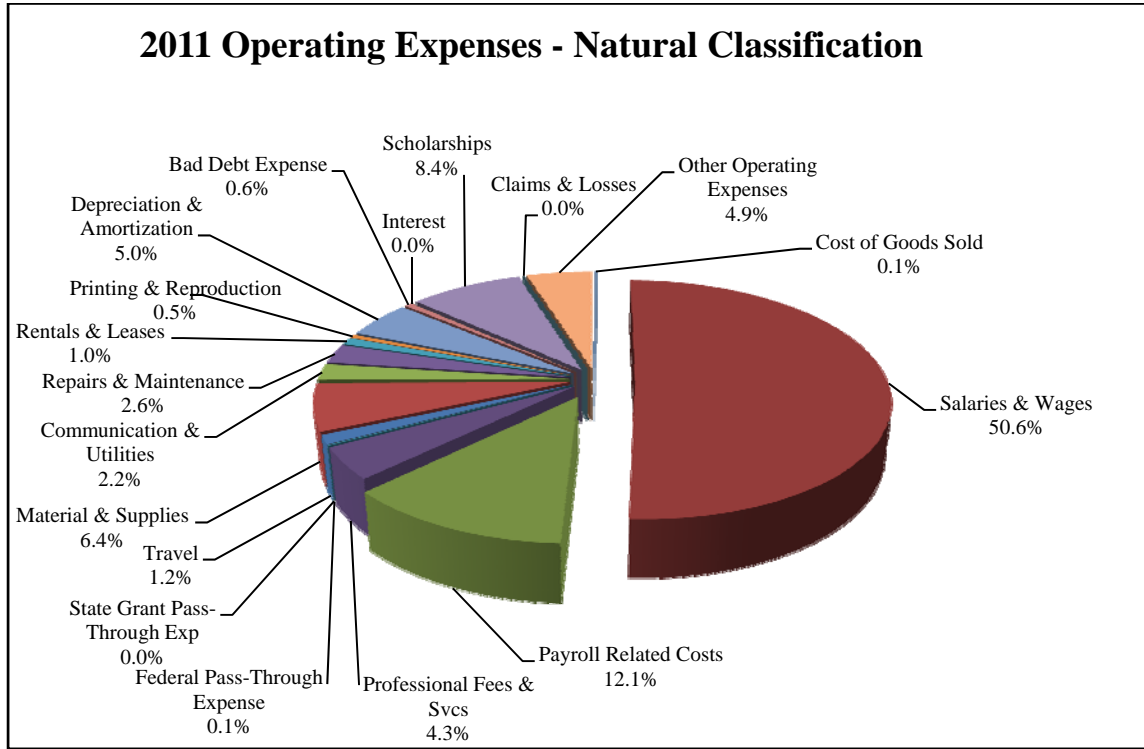
The System's operating expenses reflect a 5.9% increase during the fiscal year. Increases are due primarily to additional faculty and staff to support additional teaching and research initiatives, and a 13.9% increase in depreciation expense as new facilities are placed in service.

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.



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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.

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Condensed Comparative Statement of Cash Flows For the Fiscal Years Ended August 31, 2011 and 2010 (\$ in millions)			
	2011	2010	% Incr/Decr
Cash Provided (Used) by:			
Operating Activities	\$ (199.8)	\$ (162.2)	
Noncapital Financing Activities	283.9	233.3	
Capital and Related Financing Activities	(149.7)	51.8	
Investing Activities	90.1	(60.4)	
Net Change in Cash & Cash Equivalents	24.3	62.6	
Cash & Cash Equivalents, Beginning of Year	362.4	299.7	
Restatement to Beginning Cash & Cash Equivalents Balance	-	0.1	
Cash & Cash Equivalents, End of Year	\$ 386.7	\$ 362.4	6.7%

It is important to note that state appropriations and federal revenues from Pell grants 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 and Pell grants, 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 2011.

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.

Capital Asset and Debt Administration

The System’s net capital asset additions from acquisitions, donations, and construction during the fiscal year totaled \$144.2 million. Included in the increase in capital assets are UNT’s Life Sciences Complex, Business Leadership Building, Highland Street Parking Garage, and Apogee Stadium.

Bond ratings remained constant in 2011. More detailed information regarding the System’s bonded indebtedness is provided in Note 6 of the accompanying Notes to the Combined Financial Statements.

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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 2011-12:

	2009	2010	2011	2012 (Est.)
Available Pledged Revenues (not including Fund Balances) ⁽¹⁾⁽³⁾	\$ 214,199,887	\$ 240,586,318	\$ 261,130,698	\$ 266,353,312
Pledgeable Unappropriated Funds (Funds and Reserve Balances) ⁽²⁾⁽³⁾	235,646,977	239,963,590	178,746,394	182,321,322
Total Pledged Revenues ⁽³⁾	\$ 449,846,864	\$ 480,549,908	\$ 439,877,092	\$ 448,674,634

⁽¹⁾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.

⁽²⁾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.

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

Economic Outlook

Texas statutes set baseline, or statutory tuition and authorize the Board of Regents of each university/university system to set a rates for graduate (board authorized tuition—BAT) and designated (board designated tuition—BDT). Board authorized tuition (BAT) has been fixed at \$50 per SCH for several years. The Board of Regents has authorized increases in BDT each fall for several consecutive years. The table below provides BDT rates from fall 2007 to present:

Semester	BD Tuition
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*
Fall 2011	\$156.13/SCH UNT / \$160.00/SCH UNT Dallas*

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

Expanding its research enterprise and soliciting external funds through grants and contracts continue to be priorities for the University. Research is one of the four strategic priorities of the University of North Texas and constitutes one of the fundamental values. UNT is ranked by the Carnegie Foundation as a Research University-High Research Activity University and by the Texas Higher Education Coordinating Board as an Emerging Research University. In 2008-2009, UNT made its initial commitment 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 Sub Antarctic Biocultural Conservation and Research and another in Renewable Bioproducts. In 2010, UNT expanded the program to build four additional research clusters in Computational Chemical Biology, Renewable Energy and Conservation, Knowledge Discovery from Massive Digital Information Sources, and Multi-Scale Surface Science and Engineering. Another component of this phase was 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 additional strategic areas for future growth. In 2011, four additional clusters were added: Hazards and Disaster Research to Respond to Global Crises; Human Security, Democracy, and Global Development; Consumer Experiences in Digital Environments; and Complex Logistics Systems. Including the new clusters just added, there are now a total of fifteen research clusters and six strategic areas of investment. To date, sixteen senior and junior faculty have been successfully hired and four more potential hires are in negotiations. A total of 35 faculty searches for hires within the research cluster programs have been authorized for the 2011-12 academic year.

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The University of North Texas is one of seven "emerging research" universities selected for inclusion in the Tier One bill enacted by the 81st 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; the National Research University Fund which rewards a university if it crosses a national threshold of excellence.

Expanding research infrastructure is a key component to UNT's research growth. In 2011, a new 180,000 sq. ft. \$70 million Business Leadership Building was completed and occupied. The building includes space for teaching and research for a variety of areas related to business, including interdisciplinary research in logistics and in entrepreneurship. Construction began in 2011 on the \$6 million cleanroom at Discovery Park. Construction also began on a \$2.2 million consolidation and modernization of UNT's premier materials characterization and analysis facility, the Center for Advanced Research and Technology (CART). Approximately \$1 million of the CART renovation is from a grant from the National Science Foundation. These construction projects will bring the two facilities together into a new Nanofabrication Analysis and Research Facility (NARF). Ground was broken this year on UNT's new Net Zero Energy Research Laboratory building. A new greenhouse facility is scheduled to begin construction soon. Plans have also begun for remodeling of the Science Research Building on main campus and creation of new research space at Discovery Park, with a total estimated cost for the two projects of \$27 million. Construction of phase I (about \$50 million) of a new Science and Technology Research Building at Discovery Park to create additional upscale laboratory space to support interdisciplinary research is under consideration.

In recent years, UNT has made a significant progress in expanding its funded research portfolio. For example, the total external grants and contracts have increased from \$23.5 million in FY 2007 to \$36.4 million in FY 2011, a 55% increase and the federally-reported research expenditures are up from \$15.9 million in FY 2007 to \$37.5 million (estimated) in FY 2011, an increase of about 135%.

Expanding the research enterprise and soliciting external funds through grants and contracts continue to be a priority for UNTHSC as well. Research awards reached more than \$37.3 million in fiscal year 2011. Since fiscal year 2005, our research award funding has increased by more than 85 percent. Our research efforts are primarily funded by federal support from the National Institutes of Health (NIH), considered the gold standard when judging quality of biomedical research. Our growth in research funding from the NIH dramatically exceeds the overall national average. Last fiscal year alone, faculty submitted grant proposals totaling more than \$213 million.

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 2010-11 appropriations. The 2011 appropriation 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.

Although the System was challenged by an uncertain external environment, campuses continued to experience student growth. UNTHSC was home to 1760 students at the end of the fiscal year 2011, an increase of 26.2 percent since fiscal year 2010. Enrollments at UNT and UNT at Dallas have also increased by approximately 10.9% over this same time periods. Incremental revenues from this enrollment growth were critical in mitigating the effects of State funding reductions during the 2011 fiscal year.

UNTHSC remains committed to its role in primary care delivery, and has built our patient care network to bring much-needed physician services to the North Texas region. UNT Health (UNTHSC's Practice Plan) is one of the largest multi-specialty physician groups in Tarrant County with more than 230 providers. Our physicians were able to see approximately 600,000 patients last year in our 35 clinical locations across the county. As a result, UNT Health generated \$83.2 million in revenue from both its clinical and correctional medicine operations. We are confident that this area of activity will continue to expand and generate additional income in future periods.

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Management's Discussion and Analysis
For the Year Ended August 31, 2011**

A state mandate during fiscal years 2010 and 2011 required that certain agencies return five percent of previously granted appropriations. Five percent total general revenue returned to the state from UNT System was \$8.26 million for 2011. In January 2011, state agencies and institutions of higher education were required to an additional two and one-half percent reduction of general revenue appropriations. This additional reduction totaled \$3.7 for UNT System. UNT System and its components mitigated these cuts during FY2011 by 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, 2011

	August 31, 2011	August 31, 2010
ASSETS AND DEFERRED OUTFLOWS		
Current Assets		
Cash and Cash Equivalents		
Cash on Hand	\$ 142,753.10	\$ 136,480.52
Cash in Bank	(7,009,901.81)	(11,585,097.34)
Reimbursement Due from Treasury	15,445,901.83	16,246,087.91
Cash in State Treasury	29,005,506.98	20,238,635.22
Cash Equivalents	309,876,667.08	305,026,514.99
Restricted:		
Cash and Cash Equivalents		
Cash on Hand	10,270.85	5,993.70
Cash in Bank	(538,863.15)	(1,064,938.13)
Cash Equivalents	39,761,806.39	33,349,068.94
Legislative Appropriations	80,139,055.27	65,048,819.08
Receivables from:		
Federal	28,059,400.71	29,912,431.38
Other Intergovernmental	936,167.08	475,279.34
Interest and Dividends	802,812.06	1,225,739.36
Accounts Receivable	47,964,807.95	54,023,425.52
Gifts Receivable	719,176.34	2,534,100.93
Other Receivables	7,380,256.25	-
Due From Other Agencies	6,977,885.57	5,161,856.22
Consumable Inventories	1,662,793.35	1,772,114.45
Merchandise Inventories	339,512.77	458,540.89
Loans and Contracts	7,794,895.41	6,793,656.12
Other Current Assets	20,145,936.39	20,533,991.13
Total Current Assets	589,616,840.42	550,292,700.24
Non-Current Assets and Deferred Outflows		
Restricted:		
Investments	64,658,670.81	67,296,073.99
Loans and Contracts	6,209,658.47	5,929,336.13
Investments	53,823,103.71	147,662,354.47
Gift Receivables	1,832,852.08	2,085,377.34
Capital Assets:		
Non-Depreciable or Non-Amortizable		
Land and Land Improvements	67,533,344.87	66,869,463.09
Construction in Progress	11,827,610.08	108,673,487.95
Other Tangible Capital Assets	23,728,836.44	23,682,182.81
Depreciable or Amortizable		
Buildings and Building Improvements	788,183,741.69	626,029,073.04
Less Accumulated Depreciation	(317,281,798.19)	(296,109,831.57)
Infrastructure	39,315,566.58	9,348,550.11
Less Accumulated Depreciation	(8,142,715.84)	(7,965,796.48)
Facilities and Other Improvement	117,488,640.67	16,907,597.78
Less Accumulated Depreciation	(10,527,855.60)	(9,714,697.46)
Furniture and Equipment	118,184,137.85	109,961,422.89
Less Accumulated Depreciation	(74,391,600.53)	(68,065,236.97)
Vehicles, Boats and Aircraft	8,534,859.09	8,255,013.12
Less Accumulated Depreciation	(6,160,153.54)	(5,659,615.44)
Other Capital Assets	98,483,362.11	99,821,934.47
Less Accumulated Depreciation	(48,347,677.32)	(52,838,824.28)
Computer Software	22,057,453.64	21,785,703.64
Less Accumulated Amortization	(20,605,475.91)	(19,941,124.05)
Other Non-Current Assets	303,032.21	268,267.62
Total Non-Current Assets and Deferred Outflows	936,707,593.37	854,280,712.20
Total Assets and Deferred Outflows	\$ 1,526,324,433.79	\$ 1,404,573,412.44

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	August 31, 2011	August 31, 2010
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities		
Payables From:		
Accounts Payable	\$ 58,050,060.36	30,198,645.39
Payroll Payable	37,931,759.32	36,079,539.69
Other Payables	1,699,480.85	1,878,055.07
Due to Other Agencies	20,517.24	29,892.63
Deferred Revenues	155,693,832.99	142,909,724.51
Notes and Loans Payable	20,902,800.00	2,093,000.00
Revenue Bonds Payable, Net	18,919,204.00	19,399,192.00
Pollution Remediation Obligation	-	12,424.10
Employees' Compensable Leave	2,380,290.62	2,116,965.29
Capital Lease Obligations	6,986.76	-
Funds Held for Others	11,947,276.38	13,410,879.81
Other Current Liabilities	6,324,777.68	5,600,596.34
Total Current Liabilities	313,876,986.20	253,728,914.83
Non-Current Liabilities and Deferred Inflows		
Notes and Loans Payable	33,977,200.00	5,287,000.00
Contra Liability-Due From Other Components-CP	-	-
Revenue Bonds Payable, Net	402,136,626.90	421,055,842.90
Employees' Compensable Leave	18,574,797.68	17,025,619.71
Capital Lease Obligations	9,897.91	-
Funds Held for Others	2,490,688.15	2,405,831.50
Other Non-Current Liabilities	1,779,057.37	1,757,386.92
Total Non-Current Liabilities and Deferred Inflows	458,968,268.01	447,531,681.03
Total Liabilities and Deferred Inflows	772,845,254.21	701,260,595.86
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	334,393,162.33	190,161,107.07
Restricted for:		
Debt Retirement	220,340.53	19,691.31
Capital Projects	48,651,824.24	146,476,797.92
Funds Held as Permanent Investments		
Non-Expendable	44,661,951.94	40,603,811.43
Expendable	2,672,530.88	3,354,035.19
Other Restricted	49,522,094.40	57,376,516.17
Unrestricted	273,357,275.26	265,320,857.49
Total Net Assets	753,479,179.58	703,312,816.58
Total Liabilities and Net Assets	\$ 1,526,324,433.79	\$ 1,404,573,412.44

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Combined Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended August 31, 2011

	August 31, 2011	August 31, 2010
OPERATING REVENUES		
Sales of Goods and Services:		
Tuition and Fees - Non-Pledged	\$ 8,275,985.27	\$ 6,301,879.88
Tuition and Fees - Pledged	287,461,711.77	269,227,967.14
Discounts and Allowances	(60,145,128.46)	(48,594,039.75)
Professional Fees - Non-Pledged	86,069,912.02	85,036,620.86
Auxiliary Enterprises - Non-Pledged	1,050,493.61	1,074,368.35
Auxiliary Enterprises - Pledged	48,288,368.24	44,520,377.17
Discounts and Allowances	(217,861.78)	(196,133.09)
Other Sales of Goods and Services - Pledged	27,485,114.54	27,213,533.29
Federal Revenue - Operating ⁽²⁾	50,088,824.04	89,129,741.81
Federal Pass Through Revenue	4,502,053.62	4,031,932.89
State Grant Revenue	3,327,560.31	3,464,429.94
State Grant Pass Through Revenue	22,616,601.61	17,749,991.44
Other Grants and Contracts - Operating	9,747,010.38	9,830,589.46
Other Operating Revenues	134,345.71	185,281.15
Total Operating Revenues	488,684,990.88	508,976,540.54
OPERATING EXPENSES ⁽¹⁾		
Instruction	226,517,570.10	211,220,354.29
Research	54,873,719.02	51,199,409.72
Public Service	14,187,145.28	12,063,613.74
Academic Support	152,240,839.39	151,082,253.55
Student Services	58,503,476.65	55,077,944.29
Institutional Support	69,672,650.72	68,978,213.60
Operations and Maintenance of Plant	39,466,241.65	38,372,402.86
Scholarships and Fellowships	62,393,919.08	57,644,420.05
Auxiliary Enterprises	45,018,178.73	39,391,944.03
Depreciation and Amortization	38,000,828.76	33,357,528.49
Total Operating Expenses	760,874,569.38	718,388,084.62
Operating Income/(Loss)	(272,189,578.50)	(209,411,544.08)
NONOPERATING REVENUES (EXPENSES)		
Legislative Appropriations (GR)	179,084,296.00	168,267,674.73
Additional Appropriations (GR)	46,617,856.86	43,203,214.84
Federal Revenue ⁽²⁾	48,846,495.45	-
Federal Grant Pass Through Revenue	12,316,674.80	10,384,569.20
Gifts	6,008,369.64	7,133,731.32
Investment Income	5,440,359.37	7,228,920.79
Interest Expense and Fiscal Charges	(9,697,926.80)	(23,883,496.44)
Gain/(Loss) on Sale of Capital Assets	(2,331,757.18)	(1,112,867.27)

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	August 31, 2011	August 31, 2010
Net Increase (Decrease) in Fair Value of Investments	2,327,766.73	(431,856.24)
Settlement of Claims	(2,004,180.09)	(1,009,299.29)
Other Nonoperating Revenues - Non-Pledged	1,039,434.60	516,478.21
Other Nonoperating Expenses	(1,521,498.10)	(5,562,532.56)
Total Nonoperating Revenues /(Expenses)	286,125,891.28	204,734,537.29
Income/(Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	13,936,312.78	(4,677,006.79)
OTHER REVENUES, EXPENSES, GAINS LOSSES AND TRANSFERS		
Capital Contributions	3,045,631.80	4,865,885.87
Capital Appropriations - HEF (GR)	36,617,741.00	35,117,363.00
Contributions to Permanent and Term Endowments	568,893.10	354,282.57
Interagency Transfers Cap Assets-Increase	176,339.72	-
Interagency Transfers Cap Assets-Decrease	-	(329,783.27)
Transfers-In	-	-
Transfers-Out	(4,087,518.32)	(3,548,534.61)
Legislative Transfers-In	-	-
Legislative Transfers-Out	-	-
Total Other Revenue, Expenses, Gain/Losses and Transfers	36,321,087.30	36,459,213.56
CHANGE IN NET ASSETS	50,257,400.08	31,782,206.77
Net Assets, Beginning	703,312,816.58	671,573,288.96
Restatements	(91,037.08)	(42,679.15)
Net Assets, Beginning, as Restated	703,221,779.50	671,530,609.81
NET ASSETS, ENDING	\$ 753,479,179.58	\$ 703,312,816.58

⁽¹⁾ 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, 2011

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ 23,376.45	\$ -	\$ -	\$ 198,431.95	\$ 60,976.76
Salaries and Wages	163,267,133.57	29,329,712.79	7,421,764.46	88,344,211.29	30,611,376.04
Payroll Related Costs	41,339,549.81	5,492,421.58	1,671,958.50	17,268,485.36	5,521,837.74
Professional Fees & Svcs	1,585,783.35	5,810,391.30	1,080,676.99	19,170,197.91	840,781.51
Federal Pass-Through Expense	-	751,080.34	44,130.34	-	-
State Grant Pass-Through Exp	-	54,279.62	-	-	-
Travel	1,611,372.56	1,568,511.52	265,074.01	2,326,134.90	2,642,437.02
Material and Supplies	8,385,215.01	6,680,689.69	922,353.53	10,724,622.55	6,575,336.20
Communication & Utilities	802,190.54	91,124.54	70,460.32	716,082.69	1,012,049.50
Repairs and Maintenance	712,707.65	814,874.31	48,530.75	3,854,359.50	790,863.39
Rentals and Leases	1,529,678.17	341,251.39	316,974.61	1,817,915.67	1,256,317.07
Printing and Reproduction	898,102.89	184,622.02	85,330.65	499,040.38	738,477.61
Depreciation and Amortization	-	-	-	-	-
Bad Debt Expense	612,029.34	-	-	630,410.00	256.19
Interest	-	-	-	-	-
Scholarships	1,431,720.81	1,065,073.66	262,691.60	30,550.00	90.00
Other Operating Expenses	4,318,709.95	2,689,686.26	1,997,199.52	6,660,397.19	8,452,677.62
Total Operating Expenses	\$ 226,517,570.10	\$ 54,873,719.02	\$ 14,187,145.28	\$ 152,240,839.39	\$ 58,503,476.65

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Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	2011 Total Expenditures
\$ 337,211.65	\$ 85,276.79	\$ -	\$ 29,239.60	\$ -	\$ 734,513.20
41,317,666.27	6,733,632.69	764,200.77	17,363,917.93	-	385,153,615.81
12,562,733.47	3,220,668.44	69,443.67	5,130,409.26	-	92,277,507.83
1,799,256.45	1,712,316.11	7,048.77	619,279.83	-	32,625,732.22
-	-	-	-	-	795,210.68
-	-	-	-	-	54,279.62
675,611.18	69,818.96	23,039.33	93,986.70	-	9,275,986.18
1,104,438.47	5,535,666.18	36,739.30	8,679,310.21	-	48,644,371.14
(754,918.25)	10,917,187.01	-	4,006,933.79	-	16,861,110.14
4,048,271.25	5,741,001.91	1,472.40	3,894,166.55	-	19,906,247.71
693,982.61	234,871.37	1,747.00	1,076,965.84	-	7,269,703.73
849,485.32	10,772.70	115.25	372,394.61	-	3,638,341.43
-	-	-	-	38,000,828.76	38,000,828.76
1,582,885.13	-	-	1,418,622.51	-	4,244,203.17
3.17	-	-	-	-	3.17
-	-	61,423,011.32	-	-	64,213,137.39
5,456,024.00	5,205,029.49	67,101.27	2,332,951.90	-	37,179,777.20
\$ 69,672,650.72	\$ 39,466,241.65	\$ 62,393,919.08	\$ 45,018,178.73	\$ 38,000,828.76	\$ 760,874,569.38

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Combined Statement of Cash Flows
For the Fiscal Year Ended August 31, 2011

	August 31, 2011	August 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Tuition and Fees	\$ 242,746,073.16	\$ 224,610,872.26
Proceeds Received from Customers	119,424,127.49	118,745,890.25
Proceeds from Sponsored Projects	90,255,756.58	114,703,836.83
Proceeds from Loan Programs	5,595,255.13	9,921,003.14
Proceeds from Auxiliaries	49,121,000.07	43,946,574.20
Proceeds from Other Revenues	711,691.61	1,225,023.58
Payments to Suppliers for Goods and Services	(143,647,203.80)	(154,120,874.25)
Payments to Employees for Salaries and Benefits	(473,766,400.71)	(453,256,086.04)
Payments for Loans Provided	(6,665,967.78)	(9,796,151.41)
Payments for Other Expenses	(83,680,647.31)	(58,131,488.45)
Net Cash Provided (Used) by Operating Activities	(199,906,315.56)	(162,151,399.89)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	227,641,582.82	218,922,175.07
Proceeds from Gifts	7,750,061.43	6,783,351.08
Proceeds from Endowments	568,893.10	354,282.57
Proceeds of Transfers from Other Agencies	1,123,498.07	-
Proceeds from Grant Receipts	60,039,672.18	10,384,569.20
Proceeds from Other Revenues	1,054,576.94	1,066,552.50
Payments of Interest	(17,806.28)	(71,529.80)
Payments for Transfers to Other Agencies	(9,286,456.18)	(3,548,534.61)
Payments for Other Uses	(4,983,970.40)	(585,171.81)
Net Cash Provided (Used) by Noncapital Financing Activities	283,890,051.68	233,305,694.20
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from State Appropriations - HEF	32,626,108.74	36,363,724.03
Proceeds from Disposal of Capital Assets	34,709.50	47,021.25
Proceeds from Debt Issuance	90,230,652.66	256,178,914.92
Payments for Additions to Fixed Assets	(216,357,147.09)	(122,821,060.71)
Payments of Principal on Debt Issuance	(47,891,341.03)	(94,874,821.55)
Payments of Interest on Debt Issuance	(7,510,174.55)	(21,538,943.02)
Payments of Other Costs of Debt Issuance	(6,062.34)	(599,599.71)
Payments for Transfers to Other Components	(554,938.56)	-
Payments for Disposal of Capital Assets	(315,818.93)	(952,928.97)
Net Cash Provided (Used) From Capital & Related Financing Activities	(149,744,011.60)	51,802,306.24

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	August 31, 2011	August 31, 2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	135,773,920.46	67,916,162.72
Proceeds from Interest and Investment Income	6,300,212.10	7,118,636.08
Payments to Acquire Investments	(51,972,461.63)	(135,399,782.67)
Net Cash Provided (Used) by Investing Activities	90,101,670.93	(60,364,983.87)
Net Increase/(Decrease) in Cash and Cash Equivalents	24,341,395.45	62,591,616.68
Cash and Cash Equivalents --September 1, 2010 and 2009	362,352,745.82	299,707,442.57
Restatements to Beginning Cash and Cash Equivalents	-	53,686.57
Cash and Cash Equivalents --August 31, 2011 and 2010	\$ 386,694,141.27	\$ 362,352,745.82
Displayed as:		
Unrestricted Cash and Cash Equivalents (Statement of Net Assets)	\$ 347,460,927.18	\$ 330,062,621.31
Restricted Cash and Cash Equivalents (Statement of Net Assets)	39,233,214.09	32,290,124.51
	\$ 386,694,141.27	\$ 362,352,745.82
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income/(Loss)	\$ (272,189,578.50)	\$ (209,411,544.08)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	38,000,828.76	33,357,528.49
Bad Debt Expense	4,244,203.17	(1,111,026.53)
Operating Income and Cash Flow Categories		
Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	7,118,427.76	(13,524,670.52)
(Increase) Decrease in Inventories	228,349.22	8,246.78
(Increase) Decrease in Loans & Contracts	(239,122.51)	(158,147.64)
(Increase) Decrease in Other Assets	(7,292,438.52)	1,846,392.32
(Increase) Decrease in Prepaid Expenses	396,335.79	(102,011.11)
Increase (Decrease) in Payables	20,934,551.79	15,272,410.83
Increase (Decrease) in Deferred Income	8,892,127.48	11,671,421.57
Total Adjustments	72,283,262.94	47,260,144.19
Net Cash Provided by Operating Activities	\$ (199,906,315.56)	\$ (162,151,399.89)
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 2,327,766.73	\$ (431,856.24)
Amortization of Investment Premiums/(Discounts)	\$ 845,875.52	\$ 366,626.26
Amortization of Bond Premiums/(Discounts)	\$ 971,352.00	\$ 359,886.45
Gain/(Loss) on disposal of Capital Assets	\$ (281,109.43)	\$ (1,112,867.27)

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

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2011

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 27 member board of community business leaders, elected for a three-year term. 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.

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2011

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, 2011.

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.

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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 2011.

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.

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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.

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Note 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2011, is presented below:

BUSINESS-TYPE ACT.	Balance 9/1/2010	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2011
			Completed CIP	Increase Interagency Transfers	Decrease Interagency Transfers			
	\$	\$	\$	\$	\$	\$	\$	\$
Non-Depreciable or Non-Amortizable Assets:								
Land & Land Improvements	66,869,463.09			5,553,223.65	(5,553,223.65)	663,881.78		67,533,344.87
Construction in Progress	108,673,487.95		(267,962,679.27)	32,229,420.65	(32,229,420.65)	171,116,801.40		11,827,610.08
Other Tangible Capital Assets	23,682,182.81	(21,842.37)		21,842.37	(21,842.37)	68,496.00		23,728,836.44
Total Non-Depreciable or Non-Amortizable Assets:	199,225,133.85	(21,842.37)	(267,962,679.27)	37,804,486.67	(37,804,486.67)	171,849,179.18		103,089,791.39
Depreciable Assets:								
Buildings & Building Improvements	626,029,073.04		137,623,621.10	20,837,400.26	(20,837,400.26)	24,531,047.55		788,183,741.69
Infrastructure	9,348,550.11		29,967,016.47					39,315,566.58
Facilities & Other Improvements	16,907,597.78		100,372,041.70			209,001.19		117,488,640.67
Furniture & Equipment	109,961,422.89	(165,619.27)		1,268,965.96	(1,200,605.31)	11,885,492.94	(3,565,519.36)	118,184,137.85
Vehicles, Boats & Aircraft	8,255,013.12			55,568.50	(55,568.50)	565,810.15	(285,964.18)	8,534,859.09
Other Capital Assets	99,821,934.47	21,842.37		81,815.70	(81,815.70)	9,810,685.23	(11,171,099.96)	98,483,362.11
Total Accumulated Depreciation	870,323,591.41	(143,776.90)	267,962,679.27	22,243,750.42	(22,175,389.77)	47,002,037.06	(15,022,583.50)	1,170,190,307.99
Less Accumulated Depreciation for:								
Buildings & Improvements	(296,109,831.57)			(3,194,227.39)	3,194,227.39	(21,171,966.62)		(317,281,798.19)
Infrastructure	(7,965,796.48)					(176,919.36)		(8,142,715.84)
Facilities & Other Improvements	(9,714,697.46)					(813,158.14)		(10,527,855.60)
Furniture & Equipment	(68,065,236.97)	74,582.19		(407,779.74)	515,758.81	(9,760,080.50)	3,251,155.68	(74,391,600.53)
Vehicles, Boats & Aircraft	(5,659,615.44)			(31,901.66)	31,901.66	(773,198.84)	272,660.74	(6,160,153.54)
Other Capital Assets	(52,838,824.28)			(10,058.00)	10,058.00	(4,641,153.44)	9,132,300.40	(48,347,677.32)
Total Accumulated Depreciation	(440,354,002.20)	74,582.19		(3,643,966.79)	3,751,945.86	(37,336,476.90)	12,656,116.82	(464,851,801.02)
Depreciable Assets, Net	429,969,589.21	(69,194.71)	267,962,679.27	18,599,783.63	(18,423,443.91)	9,665,560.16	(2,366,466.68)	705,338,506.97
Amortizable Assets – Intangible:								
Land Use Rights								
Computer Software	21,785,703.64			9,358,818.83	(9,358,818.83)	271,750.00		22,057,453.64
Other Capital Intangible Assets								
Total Amortizable Assets - Intangible	21,785,703.64			9,358,818.83	(9,358,818.83)	271,750.00		22,057,453.64
Less Accumulated Amortization for :								
Land Use Rights								
Computer Software	(19,941,124.05)			(9,342,164.03)	9,342,164.03	(664,351.86)		(20,605,475.91)
Other Intangible Capital Assets								
Total Accumulated Amortization	(19,941,124.05)			(9,342,164.03)	9,342,164.03	(664,351.86)		(20,605,475.91)
Amortizable Assets – Intangible, Net	1,844,579.59			16,654.80	16,654.80	(392,601.86)		1,451,977.73
Business-Type Activities Capital Assets, Net:	631,039,302.65	(91,037.08)	0.00	56,420,925.10	(56,244,585.38)	181,122,137.48	(2,366,466.68)	809,880,276.09

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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, 2011, the carrying amount of deposits was \$(7,548,764.96) for Proprietary Funds and \$8,088,710.00 for University of North Texas Foundation, Inc. as presented below.

Business-Type Activities	
CASH IN BANK – CARRYING VALUE	\$(7,548,764.96)
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	
Cash in Bank per AFR	\$(7,548,764.96)
Proprietary Funds Current Assets Cash in Bank	\$(7,027,653.27)
Proprietary Funds Current Assets Restricted Cash in Bank	\$(521,111.69)
Cash in Bank per AFR	\$(7,548,764.96)

Discrete Component Unit	
CASH IN BANK – CARRYING VALUE	\$8,088,710.00
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	
Cash in Bank per AFR	\$8,088,710.00
Discrete Component Unit Current Assets Cash in Bank	\$8,088,710.00
Discrete Component Unit Current Assets Restricted Cash in Bank	
Discrete Component Unit Non-Current Restricted Cash in Bank	
Cash in Bank per AFR	\$8,088,710.00

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, 2011, the total bank balance was as follows:

Business-Type Activities	\$2,089,573.22
Discrete Component Unit	\$4,282,207.00

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

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Bank N.A., has pledged government backed securities with a par value of \$4,619,044 at December 31, 2010 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, 2010 was \$5,058,039. The total amount of checking account deposits with Wells Fargo Bank N.A. as of December 31, 2010 was \$100,004. In addition to the checking account balance, the Foundation had cash balances of \$4,282,207 at December 31, 2010 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 \$2,685,275 at December 31, 2010.

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, 2011, the carrying values of investments are presented below. The fair value is equivalent to the carrying value.

Business-Type Activities	Carrying Value
U.S. Government	
U.S. Treasury Securities	\$ 71,345.31
U.S. Treasury Strips	
U.S. Treasury TIPS	
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	48,783,149.85
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	
Corporate Obligations	
Corporate Asset and Mortgage Backed Securities	
Equity	2,437,749.11
Endowment Funds- collective	25,015,732.67
International Obligations (Govt. and Corp.)	
International Equity	4,887,844.85
Repurchase Agreement	16,255,700.85
Repurchase Agreement (Texas Treasury Safekeeping Trust Co.)	
Fixed Income Money Market and Bond Mutual Fund	59,162,275.39
Other Commingled Funds	53,173,818.54
Other Commingled Funds (Texpool)	233,477,608.48
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Alternative Investments-Domestic	4,105,531.63
Alternative Investments-Foreign	822,575.33
Misc (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	19,926,915.98
Total	\$ 468,120,247.99

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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	\$ 40,731,582
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	20,844,540
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)	12,441,487
Total	\$ 74,017,609

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, 2011, was as follows:

Fund Type	GAAP Fund	Currency	Balance
05	0001	Euro	\$822,575.34

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. As of August 31, 2011, 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	48,758,255								
		Corporate Obligations									
		International Obligations									
		Repurchase Agreement			16,255,701						
		Fixed Income Money Market and Bond Mutual Fund		55,694,265							3,006,516
		Miscellaneous	238,081			3,036,058					3,464,886

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.

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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 \$1,059,000.00 principal and \$29,392.48 interest.

Note 5: Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2011, the following changes occurred in long-term liabilities:

Business-Type Activities	Balance 09-01-10	Additions	Reductions	Balance 08-31-11	Amounts Due Within One Year
Notes & Loans Payable	\$ 7,380,000.00	\$ 49,435,000.00	\$ (1,935,000.00)	\$ 54,880,000.00	\$ 20,902,800.00
Revenue Bonds Payable	440,455,034.90	0.00	(19,399,204.00)	421,055,830.90	18,919,204.00
Claims & Judgments	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	16,884.67	0.00	16,884.67	6,986.76
Compensable Leave	19,142,585.00	3,271,006.60	(1,458,503.30)	20,955,088.30	2,380,290.62
Pollution Remediation Obligation	12,424.10	0.00	(12,424.10)	0.00	0.00
Total Business-Type Activities	\$ 466,990,044.00	\$ 52,722,891.27	\$ (22,805,131.40)	\$ 496,907,803.87	\$ 42,209,281.38

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 \$49,435,000 were issued during the fiscal year to finance various capital projects and notes in the amount of \$1,935,000 matured. The outstanding balance at August 31, 2011, is \$54,880,000 with interest rates of 0.13%, 0.17%, 0.22%, 0.24%, 0.25%, 0.26%, and 0.32% for the outstanding issues. 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.

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The debt service requirements for Commercial Paper are as follows:

Year	Principal	Interest	Total
2012	\$ 20,902,800.00	\$ 136,514.00	\$ 21,039,314.00
2013	1,294,800.00	84,518.29	1,379,318.29
2014	859,800.00	81,297.47	941,097.47
2015	859,800.00	79,158.72	938,958.72
2016	859,800.00	77,019.97	936,819.97
2017-2019	\$ 30,103,000.00	\$ 224,131.21	\$ 30,327,131.21

Average variable interest rate for 2011 of 0.249% 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, 2011, 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

As of August 31, 2011, the UNT System did not have any pollution remediation obligations.

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.

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General information related to bonds is summarized below:

University of North Texas System Administration

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

University of North Texas

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

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

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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

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; paying a portion of the accrued interest; and paying certain costs of issuing the bonds
- Issued 12-02-2009
- \$132,190,000; 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

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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 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

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
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Revenue Financing System Refunding and Improvement Bonds, Series 2009

- To provide funds for the purposes of 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 and Improvement 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

University of North Texas Dallas

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

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
- \$27,120,000; 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

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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:

	Government Activities	Business – Type Activities	Component Units
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	N/A	\$ 636,088,193.00	N/A
Term of Commitment Year Ending 08/31		2040	
Percentage of Pledged Revenue			
Current Year Pledged Revenue		439,877,092.88	
Current Year Principal and Interest Paid		37,691,641.69	
Pledged revenue sources:			
Government activities -			
Business – type activities – tuition and fees, operating income from residential housing, dining services			
Component Units -			

Note 7: Derivatives

Not applicable.

Note 8: Leases

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

Leases that are purchases in substance are reported as capital lease obligations. The capital assets are recorded at full value of the lease payments.

For governmental and business-type activities, the assets and liabilities are recorded in the government-wide financial statements.

The table below is a summary of the future minimum lease payments for capital leases.

Business-Type Activities			
	Principal	Interest	Total Future Minimum Lease Payments
2012 (Future Year 1)	\$ 6,986.76	\$ 0.00	\$ 6,986.76
2013 (Future Year 2)	\$ 6,986.76	\$ 0.00	\$ 6,986.76
2014 (Future Year 3)	\$ 2,911.15	\$ 0.00	\$ 2,911.15
Total Lease Payments	\$16,884.67	\$0.00	\$16,884.67

The following table represents an analysis of the property recorded under capital leases by asset category at August 31, 2011.

Business-Type Activities		
Type	Assets Under Capital Lease	Accumulated Depreciation
Furniture and Equipment	\$ 20,960.28	\$748.56
Total	\$ 20,960.28	\$748.56

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Note 9: Pension 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, 2011 are:

ORP Participation	
Member Contributions	\$9,515,811.00
Employer Contributions	10,540,000.00
Total	\$20,055,811.00

Note 10: Deferred Compensation

Not Applicable.

Note 11: Post Employment 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.

Individual balances and activity at August 31, 2011, follows:

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

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

	Legislative Transfers In	Legislative Transfers Out
ENTERPRISE FUND (05)	\$ 0.00	\$ 0.00
Total Legislative Transfers	\$ 0.00	\$ 0.00

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 \$91,037.08 in beginning net assets resulted from 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 2011.

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AUGUST 31, 2011

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, 2011, there are no known contingent liabilities that are likely to have a material effect on the System.

Note 16: Subsequent Events

UNT System anticipates issuing Revenue Financing System Bonds Series 2012 in the spring of 2012 in the amount of \$100,000,000 for the purpose of refunding a portion of outstanding bonds; acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure.

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.

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, 2011.

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, 2011. 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

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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) – \$750,000,000 limit. Limit of liability exceeds bond requirements. Carriers: National Union Fire Insurance Company and Lexington 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 \$30,000/\$60,000 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. Carrier: The Hartford Insurance Company.

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, 2011, 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.

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: Westchester Fire Insurance Company.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2011

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 \$1,111,688 to the University, made direct cash transfers totaling \$2,833,590 and made payments of \$798,841 on the University's behalf as of June 30, 2011.

Note 20: Stewardship, Compliance and Accountability

Not Applicable.

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 \$846,092.71. 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 2011.

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AUGUST 31, 2011

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.



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Notes to Schedule 1A - Combined Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2011

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 - Operating	\$ 50,088,824.04
Federal Grants and Contracts - Nonoperating	48,846,495.45
Federal Pass-Through Grants from Other State Agencies/Universities - Operating	4,502,053.62
Federal Pass-Through Grants from Other State Agencies/Universities - Nonoperating	12,316,674.80
Subtotal	\$ 115,754,047.91
Reconciling Items:	
New Loans Processed:	
Disadvantaged Student Loans	\$ 311,268.00
Federal Perkins Loan Program	184,190.00
Federal Direct Student Loans (Direct Loans)	217,083,568.00
Federal Grants from Texas A&M Research Foundation	(34,649.94)
Total Pass - Through & Expenditures per Federal Schedule	\$ 333,298,423.97

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 Lo	\$ 311,268.00	\$ -	\$ 311,268.00	\$ 2,923,054.05
<i>Total U.S. Dept. of Health and Human Services</i>	\$ 311,268.00	\$ -	\$ 311,268.00	\$ 2,923,054.05
<i>U.S. Department of Education</i>				
84.038 Federal Perkins Loan Program	\$ 184,190.00	\$ 118,492.00	\$ 302,682.00	\$ 4,609,172.11
84.268 Federal Direct Student Loans	217,083,568.00	-	217,083,568.00	-
<i>Total U.S. Department of Education</i>	217,267,758.00	118,492.00	217,386,250.00	4,609,172.11
TOTAL LOANS AND RECOVERIES	\$ 217,579,026.00	\$ 118,492.00	\$ 217,697,518.00	\$ 7,532,226.16

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

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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, 2011

Pass-Through From: State Agencies

To University of North Texas System (794):

Texas Dept. of State Health Services (Agency 537)	
Population Based Genetic Services	\$ 36,829.06
Cancer Prevention and Research Institute of Texas (Agency 542)	
Prostate Cancer Model in Zebrafish	58,878.33
Planning Award to Develop Research Strategy for Predictive Biomarker Assays for Prostate Cancer in Different Ethnic Populations	5,775.35
Dallas Cancer Disparities Community Coalition: Breast Cancer Prevention Education	154,210.00
Culturally Sensitive HPV Vaccine Education in Tarrant County	64,197.11
Cellular Targets of Salinomycin: Novel Cancer Stem-Cell Specific Drug Studied in Yeast	30,304.66
The Rural Texas Physician Cancer Screening Education Program in High-Risk Cancer Cluster Regions	50,637.58
Texas Commission on Environmental Quality (Agency 582)	
TEHI Asthma Study	122,787.00
Radioactive Waste Study	88,005.34
Texas Education Agency (Agency 701)	
Available School Fund - Per Capita	163,056.00
Foundation School Program - Formula	2,235,368.00
Technology Allotment	10,279.00
University of Texas - Arlington (Agency 714)	
MRCEDM: Integrated Wireless Body Networking for Long -Term Therapeutic and Diagnostic Applications	198.49
MRCEDM: Nanoporous Membranes for Defense and Medical Applications	4,431.20
MRCDEM: Hydrogenation Microreactor	1,729.33
University of Texas System (720)	
Joint Admission Medical Program (JAMP)	189,117.92
University of Texas at Dallas (Agency 738)	
Texas Analog Research Superiority Program	34,140.86
Texas Higher Education Coordinating Board (Agency 781)	
Family Practice Residency	146,817.32
General Academic Enrollment Growth	126,511.98
TEXAS Grant Program	15,461,836.69
Advanced Research Program	(18,873.73)
Teach for Texas Loan Repayment	150,000.00
Promote Participation & Success	30,750.00
Engineering Recruitment Program	26,180.00
Texas Research Incentive Program - HB51	771,833.54
College Work Study Program	185,483.88
5th Year Accounting Students Scholarship Program	30,000.00
College Readiness Initiative	356,685.81
Top 10% Scholarships	988,363.00
Work Study Mentorship Program	222,875.95
Combat Exemption Prog SB297	28,727.08
TANF Program HB1479	9,628.73
Early High School Exemption Program HB1479	113,954.49
Certified Edu Aide Program	438,108.24

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Parks and Wildlife Department (Agency 802)	
Habitat Requirements for <i>Quadrula aurea</i> (Golden Orb) in the lower San Antonio and Guadalupe River drainages	8,021.02
Texas Commission of the Arts (Agency 813)	
Arts Create	8,500.00
Comptroller - State Energy Conservation Office (Agency 907)	
State Energy Plan (SEP)	281,252.38
 Total Pass-Through From Other Agencies	
(Statement of Revenues, Expenses, and Changes in Net Assets)	<u>\$ 22,616,601.61</u>

Pass-Through To Other Agencies:

Texas A&M University - Kingsville (Agency 732)	
Ozone Near Non-Attainment	54,279.62
Total Pass-Through To Other Agencies	<u>\$ 54,279.62</u>



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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2A - Combined Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2011

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	
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>\$ 553,405,000.00</u>					

*RFS - Revenue Financing System

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2B - Combined Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2011

Description of Issue	Bonds Outstanding 9/1/2010	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2011
RFS Bonds, Series 2001	\$ 2,700,000.00	\$ -	\$ 1,280,000.00	\$ -	\$ 1,420,000.00
RFS Bonds, Series 2002	5,705,000.00	-	2,800,000.00	-	2,905,000.00
RFS Bonds, Series 2002A	930,000.00	-	455,000.00	-	475,000.00
RFS Bonds, Series 2003	27,500,000.00	-	680,000.00	-	26,820,000.00
RFS Refunding Bonds, Series 2003A	6,185,000.00	-	-	-	6,185,000.00
2003B	4,735,000.00	-	75,000.00	-	4,660,000.00
RFS Refunding and Improvement Bonds, Series 2005	59,750,000.00	-	5,385,000.00	-	54,365,000.00
RFS Bonds, Series 2007	52,975,000.00	-	1,115,000.00	-	51,860,000.00
RFS Bonds, Series 2009	34,110,000.00	-	1,320,000.00	-	32,790,000.00
RFS Bonds, Series 2009A *	153,865,000.00	-	3,950,000.00	-	149,915,000.00
RFS Refunding Bonds, Series 2009B	15,235,000.00	-	560,000.00	-	14,675,000.00
RFS Refunding Bonds, Series 2010	57,625,000.00	-	720,000.00	-	56,905,000.00
Total	\$ 421,315,000.00	\$ -	\$ 18,340,000.00	\$ -	\$ 402,975,000.00

Footnotes:

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

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Unamortized Premium	Unamortized Discount	Unamortized Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/2011	Amounts Due Within One Year
\$ -	\$ -	\$ -	\$ 1,420,000.00	\$ 1,420,000.00
-	-	-	2,905,000.00	2,905,000.00
-	-	-	475,000.00	475,000.00
-	-	-	26,820,000.00	705,000.00
-	-	-	6,185,000.00	-
-	-	-	4,660,000.00	80,000.00
-	-	-	54,365,000.00	4,970,000.00
-	-	-	51,860,000.00	1,155,000.00
-	-	-	32,790,000.00	1,360,000.00
10,040,877.75	-	-	159,955,877.75	3,940,256.00
888,825.15	-	-	15,563,825.15	1,315,968.00
7,151,128.00	-	-	64,056,128.00	592,980.00
<u>\$ 18,080,830.90</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,055,830.90</u>	<u>\$ 18,919,204.00</u>

Net Bonds Payable per Statement of Net Assets

\$ 421,055,830.90

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2C - Combined Debt Service Requirements
For the Fiscal Year Ended August 31, 2011

<u>Description of Issue</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Revenue Bonds			
RFS Bonds, Series 2001	2012	1,420,000.00	71,000.00
		<u>1,420,000.00</u>	<u>71,000.00</u>
RFS Bonds, Series 2002	2012	2,905,000.00	116,200.00
		<u>2,905,000.00</u>	<u>116,200.00</u>
RFS Bonds, Series 2002A	2012	475,000.00	19,000.00
		<u>475,000.00</u>	<u>19,000.00</u>
RFS Bonds, Series 2003	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	820,000.00	1,139,968.76
	2017-2021	4,620,000.00	5,165,875.02
	2022-2026	5,750,000.00	4,035,050.00
	2027-2031	7,320,000.00	2,466,250.00
	2032-2034	5,330,000.00	541,750.00
		<u>26,820,000.00</u>	<u>18,196,098.78</u>
RFS Refunding Bonds, Series 2003A	2012	-	337,912.50
	2013	-	337,912.50
	2014	-	337,912.50
	2015	1,810,000.00	337,912.50
	2016	2,130,000.00	240,625.00
	2017	2,245,000.00	123,475.00
		<u>6,185,000.00</u>	<u>1,715,750.00</u>
RFS Bonds, Taxable Series 2003B	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	125,000.00	261,952.50
	2017-2021	755,000.00	1,192,546.26
	2022-2026	1,010,000.00	934,350.00
	2027-2031	1,360,000.00	583,665.00
	2032-2034	1,035,000.00	130,820.00
		<u>4,660,000.00</u>	<u>4,206,081.26</u>
RFS Refunding and Improvement Bonds, Series 2005	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	4,170,000.00	1,685,962.50
	2017-2021	18,535,000.00	5,058,000.00
	2022-2025	10,805,000.00	1,283,150.00
		<u>54,365,000.00</u>	<u>17,214,612.50</u>

UNAUDITED

<u>Description of Issue</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Revenue Bonds			
RFS Bonds, Series 2007	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	1,355,000.00	2,221,662.50
	2017-2021	7,720,000.00	10,177,700.00
	2022-2026	9,740,000.00	8,152,250.00
	2027-2031	12,435,000.00	5,460,500.00
	2032-2036	15,710,000.00	2,183,400.00
		<u>51,860,000.00</u>	<u>37,607,762.50</u>
RFS Bonds, Series 2009	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	1,555,000.00	1,334,387.50
	2017-2021	8,830,000.00	5,614,150.00
	2022-2026	11,295,000.00	3,150,650.00
	2027-2028	5,370,000.00	406,000.00
		<u>32,790,000.00</u>	<u>16,323,537.50</u>
RFS Bonds, Series 2009A	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	4,375,000.00	6,721,250.00
	2017-2021	25,330,000.00	30,102,500.00
	2022-2026	32,340,000.00	23,103,500.00
	2027-2031	30,610,000.00	14,426,750.00
	2032-2036	20,935,000.00	8,451,750.00
	2037-2040	20,835,000.00	2,667,750.00
		<u>149,915,000.00</u>	<u>114,342,500.00</u>
RFS Refunding Bonds, Series 2009B	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	2,090,000.00	372,825.00
	2017-2019	6,790,000.00	603,075.00
		<u>14,675,000.00</u>	<u>3,096,400.00</u>
RFS Refunding Bonds, Series 2010	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	3,855,000.00	2,006,050.00
	2017-2021	26,705,000.00	7,160,500.00
	2022-2024	12,630,000.00	1,018,000.00
		<u>56,905,000.00</u>	<u>20,204,250.00</u>
Less Accretion:		-	-
Total:		<u>\$ 402,975,000.00</u>	<u>\$ 233,113,192.54</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, 2011

<u>Description of Issue</u>	<u>Pledged and other Sources and Related Expenditures for FY 2011</u>			
	<u>Total Pledged and Other Sources</u>	<u>Operating Expenses/ Expenditures & Capital Outlay</u>	<u>Debt Service</u>	
			<u>Principal</u>	<u>Interest*</u>
Revenue Financing System Bonds, Series '99, '99A '01, '02, '02A, '03, '03A, '03B, '05, '07, '09, '09A, '09B & '10	\$ 439,877,092.88	\$ 378,993.06	\$ 18,340,000.00	\$ 19,351,641.69
Total	<u>\$ 439,877,092.88</u>	<u>\$ 378,993.06</u>	<u>\$ 18,340,000.00</u>	<u>\$ 19,351,641.69</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.

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, 2011

<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 3 - Combined Reconciliation of Cash in State Treasury
For the Fiscal Year Ended August 31, 2011

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0258	\$ 24,287,342.76	\$ -	\$ 24,287,342.76
Local Revenue Fund 0280	3,480,744.29	-	3,480,744.29
Local Revenue Fund 0292	549,998.76	-	549,998.76
Local Revenue Fund 0819	687,421.17	-	687,421.17
Total Cash in State Treasury (Statement of Net Assets)	<u>\$ 29,005,506.98</u>	<u>\$ -</u>	<u>\$ 29,005,506.98</u>

FINANCIAL STATEMENTS

of the

**UNIVERSITY OF NORTH TEXAS
FOUNDATION, INC**

DENTON, TEXAS

For the years ended December 31, 2010 and 2009

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 8,088,710	\$ 9,589,592
Investments	74,017,609	64,144,763
Contributions and other receivables	5,518,201	4,036,439
Prepaid expenses	49,598	4,000
Real property	111,735	111,735
Other assets	7,500	8,400
Cash value - life insurance policies	422,134	378,670
Assets held under trust agreements	<u>3,933,188</u>	<u>3,647,958</u>
Total Assets	<u>\$92,148,675</u>	<u>\$81,921,557</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 57,568	\$ 31,536
Agency funds	281,575	40,503
Annuity obligations	1,615,795	1,622,188
Refundable advances	<u>1,824,431</u>	<u>1,684,042</u>
Total Liabilities	<u>3,779,369</u>	<u>3,378,269</u>
Net Assets:		
Unrestricted:		
Board designated for reserves	1,248,443	1,164,320
Fair value of endowments below historical cost	(2,163,772)	(3,637,794)
Undesignated	<u>589,709</u>	<u>501,106</u>
Total Unrestricted	(325,620)	(1,972,368)
Temporarily restricted	23,306,269	18,711,293
Permanently restricted	<u>65,388,657</u>	<u>61,804,363</u>
Total Net Assets	<u>88,369,306</u>	<u>78,543,288</u>
Total Liabilities and Net Assets	<u>\$92,148,675</u>	<u>\$81,921,557</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Revenues, Gains, and Other Support		
Contributions	\$ -	\$ 3,067,110
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	11,649	-
	<u>4,363,077</u>	<u>-</u>
Total Program Services		
	<u>4,363,077</u>	<u>-</u>

<u>Permanently Restricted</u>	<u>2009 Total</u>
\$ 4,921,676	\$ 7,988,786
-	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
-	11,649
<u>-</u>	<u>4,363,077</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<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
-	8,999
<u>-</u>	<u>546,083</u>
<u>-</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 CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 9,826,018	\$ 17,212,088
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Realized and unrealized (gain)/loss on market value of investments	(6,866,179)	(11,870,217)
(Increase)/Decrease in contributions and other receivables	(1,481,762)	(1,012,149)
Actuarial (gain)/loss on annuity obligations	(96,101)	(154,767)
(Increase) in cash value – life insurance	(43,464)	(11,985)
(Increase)/Decrease in prepaid expense	(45,598)	27,293
Increase/(Decrease) in accounts payable and accrued expenses	26,032	(679,330)
Increase/(Decrease) in agency funds	241,072	(204,822)
Increase/(Decrease) in annuity obligations	(6,393)	77,916
Noncash contributions	<u>(563,939)</u>	<u>(388,882)</u>
Net Cash Provided (Used) By Operating Activities	<u>989,686</u>	<u>2,995,145</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	8,109,908	15,207,602
Purchases of investments	<u>(10,600,476)</u>	<u>(17,808,174)</u>
Net Cash Provided (Used) By Investing Activities	<u>(2,490,568)</u>	<u>(2,600,572)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,500,882)	394,573
Cash and Cash Equivalents- Beginning of Year	<u>9,589,592</u>	<u>9,195,019</u>
Cash and Cash Equivalents- End of Year	<u>\$ 8,088,710</u>	<u>\$ 9,589,592</u>
Supplemental Cash Flow Information:		
Gifts of securities	\$ 563,939	\$ 388,882
Interest paid	-	-
Income taxes paid	-	-

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 AND 2009

**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, 2010 AND 2009

NOTE 2 – INVESTMENTS

Investment securities consisted of the following at December 31, 2010 and 2009:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
U.S. and International Stocks and Equity Mutual Funds	\$34,557,451	\$40,731,582	\$34,032,370	\$34,470,959
U.S. and International Fixed Income Securities and Mutual Funds	18,995,641	20,844,540	17,067,431	18,382,523
Real Estate Investment Trust and REIT Exchange Traded Funds	1,750,000	499,646	1,750,000	443,561
Natural Resource Exchange Traded Fund/Global Hard Assets Mutual Fund	3,017,819	4,343,154	3,000,000	3,368,520
Hedge Funds of Funds	7,194,763	7,598,436	7,194,763	7,476,771
Non-Registered Common Stocks	<u>33,500</u>	<u>251</u>	<u>33,500</u>	<u>2,429</u>
	<u>\$65,549,174</u>	<u>\$74,017,609</u>	<u>\$63,078,064</u>	<u>\$64,144,763</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 \$131,833 and \$123,321 in 2010 and 2009, 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, 2010 AND 2009

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 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, 2010:			
Securities	\$ 65,919,527	\$ 65,919,527	\$ -
Real Estate Investment Trust	499,646	-	499,646
Hedge Funds of Funds	<u>7,598,436</u>	<u>-</u>	<u>7,598,436</u>
Total	<u>\$ 74,017,609</u>	<u>\$ 65,919,527</u>	<u>\$ 8,098,082</u>
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>

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, 2009	\$ 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	443,561	7,476,771	7,920,332
Total gains/(losses) (realized/unrealized)	56,085	121,665	177,750
Purchases, issuance, and settlements	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2010	<u>\$ 499,646</u>	<u>\$ 7,598,436</u>	<u>\$ 8,098,082</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, 2010 AND 2009

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 2009 or 2010.

NOTE 5 – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Contributions receivable in less than one year	\$2,632,838	\$2,079,931
Contributions receivable in one to five years	3,571,890	2,310,439
Contributions receivable in six to ten years	803,022	776,105
Contributions receivable in over ten years	<u>-</u>	<u>1,800</u>
Total Contributions Receivables	7,007,750	5,168,275
Less allowance for uncollectible amounts	(606,057)	(442,568)
Less discounts to net present value	<u>(947,176)</u>	<u>(742,595)</u>
Net Contributions Receivable	5,454,517	3,983,112
Other amounts receivable	<u>63,684</u>	<u>53,327</u>
Total Contributions and Other Receivables	<u>\$5,518,201</u>	<u>\$4,036,439</u>

NOTE 6 – UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2010 and 2009 include \$1,248,443 and \$1,164,320 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, 2010 AND 2009

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Endowments to support various programs, scholarships and other activities of the University of North Texas	\$64,966,523	\$61,425,693
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>422,134</u>	<u>378,670</u>
Total	<u>\$65,388,657</u>	<u>\$61,804,363</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, 2010 and 2009:

	<u>Fair Value Recorded</u>		<u>Current Fair Value</u>
	<u>2010</u>	<u>2009</u>	
Mineral rights	\$ 12,860	\$ 12,860	Not Determined
1/4 undivided interest 34 acres – Loop 288	<u>98,875</u>	<u>98,875</u>	Not Determined
	<u>\$111,735</u>	<u>\$111,735</u>	

NOTE 10 – LIFE INSURANCE POLICIES

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the Foundation has been named owner and beneficiary. Premium payments made by the Foundation are reimbursed by the donors of the policies. As of December 31, 2010 and 2009, there were a total of 24 such policies with death benefits totaling \$1,737,006 and \$1,733,611 respectively, and cash values totaling \$422,134 and \$378,670 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, 2010 AND 2009

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 2010 and 2009 were \$32,146 and \$23,063 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. The Foundation's depository bank, Wells Fargo Bank N.A., has pledged government backed securities with a par value of \$4,619,044 at December 31, 2010 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, 2010 was \$5,058,039. The total amount of checking account deposits with Wells Fargo Bank N.A. as of December 31, 2010 was \$100,004. In addition to the checking account balance, the Foundation had cash balances of \$4,282,207 at December 31, 2010 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 \$2,685,275 and \$2,318,789 at December 31, 2010 and 2009, respectively.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 15 – SUBSEQUENT EVENTS

Management has reviewed events subsequent to December 31, 2010 through May 31, 2011, 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.