



Financial Statements and Report of Independent  
Certified Public Accountants

**University of Nevada, Las Vegas Foundation**

June 30, 2013

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## **Report of Independent Certified Public Accountants**

Management and Board of Trustees  
University of Nevada, Las Vegas Foundation

### **Report on the financial statements**

We have audited the accompanying financial statements of the University of Nevada, Las Vegas Foundation (a nonprofit organization) (the “Foundation”), which comprise the statement of net position as of June 30, 2013, and the related statements of support and revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### **Management’s responsibility for the financial statements**

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

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Nevada, Las Vegas Foundation as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other matters

##### Required supplementary information

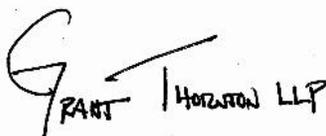
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### Report on 2012 summarized comparative information

We have previously audited the Foundation's 2012 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2012. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

##### Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 24, 2013, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Reno, Nevada  
September 24, 2013

## University of Nevada, Las Vegas Foundation

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

#### Overview

This section of the University of Nevada, Las Vegas Foundation's (the "UNLV Foundation") annual financial report presents our discussion and analysis of the financial performance of the UNLV Foundation during the fiscal year ended June 30, 2013. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

The UNLV Foundation is a 501(c)(3) nonprofit corporation whose mission includes the cultivation, solicitation, stewardship, and management of gift revenues for the benefit of the University of Nevada, Las Vegas ("UNLV" or "University"); management of endowment and short-term assets on behalf of UNLV and participation as appropriate and as requested in other activities to assist UNLV. The UNLV Foundation's Board of Trustees is appointed by the Nevada System of Higher Education ("NSHE") Board of Regents. Accordingly, the UNLV Foundation is included in UNLV's financial statements as a discrete component unit. Transactions with UNLV relate primarily to the disbursement of gift funds to UNLV and receipt of support from UNLV to fund administrative expenses.

The discussion below refers to the UNLV Foundation's basic financial statements, including the statements of net position, statements of revenues, expenses and changes in net position, and cash flows. The statements of net position present the financial position of the UNLV Foundation as of June 30, 2013. The statements of revenues, expenses and changes in net position summarize the UNLV Foundation's financial activity for the year ended June 30, 2013.

The following schedules are prepared from the UNLV Foundation's basic financial statements.

#### Statements of Net Position

This statement is presented with three major categories: assets, liabilities, and net position. The assets are classified as either current assets or noncurrent assets. The current assets include cash and cash equivalents, prepaid expenses and other assets, due from UNLV, accrued interest receivable, net pledges receivable, and investment in marketable securities at fair value. The noncurrent assets include net pledges receivable, capital assets (net furniture and equipment, collections, real property), investment in marketable securities at fair value, assets held in charitable remainder trusts, investment in a first trust deed, investments in real estate, and other assets.

Liabilities are also classified as either current or noncurrent. Current liabilities include accounts payable and other liabilities and the current portion of liabilities under charitable remainder trusts. These liabilities represent obligations due within one year. Noncurrent liabilities include liability under charitable remainder trusts and other liabilities.

Net position is divided into three major categories. Invested in capital assets represents the UNLV Foundation's purchased capital assets, net of accumulated depreciation. Restricted net position is listed as nonexpendable or expendable. Nonexpendable restricted resources consist of permanent endowments, for which spending is governed by Uniform Prudent Management of Institutional Funds Act (UPMIFA), as described in Note A, Endowments section below. Expendable restricted resources consist of donations which are restricted to be used for purposes determined by the donors and the accumulated unspent earnings from endowments. Unrestricted net position represents the portion of assets over which the UNLV Foundation retains full control.

## University of Nevada, Las Vegas Foundation

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2013

#### Statements of Net Position - Continued

Current assets decreased to \$33.3 million at June 30, 2013, from \$43.9 million at June 30, 2012, due primarily to a decrease in cash and cash equivalents and investments. Investment decisions are made by the UNLV Foundation portfolio managers within the guidelines set by the UNLV Foundation Investment Committee. The increase in total noncurrent assets to \$215.0 million at June 30, 2013, from \$189.7 million at June 30, 2012, was due primarily to new gifts and market appreciation related to investments in marketable securities at fair value.

Total noncurrent liabilities decreased to \$3.2 million at June 30, 2013 from \$3.5 million at June 30, 2012. The decrease is due primarily to a decrease in liabilities under charitable gift annuities.

Total net position increased to \$242.9 million at June 30, 2013, from \$228.1 million at June 30, 2012, as a result of the excess of operating and non-operating revenues over operating expenses of approximately \$14.8 million.

#### Statements of Revenues, Expenses and Changes in Net Position

This statement reflects the effect of revenues and expenses on net position. Net position increased from the prior year by \$14.8 million. Total net position was \$242.9 and \$228.1 million at June 30, 2013 and 2012, respectively.

The statement contains three categories: Operating Support and Revenues, Operating Expenses and Nonoperating Revenues (Expenses). Operating Support and Revenues include donor cash and pledge contributions, donor non-cash contributions, university support, and other income and fees. Operating Expenses includes administrative, development, and other expenses, program expenses, and scholarship expenses. Nonoperating revenues (expenses) primarily include investment income and gifts of permanent endowments.

Total contributions decreased \$15.6 million to \$14.8 million for the year ended June 30, 2013 from \$30.4 million for the year ended June 30, 2012, attributable primarily to the Mendenhall Center building donation in 2012 that was not repeated in 2013. Cash gifts decreased by \$4.1 million and noncash gifts decreased by \$11.4 million.

Administrative, development, and other expenses increased from \$5.0 million for the year ended June 30, 2012 to \$5.7 million for the year ended June 30, 2013. The increase was mainly due to an increase in staffing and other program enhancements in 2013.

The UNLV Foundation transfers funds for programs and scholarships only when requested by UNLV. Program expenses (which are transfers from the UNLV Foundation to UNLV in support of University programs) decreased \$8.4 million from \$25.1 million for the year ended June 30, 2012 to \$16.7 million for the year ended June 30, 2013, attributable primarily to the Mendenhall Center transfer in 2012. An increase of \$0.3 million of scholarship expenses to \$2.7 million for the year ended June 30, 2013, from \$2.4 million for the year ended June 30, 2012, was in response to increased scholarship funding requests by UNLV.

Nonoperating revenues (expenses) increased to \$22.6 million for the year ended June 30, 2013, from \$12.2 million for the year ended June 30, 2012. Interest and dividends on investments net decreased by \$1.9 million as a result of slightly decreasing interest rates in the fixed-income portfolios. The over-performance of the investment portfolios resulted in realized capital gains of \$3.1 million. Private gifts of permanent endowments decreased to \$6.0 million for the year ended June 30, 2013.

**University of Nevada, Las Vegas Foundation**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**June 30, 2013**

**Requests for Information**

The UNLV Foundation, incorporated in November 1981, is a 501(c)(3) organization that serves as the primary fundraising, community relations, and gift management agency for UNLV. The UNLV Foundation manages fundraising activities, donor stewardship programs, and community development and community outreach activities to foster a culture of philanthropy to UNLV. The UNLV Foundation also manages a variety of assets for the benefit of UNLV. Among all of these, annual giving programs, scholarship giving programs, facilities support, and estate planning services are particularly important to UNLV.

The 13 members of the Board of Regents of the Nevada System of Higher Education serve as the members of the UNLV Foundation and appoint a Board of Trustees to oversee the management and programs of the UNLV Foundation. The membership of the Board of Trustees includes both alumni and community leaders. These people generously support UNLV in many ways and provide important links between UNLV and the community. Nancy Strouse, UNLV's Senior Associate Vice President for Development, serves as the UNLV Foundation's Executive Director.

The UNLV Foundation Building is located on campus north of the Judy Bailey Theatre. For additional information about the UNLV Foundation, please call (702) 895-3641 or visit our Web site at [Foundation.UNLV.edu](http://Foundation.UNLV.edu).

**University of Nevada, Las Vegas Foundation**

**SUMMARY STATEMENTS OF NET POSITION**

**June 30,**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Current assets	\$ 33,300,873	\$ 43,875,698
Noncurrent assets		
Capital assets, net of depreciation	360,569	198,360
Other	214,652,777	189,531,651
Total noncurrent assets	248,314,219	233,605,709
Total assets	248,314,219	233,605,709
 <b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Current liabilities	2,215,873	2,027,421
Noncurrent liabilities	3,227,220	3,503,380
Total liabilities	5,443,093	5,530,801
Net position		
Invested in capital assets	41,588	44,806
Restricted - nonexpendable	123,437,817	122,560,153
Restricted - expendable	118,685,071	104,006,395
Unrestricted	706,650	1,463,554
Total net position	242,871,126	228,074,908
Total liabilities and net position	\$ 248,314,219	\$ 233,605,709
 <b>CAPITAL ASSETS, net</b>		
Land	\$ 125,699	\$ 50,699
Works of art/collections	193,583	102,855
Equipment	661,768	650,514
	981,050	804,068
Less accumulated depreciation	(620,481)	(605,708)
Net capital assets	\$ 360,569	\$ 198,360

University of Nevada, Las Vegas Foundation

**SUMMARY STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION**

Years ended June 30,

	2013	2012
<b>Operating support and revenues</b>		
Donor contributions - cash and pledges	\$ 13,788,201	\$ 17,935,108
Donor contributions - noncash	1,013,827	12,418,008
University support	1,526,347	2,156,355
Other income and fees	1,002,695	939,677
Total operating support and revenue	17,331,070	33,449,148
 <b>Operating expenses</b>		
Administrative and other expenses	3,830,627	2,872,443
Development expense	1,843,544	2,134,227
Program expenses	16,679,906	25,127,295
Scholarship expenses	2,739,260	2,419,448
Total operating expenses	25,093,337	32,553,413
 <b>OPERATING INCOME (LOSS)</b>	(7,762,267)	895,735
 <b>Nonoperating revenues</b>	22,558,485	12,243,236
 <b>Change in net position</b>	\$ 14,796,218	\$ 13,138,971

## **BASIC FINANCIAL STATEMENTS**

**University of Nevada, Las Vegas Foundation**

**STATEMENTS OF NET POSITION**

**June 30, 2013**

**(With comparative totals for June 30, 2012)**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 13,221,979	\$ 12,088,609
Prepaid expenses and other assets	90,172	228,247
Due from UNLV	146,172	173,525
Accrued interest receivable	549,697	1,438,712
Pledges receivable, net	5,499,561	4,738,310
Investment in marketable securities - at fair value	13,793,292	25,208,295
Total current assets	33,300,873	43,875,698
Noncurrent assets		
Pledges receivable, net	19,107,418	20,458,434
Capital assets, net of accumulated depreciation of \$620,480 and \$605,708	360,569	198,360
Investment in marketable securities - at fair value	176,960,787	149,941,881
Assets held in charitable remainder trusts	10,835,225	11,275,149
Investment in First Trust Deed	1,667,900	1,667,900
Investment in real estate	5,700,000	5,700,000
Other assets	381,447	488,287
Total noncurrent assets	215,013,346	189,730,011
Total	\$ 248,314,219	\$ 233,605,709
<b>LIABILITIES AND NET POSITION</b>		
Accounts payable and other accrued liabilities		
Accounts payable and other liabilities	\$ 681,813	\$ 495,920
Current portion of liabilities under charitable remainder trust	1,534,060	1,531,501
Total current liabilities	2,215,873	2,027,421
Noncurrent liabilities		
Liability under charitable remainder trusts	2,486,977	2,849,412
Other liabilities	740,243	653,968
Total noncurrent liabilities	3,227,220	3,503,380
Total liabilities	5,443,093	5,530,801
Net position		
Invested in capital assets	41,588	44,806
Restricted for:		
Nonexpendable	123,437,817	122,560,153
Expendable	118,685,071	104,006,395
Unrestricted	706,650	1,463,554
Total net position	242,871,126	228,074,908
Total	\$ 248,314,219	\$ 233,605,709

The accompanying notes are an integral part of these statements.

University of Nevada, Las Vegas Foundation

**STATEMENTS OF SUPPORT AND REVENUE, EXPENSES  
AND CHANGES IN NET POSITION**

Year ended June 30, 2013  
(With comparative totals for the year ended June 30, 2012)

	2013	2012
<b>Operating support and revenue</b>		
Donor contributions - cash and pledges	\$ 13,788,201	\$ 17,935,108
Donor contributions - non-cash	1,013,827	12,418,008
University support	1,526,347	2,156,355
Other income and fees	1,002,695	939,677
Total operating support and revenue	17,331,070	33,449,148
<b>Operating expenses</b>		
Program expenses		
Administrative and other expenses	3,830,627	2,872,443
Development expense	1,843,544	2,134,227
Program expenses	16,679,906	25,127,295
Scholarships expenses	2,739,260	2,419,448
Total operating expenses	25,093,337	32,553,413
<b>OPERATING INCOME (LOSS)</b>	(7,762,267)	895,735
<b>Nonoperating revenue (expenses)</b>		
Interest and dividends on investments, net	1,767,513	3,739,219
Realized gains on investments	3,078,975	3,570,297
Change in market value of investments	11,792,441	(5,264,788)
Change in market value of real estate	-	4,108,043
Change in value of split-interest agreements	(74,162)	(1,308,458)
Increase (decrease) in value of life insurance policies	8,822	(23,755)
Additions to permanent endowments	5,984,896	7,422,678
Total nonoperating revenues	22,558,485	12,243,236
<b>NET CHANGE IN NET POSITION</b>	14,796,218	13,138,971
<b>Net position at beginning of year</b>	228,074,908	214,935,937
<b>Net position at end of year</b>	\$ 242,871,126	\$ 228,074,908

The accompanying notes are an integral part of these statements.

University of Nevada, Las Vegas Foundation

STATEMENTS OF CASH FLOWS

Year ended June 30, 2013

(With comparative totals for the year ended June 30, 2012)

	2013	2012
<b>Operating activities:</b>		
Cash received from contributions	\$ 13,967,032	\$ 17,136,844
Distributions to The University of Nevada, Las Vegas	(18,694,444)	(15,263,854)
Payments to vendors for supplies and services	(3,079,006)	(3,390,679)
Receipts (payments) on behalf of employees	(1,713,277)	96,771
Other - rental income, fees, donor paid benefits liability portion/charitable gift annuity	928,292	933,013
Net cash used in operating activities	(8,591,403)	(487,905)
<b>Non-capital financing activities:</b>		
Gifts to permanent endowments	5,984,896	7,422,678
Net cash provided by non-capital financing activities	5,984,896	7,422,678
<b>Capital and related financing activities:</b>		
Purchases of furniture and equipment	(16,988)	(8,906)
Proceeds from sale of fixed assets	175,401	-
Net cash provided by (used in) capital and related financing activities	158,413	(8,906)
<b>Investing activities:</b>		
Proceeds from sale of marketable securities	169,268,152	203,500,599
Purchase of marketable securities	(168,429,216)	(223,813,782)
Interest and dividends received, net of fees	2,656,253	6,293,700
Payments received on notes receivable	-	312,000
Donation of charitable gift annuities	185,937	77,850
Payments paid to charitable gift annuities	(99,662)	(87,265)
Lending on notes receivable	-	(312,000)
Net cash provided by (used in) investing activities	3,581,464	(14,028,898)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,133,370	(7,103,031)
<b>Cash and cash equivalents, beginning of year</b>	12,088,609	19,191,640
<b>Cash and cash equivalents, end of year</b>	\$ 13,221,979	\$ 12,088,609

University of Nevada, Las Vegas Foundation

STATEMENTS OF CASH FLOWS - CONTINUED

Year ended June 30, 2013

(With comparative totals for the year ended June 30, 2012)

	2013	2012
<b>Reconciliation of operating income to net cash used in operating activities:</b>		
Operating income (loss)	\$ (7,762,267)	\$ 895,735
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation and amortization	20,506	23,071
Noncash contributions	(1,013,827)	(12,282,889)
Noncash program expense	724,722	11,336,249
Gain on sale of property	(83,225)	-
Bad debt expense	410,934	344,029
Actuarial assumptions	189,542	(828,552)
Changes in:		
Prepaid expenses and other assets	138,075	(173,117)
Pledges receivable, net	(1,889)	23,624
Due from UNLV	27,353	935,073
Other assets	106,840	7,419
Accounts payable and other liabilities	(1,348,167)	(1,580,068)
Net cash used in operating activities	\$ (8,591,403)	\$ (1,299,426)
<b>Supplemental disclosure of noncash information,</b>		
Fair market value adjustments		
Investments	\$ 11,792,441	\$ (5,264,788)
Real estate	-	4,108,043
Split-interest agreements	(74,162)	(1,308,458)
Life insurance policies	8,822	(23,755)
Total fair market value adjustments	\$ 11,727,101	\$ (2,488,958)

The accompanying notes are an integral part of these statements.

# University of Nevada, Las Vegas Foundation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. General

University of Nevada, Las Vegas Foundation (the “UNLV Foundation”) was incorporated November 2, 1981, to solicit donations and to hold and manage them for the exclusive benefit of the University of Nevada, Las Vegas (“UNLV” or “University”). The UNLV Foundation’s Board of Trustees is appointed by the Nevada System of Higher Education (“NSHE”) Board of Regents. Accordingly, the UNLV Foundation is included in UNLV’s financial statements as a discrete component unit. Although the UNLV Foundation receives donations from various sources, a substantial portion of its pledges receivable is concentrated in the Las Vegas area.

#### 2. Basis of Presentation

The UNLV Foundation’s financial statements have been prepared on an accrual basis applying all applicable Governmental Accounting Standards Board (“GASB”) pronouncements.

#### 3. Net Position

To facilitate observance of limitations and restrictions placed on the use of resources available to the UNLV Foundation, net position are classified and reported as follows, based on the existence or absence of donor-imposed restrictions:

- Invested in capital assets consists of purchased capital assets, net of accumulated depreciation.
- Restricted–nonexpendable net position includes permanent or true endowments. Such amounts are generally subject to donor restrictions that the principal be invested in perpetuity for the purpose of producing income that may be expended or added to principal in accordance with the donor’s wishes.
- Restricted—expendable net position include contributions by donors for the purpose of supporting scholarships and programs at UNLV and the accumulated unspent earnings from endowments.
- Unrestricted net position include assets not subject to donor-imposed restrictions and quasi-endowments created with Board restricted resources and income from endowment investments, unless otherwise specified by the donor.

#### 4. Investment Gains and Losses

Gains and losses arising from the sale, collection, or disposition of investments and other noncash assets are accounted for in accordance with any donor restrictions. Interest income derived from investments, receivables, and similar assets is allocated between restricted and unrestricted accounts. Investment earnings, net of fees and generated from non-endowed money, are used by the UNLV Foundation for the purpose of partially defraying the cost of development program operations at UNLV.

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**5. Operating Support and Revenues**

Operating support and revenues include contributions (cash, noncash, and pledges), university support, and other income and fees. Included in other income is the management fee from the Nevada System of Higher Education (“NSHE”) Board of Regents for the gift receipting and stewardship services provided on behalf of the contributions made to UNLV through the Board of Regents. University support includes financial support towards administrative and accounting functions of the UNLV Foundation.

**6. Donor Contributions**

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, private donations are recognized when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable, and collection is probable. Pledges receivable are recorded at net present value using the appropriate discount rate. An allowance for uncollectible pledges is estimated based on the UNLV Foundation’s collection history and is netted against the gross pledges receivable. From time to time, a donor may amend the terms of a pledge agreement to redirect the use of pledged funds. When this occurs, management reassesses the pledge to determine whether it meets the applicable revenue recognition criteria.

Donor contributions with conditions and contingencies are recorded as liabilities. Once met, the contributions are recorded as contributions and recognized as revenue.

**7. Donor Contributions - Noncash**

Noncash assets contributed to the UNLV Foundation are recorded at fair value (if determinable) at the date of gift. If no independent third-party appraisal is available, the asset is recorded at an amount that, in the judgment of the UNLV Foundation management, is an estimate of fair value.

Donated real property, included in the accompanying statement of net position as investments in real estate, is held at fair value based on the most recent appraisal.

Marketable securities contributed to the UNLV Foundation are recorded at fair value on the date of the gift.

**8. Operating Expenses**

Operating expenses include disbursements in support of UNLV and expenses incurred to operate the UNLV Foundation.

**9. Endowments**

The UNLV Foundation records two types of endowments. Permanent or true endowments are funded by gifts and bequests. Quasi-endowments are funds designated as endowments by the UNLV Foundation Board of Trustees, and included in unrestricted net position on the statements of net position.

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**9. Endowments** - Continued

Endowment investments are managed in a unitized investment pool. Monthly transactions within each individual endowment in the pool are based on the unit market value at the end of the month. The UNLV Foundation Endowment Fund's primary objective is to generate a stream of earnings for funding current programs and student services with the stated payout policy. A secondary objective is to have its assets grow in value to provide for future needs of UNLV. The UNLV Foundation complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of Nevada in July 2006. UPMIFA abolished the historic dollar value limitation on annual spending (payout), whereas the prior act, the Uniform Management of Institutional Funds (UMIFA) did not allow spending from a fund that was below historic dollar value. UPMIFA enables trustees to spend as much as they deem prudent, where prudence is presumed to not exceed 7 percent, as permitted by individual donor agreements. The annual payout rate is determined by the UNLV Foundation Investment Committee and is applied to the average market value of the endowment investment pool on a rolling twelve quarter basis.

**10. Cash and Cash Equivalents**

The UNLV Foundation considers all highly liquid, short-term, interest-bearing investments purchased with a maturity of three months or less to be cash equivalents.

**11. Investments in Securities**

The UNLV Foundation accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report investments at fair value in the statement of net position. Investments in marketable securities are presented in the financial statements in the aggregate and at fair value for the particular fund. These amounts are recorded net of discounts. The cost of the securities sold is based on the average cost and/or first-in, first-out basis of all the shares of each security held at the time of sale. Investments that do not have readily available market values are stated at fair value as reported by UNLV Foundation's Investment Manager. These investments include a diverse range of investment vehicles ("alternative investments"), including private equity, real estate and commodity funds. The valuation of these investments is based on the most recent value provided by the Investment Manager, usually with a June 30 "as of" date. To evaluate the overall reasonableness of the valuation and resulting carrying value, management obtains and considers the audited financial statements of such investments. Management believes this method provides a reasonable estimate of fair value. However, the recorded value may differ from the market value had a readily available market existed for such investments, and those differences could be material.

**12. Capital Assets**

Capital assets are recorded at cost for purchased assets, or fair value at the date of donation for donated assets. Depreciation is computed using the straight—line method. Estimated lives range from five to seven years for furniture and equipment. The policy of the UNLV Foundation is to capitalize asset purchases with costs of \$500 or more, and a life greater than one year. Artwork and various other collectibles are not depreciated; rather, they are reviewed annually for any impairment.

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**13. Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates made by management include depreciable lives of capital assets, amounts collectible under pledges receivable, and liabilities under Charitable Remainder Trusts. Actual results may differ from estimates.

NOTE B - CASH AND INVESTMENT IN SECURITIES - FAIR VALUE

The UNLV Foundation discloses its deposits with financial institutions, investments, and reverse repurchase agreements in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*.

During the year ended June 30, 2013, the UNLV Foundation recognized \$16,638,329 in investment gains. Earnings included \$2,431,581 from interest and dividends, \$3,078,975 from net realized gains on the sale of investments, and \$11,792,441 from the unrealized gains in investment fair value. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years. Investment expenses of \$664,343 and amortization of bond discounts of \$275 were netted against interest and dividends on the accompanying Statement of Support and Revenues, Expenses and Changes in Net Position. Investments are recorded on the date of the trade.

Investments consist of the following at June 30, 2013:

	<u>Investments</u>
Mutual funds	\$ 13,365,806
Certificates of deposit	1,845,224
Equities	19,778,482
Collateralized securities	20,233,469
U.S. government obligations	16,919,839
U.S. corporate bonds	25,433,406
Alternative investments	85,878,655
Non-U.S. corporate bonds	<u>7,299,198</u>
Investment in securities at fair value	<u><u>\$ 190,754,079</u></u>

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2013**

**NOTE B - CASH AND INVESTMENT IN SECURITIES - FAIR VALUE - Continued**

As of June 30, 2013, the UNLV Foundation is committed to acquire approximately \$300,000 in additional alternative investments in future periods related to Morgan Stanley Infrastructure and Special Situation Partners.

**1. Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2013, the total balance for the UNLV Foundations cash and money market funds was \$13,221,979. Of this balance, \$475,417 was covered by the Federal Deposit Insurance Corporation, and \$12,746,562 was uninsured.

**2. Credit Risk**

Credit risk is the risk that an issuer will not fulfill its obligations. The UNLV Foundation reduces its exposure to credit risk with policy guidelines that instruct money managers to purchase securities rated investment grade or better. However, up to 25% of the fixed-income portfolios may be allocated to below investment grade. The credit ratings of fixed income investments at June 30, 2013 follow:

	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	\$20,233,469	\$18,009,429	\$ 1,642,716	\$ 357,332	\$ 223,992	\$ -
U.S. corporate bonds	7,299,198	-	1,097,038	2,609,935	3,592,225	-
Non-U.S. corporate bonds	25,433,406	180,503	451,113	4,848,364	19,862,626	90,800
	<u>\$52,966,073</u>	<u>\$18,189,932</u>	<u>\$ 3,190,867</u>	<u>\$ 7,815,631</u>	<u>\$ 23,678,843</u>	<u>\$ 90,800</u>

Fixed income securities or obligations of the U.S. government are not considered to have credit risk.

In accordance with GASB Statement No. 40, U.S. government obligations, mortgage-backed securities, cash, and money market funds backed by the full faith and credit of the federal government are not included in the above tables. Alternative investments are not rated by industry rating agencies.

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2013**

**NOTE B - CASH AND INVESTMENT IN SECURITIES - FAIR VALUE - Continued**

**3. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The UNLV Foundation's policy guidelines on maturity parameters state that the fixed-income portfolio's average weighted duration is to remain within 20% of the benchmark duration.

For investments in donor-restricted endowment funds, the UNLV Foundation uses the Barclays Aggregate Bond Index average as the benchmark; maturity as of June 30, 2013, was 7.34 years. The fixed-income portfolio's average maturity was 8.94 years. Interest rates range from 1.43% to 2.6%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Index average as the benchmark; maturity as of June 30, 2013, was 5.3 years. The fixed-income portfolio's average maturity was 7.3 years. Interest rates range from 0.00% to 10.75%.

	Maturity under 1 Year	Maturity 1-5 Years	Maturities 5-10 Years	Maturities over 10 Years	Total
Mutual funds	\$ 13,365,806	\$ -	\$ -	\$ -	\$ 13,365,806
Certificates of deposit	100,544	1,744,680	-	-	1,845,224
Collateralized securities	-	924,499	1,005,406	18,303,564	20,233,469
U.S. government obligations	9,671,217	-	4,943,153	2,305,469	16,919,839
U.S. corporate bonds	632,478	9,178,370	9,846,856	5,775,702	25,433,406
Non-U.S. corporate bonds	81,002	1,514,352	4,510,026	1,193,818	7,299,198
Investment in securities at fair value	<u>\$ 23,851,047</u>	<u>\$ 13,361,901</u>	<u>\$ 20,305,441</u>	<u>\$ 27,578,553</u>	<u>\$ 85,096,942</u>

**4. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All non-U.S. corporate bonds are traded in U.S. dollars. The UNLV Foundation investment managers have policies that address foreign currency risk.

**NOTE C - INVESTMENT IN FIRST TRUST DEED**

On May 8, 2006, the UNLV Foundation invested \$1,667,900 in an \$11,575,000 trust deed in a 44.52 acre parcel of vacant land located in the northern portion of the City of Las Vegas, Nevada. On May 1, 2008, the UNLV Foundation reinvested the \$1,667,900 in principal in the same trust deed with a maturity date of November 2009, pursuant to a Forbearance Agreement; however, investors collectively voted to foreclose on the property and that default was recorded in November 2009. In December 2012, a bankruptcy plan was approved and the title to the property was transferred to a newly formed LLC C-SWDE348 LLC, of which the UNLV Foundation holds a membership interest. The donor of the original gift continues to guarantee the principal balance of \$1,667,900 to the Foundation, as well as any fees incurred with this investment.

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2013**

**NOTE D - INVESTMENT IN REAL ESTATE**

In December 1997, the UNLV Foundation received a contribution of approximately 3 acres of land in Denver, Colorado. The land is under a 99-year lease that terminates on May 10, 2055. The UNLV Foundation's land is improved with a 175-room motel. The lease calls for level rent payments of \$15,000 per year. At the end of the lease, the UNLV Foundation has the reversionary right to the property, including any building on the site. The land was appraised in 2012, and the UNLV Foundation does not believe the value has materially changed since that appraisal.

**NOTE E - PLEDGES RECEIVABLE-NET**

Pledges receivable, net are comprised of the following balances:

	June 30, 2013
Gross pledges receivable	\$ 25,721,656
Present value discount of 0.09%	(88,015)
Allowance for uncollectible pledges	(1,026,662)
Pledges receivable, net	\$ 24,606,979

The discount rate is based on the Federal funds discount rate as of June 30 for pledges that exceed \$25,000 and with terms that exceed one year from the date of the financial statements.

The UNLV Foundation estimates that payments on the gross pledges receivable at June 30, 2013, will be received as follows for fiscal years ending June 30:

Fiscal years ending June 30,	
2014	\$ 6,503,553
2015	2,667,554
2016	2,011,749
2017	1,375,034
2018	1,058,766
Thereafter	12,105,000
	\$ 25,721,656

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2013**

**NOTE E - PLEDGES RECEIVABLE-NET - Continued**

For the year ended June 30, 2013, pledge write-offs were \$410,834 and are included in administrative, development and other expenses on the Statement of Support and Revenues, Expenses and Changes in Net Position.

The UNLV Foundation has certain pledges receivable, not included in the accompanying financial statements, totaling \$8,622,412 as of June 30, 2013, which stipulate that the UNLV Foundation establish an endowment, invest the gift, and maintain the principal intact in perpetuity. Consistent with the requirements of GASB No. 33, such pledges are not recorded until such time as the gifts are received.

Bad debt is estimated based on an average of write-offs for the previous five years. Management adjusts the estimate based on factors known at the time of estimation.

**NOTE F - CAPITAL ASSETS**

The following is a summary of capital asset activity during the fiscal year ended June 30, 2013:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
<u>Capital assets not being depreciated</u>				
Land	\$ 50,699	\$ 75,000	\$ -	\$ 125,699
Works of art/collections	102,855	182,903	(92,176)	193,582
Total capital assets not being depreciated	<u>153,554</u>	<u>257,903</u>	<u>(92,176)</u>	<u>319,281</u>
<u>Other capital assets</u>				
Furniture and equipment	650,514	16,988	(5,733)	661,769
Total other capital assets at historical cost	<u>650,514</u>	<u>16,988</u>	<u>(5,733)</u>	<u>661,769</u>
<u>Less accumulated depreciation for</u>				
Furniture and equipment	(605,708)	(20,506)	5,733	(620,481)
Total accumulated depreciation	<u>(605,708)</u>	<u>(20,506)</u>	<u>5,733</u>	<u>(620,481)</u>
Capital assets, net	<u>\$ 198,360</u>	<u>\$ 254,385</u>	<u>\$ (92,176)</u>	<u>\$ 360,569</u>

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2013**

**NOTE G - CHARITABLE REMAINDER TRUSTS**

The UNLV Foundation serves as trustee of three charitable remainder unitrusts and one charitable remainder annuity trust as of June 30, 2013. The assets held in these trusts are recorded at fair value when received, and the liabilities to the donors are recorded at the present value of the estimated future payments to be distributed over the donors' expected lives. At June 30, 2013, the related assets were \$8,087,215 and liabilities were \$4,021,037 for these unitrusts and annuity trust.

The UNLV Foundation has recorded as future gifts four charitable remainder trusts for which the UNLV Foundation has irrevocable beneficiary interests but does not serve as trustee. The present value of the estimated future benefits to be received when the trust assets are distributed is recorded as an asset. Changes in the present value are recorded as investment income (loss). At June 30, 2013, the balance of these charitable remainder trusts was \$2,748,010.

Trusts are established by donors to provide income, generally for life, to designated beneficiaries. Upon termination of each trust, its assets will be distributed to the UNLV Foundation for the purpose designated in the trust agreements. Each year, beneficiaries receive payments as specified in the trust agreement: a fixed payment (annuity trusts) or a percentage of the trust's fair market value (standard unitrust).

The discount rates, ranging from 3.6% to 8.2%, and actuarial assumptions used in calculating the present value of the estimated future benefits to be received by the UNLV Foundation are those in effect at the date the gifts were recorded.

The trusts are separate legal entities created under the provisions of the Code and applicable Nevada law. Each trust has a calendar year as required by the Code. The charitable remainder trusts are exempt from federal income taxes, except in any year in which they receive unrelated business taxable income. The trusts for which the UNLV Foundation serves as trustee received no unrelated business taxable income for the year ended June 30, 2013.

**NOTE H - RELATED PARTIES AND RELATED-PARTY TRANSACTIONS**

UNLV contributes to the administrative and accounting support of the UNLV Foundation. This support totaled \$1,526,347 for the year ended June 30, 2013.

On June 9, 2010 the Executive Committee approved the utilization of the UNLV Foundation's previously encumbered reserves to provide a \$250,000 stipend for Carol C. Harter, in her role as Director of the Black Mountain Institute, without retirement or other benefits, for additional professional services in connection with donor, agency and community relations, in her role as President Emerita. This stipend began on January 1, 2010 and ended on December 31, 2012.

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2013**

**NOTE H - RELATED PARTIES AND RELATED-PARTY TRANSACTIONS - Continued**

On November 10, 2010, in response to UNLV's request, the Executive Committee approved annual funding for a car allowance in the amount of \$7,200, plus no more than \$200 for the fringe benefit costs associated with that allowance, for Dr. William Boldt, UNLV Vice President for Advancement, through the conclusion of this contract ending June 30, 2013. As of fiscal year 2014, UNLV's President Neal Smatresk has requested that UNLV Foundation continue this arrangement annually upon renewal of Dr. Boldt's employment contract. This funding may be taken out of UNLV Foundation operating reserves, if necessary. Dr. Boldt also receives \$8,000 annually for hosting purposes.

At the December 13, 2010 Executive Committee meeting, it was approved, based on a request by the NSHE, upon the permanent appointment of Neal Smatresk as President of UNLV, that the UNLV Foundation provide an annual salary supplement for the term of his 3.5 year contract and that the annual salary supplement of \$51,573, approved by the UNLV Executive Committee on June 9, 2010 for the fiscal year 2011, be increased effective January 1, 2011 for the remainder of the fiscal year by the amount of \$8,425 and an annual supplement of \$68,424 be provided each year through fiscal year 2014. In addition, it was requested that a reserve fund be established by the UNLV Foundation in the amount of \$50,000 annually for 3.5 years beginning January 1, 2011 to be paid according to the terms of the UNLV President's employment agreement as deferred compensation.

On June 12, 2013, in response to a request from NSHE, and the employment contract with President Smatresk that was restated effective July 1, 2013, the UNLV Foundation's Executive Committee approved the one-time payment of \$125,000 accumulated deferred compensation to be paid to President Smatresk by July 1, 2013. This payment was fulfilled by the UNLV Foundation in June 2013.

Also on June 12, 2013, the Executive Committee approved the acceptance of an obligation by the UNLV Foundation to provide a salary supplement for President Smatresk of \$118,424 annually as stated in his July 1, 2013 NSHE employment contract. This supersedes the decisions above made on June 9, 2010 for the \$68,424 annual supplement and \$50,000 deferred compensation.

**NOTE I - TAX-EXEMPT STATUS**

The UNLV Foundation is classified under Section 501(c)(3) (Nonprofit Educational Organization) of the Code. The UNLV Foundation is exempt from federal income tax, qualifies for the 50% charitable contribution deduction, and is classified as an organization that is not a private foundation under Section 509(a) of the Code.

**OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**Report of Independent Certified Public Accountants on  
Internal Control over Financial Reporting and on Compliance and  
Other Matters Required by Government Auditing Standards**

Management and Board of Trustees  
University of Nevada, Las Vegas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Nevada, Las Vegas Foundation (the "Foundation"), which comprise the statement of net position as of June 30, 2013, and the related statements of support and revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2013.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

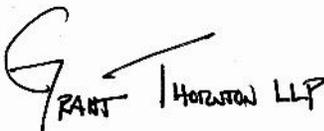
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Foundation's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Intended purpose**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "GRANT THORNTON LLP". The signature is stylized, with the "G" being particularly large and the "T" having a long horizontal stroke.

Reno, Nevada  
September 24, 2013