



**Financial Statements and Report of Independent
Certified Public Accountants**

University of Nevada, Reno Foundation

June 30, 2008

Contents

	Page
Report of Independent Certified Public Accountants	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Balance Sheet	11
Statement of Support and Revenue, Expenses and Changes in Fund Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Supplementary Information	
Unrestricted Fund – Alumni and University Program Expenses	24
Unrestricted Fund – Administrative and Fundraising Expenses	25



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Report of Independent Certified Public Accountants

Board of Trustees
University of Nevada, Reno Foundation

We have audited the accompanying balance sheet of the University of Nevada, Reno Foundation (the "Foundation") as of June 30, 2008, and the related statements of support and revenue, expenses and changes in fund net assets, and cash flows for the year then ended. These basic financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements, and in our report dated August 28, 2007, we expressed an unqualified opinion on the respective basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University of Nevada, Reno Foundation as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Foundation's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Reno, Nevada
September 9, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2008

This section of the University of Nevada, Reno Foundation's ("the Foundation") annual financial report presents our discussion and analysis of the financial performance of the Foundation during the fiscal year ended June 30, 2008. 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.

Reporting Entity

The University of Nevada, Reno Foundation is a nonprofit corporation whose mission is to facilitate the solicitation, management of gift revenues for the benefit of the University of Nevada, Reno (University), management of short term assets and management of endowment assets on behalf of the University. The Foundation was established by the Nevada System of Higher Education ("NSHE"), who is the sole owner of the Foundation. Additionally, the appointment to the Foundation Board of Trustees is done by NSHE. As such, the Foundation is considered to be a component unit of both the University and NSHE. Transactions with the University relate primarily to the disbursement of gift funds to the University and receipt of support from the University to fund administrative expenses of the Foundation.

Financial Analysis

The basic financial statements of the Foundation are the Balance Sheet; Statement of Support and Revenue, Expenses and Changes in Fund Net Assets; and the Statement of Cash Flows. The Balance Sheet presents the financial position of the Foundation as of June 30, 2008. The Statement of Support and Revenue, Expenses and Changes in Fund Net Assets summarizes the Foundation's financial activity for the year ended June 30, 2008. The Statement of Cash Flows reflects the effects on cash that result from the Foundation's operating activities, investing activities, and capital and non-capital financing activities for the year ended June 30, 2008. The following schedules are prepared from the Foundation's basic financial statements.

Balance Sheet

This statement is presented with three major categories, namely assets, liabilities and fund net assets. The assets are classified between current and non-current assets. The current assets include cash and cash equivalents, investments in securities at fair value, accounts receivable, prepaid expenses and deposits, accrued interest receivable and the current portion of pledges, and notes receivable. The non-current assets include investments in securities at fair value, pledges receivable, notes receivable, real property held for investment, residual interests in trusts held for others, other assets and capital assets.

Liabilities are also classified between current and non-current classifications. Current liabilities include due to the University and accounts payable. These liabilities represent obligations due within one year. Non-current liabilities include unearned revenue.

Total assets only increased by \$690,000 during the year. This was the result of a \$1 million increase to the residual interest in the irrevocable trust which was offset by three construction projects coming to fruition, the Charles Mathewson IGT Knowledge Center, the Davidson Math & Science Center and the Davidson Academy remodel of the Jot Travis building. The total cash transferred by the Foundation to the University during the year totaled \$22 million for construction.

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2008

Balance Sheet – Continued

Accounts receivable increased by \$480,000 due to the 4th quarter payment from NSHE for the transfer of 1.5% management fee on the endowments held for the benefit of the University of Nevada not received until after June 30, 2008. Current liabilities increased by \$1.2 million which was largely due to amounts owed to the University at the end of the year. Fund net assets remained largely unchanged. The following is a comparison of the balance sheet at June 30, 2008 and 2007.

	<u>Balance Sheet</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$138,620,359	\$138,483,126
Non-current assets	9,936,124	9,383,340
Total assets	\$148,556,483	\$147,866,466
Liabilities		
Current liabilities	\$ 3,040,289	\$ 1,828,121
Non-current liabilities	2,668,543	1,612,628
Total liabilities	5,708,832	3,440,749
Fund net assets		
Invested in capital assets	21,283	11,952
Unrestricted	7,598,024	7,714,272
Restricted – expendable	35,605,611	34,085,936
Endowment – nonexpendable	99,622,733	102,613,557
Total fund net assets	142,847,651	144,425,717
Total liabilities and fund net assets	\$148,556,483	\$147,866,466

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2008

Financial Analysis of Fund Net Assets

Due to the large transfers for construction, fund net assets remained relatively unchanged from the prior year. Total net assets were \$142.8 million at June 30, 2008, of which \$7.6 million is available for the unrestricted purposes of the Foundation. Included in unrestricted net assets are Quasi Endowment and other designated funds of \$5.2 million. The quasi endowment is the board directed endowment which the board has set aside for designated purposes; it is not a donor designated endowment.

Financial Analysis of Fund Net Assets

	<u>2008</u>	<u>2007</u>
Invested in capital assets	\$ 21,283	\$ 11,952
Unrestricted		
Undesignated	2,357,390	1,965,844
Quasi Endowment and other	5,240,634	5,748,428
Restricted		
Expendable	35,605,611	34,085,936
Nonexpendable	<u>99,622,733</u>	<u>102,613,557</u>
Total fund net assets	<u>\$142,847,651</u>	<u>\$144,425,717</u>

Statement of Support and Revenue, Expenses and Changes in Fund Net Assets

This statement reflects the effect of operations on fund net assets. The statement is broken down into three categories: Operating Support and Revenue, Operating Expenses and Investment Income.

Operating support and revenue include donor contributions, university support and special event and other income. These revenues increased from the prior year by \$20.8 million. Donor contributions increased by \$20.9 million, the majority of which were gifts received in the current year for the Davidson Math and Science Center. University support was increased by 11% due to increase in staff support and special event and other income decreased by 21% due to a change in processing non-gift revenue directly into the University. In April of 2008, NSHE adopted a new policy of transferring a 1.5% management fee on the endowments held by the system office for the benefit of the University. This is revenue to the Foundation and amounted to \$678,000 during the year.

Expenses include alumni programs, capital projects, university programs, university scholarships, administrative and fundraising expenses and they increased by \$25.4 million. Capital projects accounted for \$22 million of the increase in costs. Expenses for alumni programs and scholarships were largely consistent with the previous year. Increased expenditures in program support were due to a transfer of \$1.3 million to the NSHE to create an endowment in the College of Liberal Arts and a new program in the College of Engineering for Redfield Renewable Energy for \$637,000. In addition to those two larger projects, expenditures at the college level increased across the board.

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2008

Statement of Support and Revenue, Expenses and Changes in Fund Net Assets - Continued

Administrative and fundraising costs increased by 22% from the previous year. Salaries and fringe benefits increased by \$444,000. This was largely due to the filling of eleven vacant positions during the last eighteen months and is offset by the increase in University support of \$209,000. Other increased costs included the full support of the Nevada Silver & Blue Magazine for an additional \$158,000 over the previous year in contract services, postage & freight, and printing costs. Special event and meeting supplies increased by 65% which was due to an increase in food & beverage costs in the Annual Banquet, Honor Court, Scholarship luncheons and the annual graduation celebration. Travel costs for staff increased significantly from the prior year due to staff traveling out of state for training and fundraising.

Investment income decreased by \$16.3 million; interest and dividend income was \$3.7 million, and realized gains from the sale of investments were \$6.2 million. The net decrease in the fair market value of the investments for the year was \$10.1 million, however; the fair market value of the investments exceeds the cost by \$17.6 million (cost of the investments is \$97.2 million and the fair market value is \$114.8 million in both current and non current).

The following is a comparison of the operating results for the years ended June 30:

Operating Results

	<u>2008</u>	<u>2007</u>
Revenues		
Donor contributions	\$31,965,934	\$11,069,980
University support	2,036,867	1,827,656
Special events and other income	1,058,606	1,333,150
Additional to permanent term	2,083,011	10,830,113
Total non-investment revenue	<u>37,144,418</u>	<u>25,060,899</u>
Investment income		
Interest and dividend income	3,770,832	3,601,898
Realized gains on sale	6,229,952	7,200,486
Unrealized gains (loss)	(10,129,479)	6,013,377
Management fees	678,128	-
Redemption and consultation fees	(190,995)	(141,276)
Investment revenue	<u>358,438</u>	<u>16,674,485</u>
Total revenues	<u>37,502,856</u>	<u>41,735,384</u>
Expenses		
Alumni programs	374,464	348,829
Capital projects	22,035,410	-
University programs	11,013,857	8,096,564
University scholarships	2,414,086	2,543,597
Administrative	1,512,895	1,101,607
Fundraising	1,730,210	1,559,572
Total expenses	<u>39,080,922</u>	<u>13,650,169</u>
Net change in fund net assets	<u><u>\$(1,578,066)</u></u>	<u><u>\$28,085,215</u></u>

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2008

Economic Factors

The Foundation's primary sources of revenue are donor contributions, university support and investment income. Comparing fiscal years ended June 30, 2008 to June 30, 2007, donor contributions increased by 189%. The majority of this increase was due to the funding for the new Davidson Math and Science building. In 2007, the State of Nevada approved a \$32 million commitment for the Davidson Math and Science building which required the Foundation to raise \$18 million to bid the project. Investment income declined during the current year due to a decrease in market value from June 30, 2007 to June 30, 2008. Additionally, the Foundation sold off assets to transfer construction funds to the university. During the year, interest and dividend income was fairly consistent as were realized gains on the sale of assets. The current economic condition is likely to have an impact on our gift flow as well as our investment income in the next fiscal year. The Board of Trustees and the staff have projected the next fiscal years budget based upon conservative estimates of revenues in addition to reducing expenses.

Requests for Information

This report is designed to provide a general overview of the University of Nevada, Reno Foundation's finances for all interested parties. For additional information or questions concerning the information contained in this report, please call (775) 784-1587.

BASIC FINANCIAL STATEMENTS

University of Nevada, Reno Foundation
BALANCE SHEET
June 30, 2008
(With comparative totals as of June 30, 2007)

ASSETS	2008				2007
	Unrestricted	Restricted	Endowment	Total	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,203,815	\$ 10,922,197	\$ 6,743,975	\$ 20,869,987	\$ 22,943,771
Investments	4,552,226	17,371,953	92,419,120	114,343,299	111,037,612
Accounts receivable	343,304	312,380	-	655,684	175,473
Prepaid expenses and deposits	8,415	-	-	8,415	28,834
Accrued interest receivable	-	8,452	-	8,452	-
Current portion of pledges receivable	-	2,399,639	156,467	2,556,106	4,292,417
Current portion of notes receivable	176,655	-	1,761	178,416	5,019
Total current assets	<u>8,284,415</u>	<u>31,014,621</u>	<u>99,321,323</u>	<u>138,620,359</u>	<u>138,483,126</u>
NON-CURRENT ASSETS					
Investments	-	471,030	-	471,030	557,632
Pledges receivable	-	5,601,779	263,517	5,865,296	6,097,598
Notes receivable	-	-	4,489	4,489	176,836
Real property, held for investment	3,500	358,840	45,900	408,240	410,740
Residual interest-irrevocable trusts	-	493,268	2,288,293	2,781,561	1,616,410
Other	181,685	202,540	-	384,225	512,172
Equipment, at cost, less accumulated depreciation of \$4,945	21,283	-	-	21,283	11,952
Total non-current assets	<u>206,468</u>	<u>7,127,457</u>	<u>2,602,199</u>	<u>9,936,124</u>	<u>9,383,340</u>
Total assets	<u>\$ 8,490,883</u>	<u>\$ 38,142,078</u>	<u>\$ 101,923,522</u>	<u>\$ 148,556,483</u>	<u>\$ 147,866,466</u>
LIABILITIES AND FUND NET ASSETS					
CURRENT LIABILITIES					
Due to University of Nevada, Reno	\$ 765,228	\$ 2,250,241	\$ -	\$ 3,015,469	\$ 1,799,274
Accounts payable	1,948	10,376	12,496	24,820	28,847
Total current liabilities	<u>767,176</u>	<u>2,260,617</u>	<u>12,496</u>	<u>3,040,289</u>	<u>1,828,121</u>
NON-CURRENT LIABILITIES					
Unearned revenue	104,400	275,850	2,288,293	2,668,543	1,612,628
Total liabilities	<u>871,576</u>	<u>2,536,467</u>	<u>2,300,789</u>	<u>5,708,832</u>	<u>3,440,749</u>
FUND NET ASSETS					
Investment in capital assets	21,283	-	-	21,283	11,952
Unrestricted	7,598,024	-	-	7,598,024	7,714,272
Restricted - expendable	-	35,605,611	-	35,605,611	34,085,936
Restricted - nonexpendable	-	-	99,622,733	99,622,733	102,613,557
Total fund net assets	<u>7,619,307</u>	<u>35,605,611</u>	<u>99,622,733</u>	<u>142,847,651</u>	<u>144,425,717</u>
Total liabilities and fund net assets	<u>\$ 8,490,883</u>	<u>\$ 38,142,078</u>	<u>\$ 101,923,522</u>	<u>\$ 148,556,483</u>	<u>\$ 147,866,466</u>

The accompanying notes are an integral part of this statement.

University of Nevada, Reno Foundation
STATEMENT OF SUPPORT AND REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS

Year ended June 30, 2008
(With comparative totals for the year ended June 30, 2007)

	2008			2007	
	Unrestricted	Restricted	Endowment	Total	Total
Operating support and revenue					
Donor contributions	\$ 833,137	\$ 31,132,797	\$ -	\$ 31,965,934	\$ 11,069,980
University support	2,036,867	-	-	2,036,867	1,827,656
Special events and other income	159,414	898,492	700	1,058,606	1,333,150
Total operating support and revenue	<u>3,029,418</u>	<u>32,031,289</u>	<u>700</u>	<u>35,061,407</u>	<u>14,230,786</u>
Operating expenses					
Program expenses					
Alumni programs	374,464	-	-	374,464	348,829
Capital projects	2,000,000	20,035,410	-	22,035,410	-
University programs	33,302	10,980,555	-	11,013,857	8,096,564
University scholarships	-	2,414,086	-	2,414,086	2,543,597
Total program expenses	<u>2,407,766</u>	<u>33,430,051</u>	<u>-</u>	<u>35,837,817</u>	<u>10,988,990</u>
Administrative and fundraising expenses					
Administrative	1,512,895	-	-	1,512,895	1,101,607
Fundraising	1,730,210	-	-	1,730,210	1,559,572
Total administrative and fundraising expenses	<u>3,243,105</u>	<u>-</u>	<u>-</u>	<u>3,243,105</u>	<u>2,661,179</u>
Total operating expenses	<u>5,650,871</u>	<u>33,430,051</u>	<u>-</u>	<u>39,080,922</u>	<u>13,650,169</u>
OPERATING INCOME (LOSS)	<u>(2,621,453)</u>	<u>(1,398,762)</u>	<u>700</u>	<u>(4,019,515)</u>	<u>580,617</u>
Investment income (loss)	<u>1,355,895</u>	<u>(479,931)</u>	<u>(517,526)</u>	<u>358,438</u>	<u>16,674,485</u>
Additions to permanent and term endowments	<u>-</u>	<u>-</u>	<u>2,083,011</u>	<u>2,083,011</u>	<u>10,830,113</u>
Transfers between funds					
Distribution of expendable endowment	1,148,901	3,742,813	(4,891,714)	-	-
Other	9,740	(344,445)	334,705	-	-
Total transfers between funds	<u>1,158,641</u>	<u>3,398,368</u>	<u>(4,557,009)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND NET ASSETS	<u>(106,917)</u>	<u>1,519,675</u>	<u>(2,990,824)</u>	<u>(1,578,066)</u>	<u>28,085,215</u>
Fund net assets at beginning of year	<u>7,726,224</u>	<u>34,085,936</u>	<u>102,613,557</u>	<u>144,425,717</u>	<u>116,340,502</u>
Fund net assets at end of year	<u>\$ 7,619,307</u>	<u>\$ 35,605,611</u>	<u>\$ 99,622,733</u>	<u>\$142,847,651</u>	<u>\$144,425,717</u>

The accompanying notes are an integral part of this statement.

University of Nevada, Reno Foundation
STATEMENT OF CASH FLOWS
For the year ended June 30, 2008
(With comparative totals for the year ended June 30, 2007)

	2008			2007	
	Unrestricted	Restricted	Endowment	Total	Total
Cash flows from operating activities:					
Donor contributions	\$ 802,673	\$ 26,959,363	\$ -	\$ 27,762,036	\$ 11,878,914
University support	1,864,793	-	-	1,864,793	1,668,692
Special events and other income	159,414	898,492	1,194	1,059,100	1,333,150
Cash paid to University	(1,768,694)	(32,846,035)	-	(34,614,729)	(11,983,969)
Cash paid to employees for services	(2,422,267)	-	-	(2,422,267)	(1,978,086)
Cash paid to suppliers	(823,427)	(71,426)	-	(894,853)	(709,276)
Net cash provided by (used in) operating activities	<u>(2,187,508)</u>	<u>(5,059,606)</u>	<u>1,194</u>	<u>(7,245,920)</u>	<u>209,425</u>
Cash flows from non-capital financing activities:					
Additions to permanent and term endowments	-	-	4,388,099	4,388,099	9,579,995
Transfer between funds	1,158,641	3,398,368	(4,557,009)	-	-
Net cash provided by non-capital financing activities	<u>1,158,641</u>	<u>3,398,368</u>	<u>(168,910)</u>	<u>4,388,099</u>	<u>9,579,995</u>
Cash flows from capital and related financing activities:					
Purchase of equipment	(19,539)	-	-	(19,539)	-
Issuance of debt	-	-	-	-	(878,763)
Interest paid on notes payable	-	-	-	-	(17,523)
Net cash used in capital and related financing activities	<u>(19,539)</u>	<u>-</u>	<u>-</u>	<u>(19,539)</u>	<u>(896,286)</u>
Cash flows from investing activities:					
Interest and dividends on investments	1,876,656	164,033	2,426,551	4,467,240	3,460,721
Proceeds from sale of investments	16,495	18,967,100	18,655,284	37,638,879	36,437,495
Proceeds from sale of real estate	-	-	12,500	12,500	-
Purchase of investments	(509,128)	(24,627,207)	(16,177,658)	(41,313,993)	(44,547,507)
Payments received from notes receivable	5,200	-	-	5,200	11,139
Issuance of note receivable	-	-	(6,250)	(6,250)	-
Net cash provided by (used in) investing activities	<u>1,389,223</u>	<u>(5,496,074)</u>	<u>4,910,427</u>	<u>803,576</u>	<u>(4,638,152)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>340,817</u>	<u>(7,157,312)</u>	<u>4,742,711</u>	<u>(2,073,784)</u>	<u>4,254,982</u>
Cash and cash equivalents, beginning	<u>2,862,998</u>	<u>18,079,509</u>	<u>2,001,264</u>	<u>22,943,771</u>	<u>18,688,789</u>
Cash and cash equivalents, ending	<u>\$ 3,203,815</u>	<u>\$ 10,922,197</u>	<u>\$ 6,743,975</u>	<u>\$ 20,869,987</u>	<u>\$ 22,943,771</u>

University of Nevada, Reno Foundation
STATEMENT OF CASH FLOWS - CONTINUED
For the year ended June 30, 2008
(With comparative totals for the year ended June 30, 2007)

	2008			2007	
	Unrestricted	Restricted	Endowment	Total	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (2,621,453)	\$ (1,398,762)	\$ 700	\$ (4,019,515)	\$ 580,617
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	10,023	-	-	10,023	27,097
Interest on notes payable	-	-	-	-	17,523
Gifts of stocks and bonds	(18,600)	(2,696,479)	-	(2,715,079)	(75,567)
Gift of real property	-	-	-	-	(293,840)
Changes in:					
Accounts receivable	(172,074)	(308,137)	-	(480,211)	(123,708)
Accrued interest	-	(8,452)	-	(8,452)	-
Pledges receivable	-	(1,283,984)	-	(1,283,984)	1,309,539
Prepaid expenses and deposits	(2,081)	22,500	-	20,419	(21,951)
Residual interest - irrevocable trust	-	(99,936)	-	(99,936)	(48,266)
Other assets	1	127,946	-	127,947	(141,573)
Due to University of Nevada, Reno	630,257	585,938	-	1,216,195	(1,077,445)
Accounts payable	(10,531)	6,010	494	(4,027)	6,649
Unearned revenue	(3,050)	(6,250)	-	(9,300)	50,350
Net cash provided by (used in) operating activities	<u>\$ (2,187,508)</u>	<u>\$ (5,059,606)</u>	<u>\$ 1,194</u>	<u>\$ (7,245,920)</u>	<u>\$ 209,425</u>
Non-cash					
Increase in cash surrender value of life insurance	\$ -	\$ 10,804	\$ -	\$ 10,804	\$ 10,322
Gifts of real property	\$ -	\$ -	\$ -	\$ -	\$ 293,840
Increase in residual interest - irrevocable trusts	\$ -	\$ -	\$ 1,065,215	\$ 1,065,215	\$ -

The accompanying notes are an integral part of this statement.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of Nevada, Reno Foundation (the "Foundation") is a nonprofit corporation. The Foundation's mission is to serve as an innovative, flexible and efficient organization to facilitate the solicitation and management of gifts, grants, bequests and other revenues for the benefit of the University of Nevada, Reno or any organizations that are affiliated with the University of Nevada, Reno and are exempt from Federal income taxation.

TSTH, LLC is a wholly-owned subsidiary of the Foundation and has been included as an integral part of the Foundation in the basic financial statements.

The Foundation is considered a component unit and will be included in the basic financial statements of both the Nevada System of Higher Education and the University of Nevada, Reno.

A summary of the Foundation's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Financial Reporting

The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governmental Accounting Standards Board (GASB) Statement No. 20 requires the Organization to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements, all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. As permitted by the Statement, the Organization has elected not to apply FASB pronouncements issued after that date.

Since the Foundation's Funds are considered to be enterprise funds for financial reporting purposes, the Foundation follows the accrual basis of accounting, wherein revenues are recorded as earned and expenses are recorded as incurred.

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group as follows:

Unrestricted Fund - Represents funds that are not restricted and are available for the general operations and programs of the Foundation.

Restricted Fund - Represents funds that are restricted by the donor and may only be utilized in accordance with purposes established by such donors. These funds are primarily restricted for scholarships and University programs.

Endowment Fund - Represents funds that are subject to restrictions of gift instruments requiring that the principal be invested and only the income be utilized for their established purposes. Endowments are primarily restricted for scholarships and University programs.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Financial Reporting – Continued

Because Endowment investment funds include funds derived originally from permanently restricted gifts, the management of these funds is subject to Nevada law (NRS 164.640) The Uniform Prudent Management of Institutional Funds. The Board has a separate Investment Committee that reviews the performance and makes recommendations on the investments. The assets are prudently invested and diversified to seek growth as well as income.

The Foundation has adopted an investment policy that establishes an annual spendable objective, which is to provide funds for operating and capital expenses, and is calculated as 6% of the average market value of assets over the 12-quarter period ending on September 30 of each previous year. Earnings in excess of 6% are reinvested into the corpus. The spending objective is to be met through the use of interest, dividends, and, to the extent appropriate, accumulated capital gains and corpus. As of June 30, 2008, the Foundation has calculated the current spending objective and has distributed all expendable endowment funds accordingly. The distribution is presented as a transfer between funds - distribution of expendable endowment on the Statement of Support and Revenue, Expenses and Changes in Fund Net Assets.

2. Recognition of Support and Revenue

Donations, gifts and pledges received are recognized as income when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable and the collection is probable. Pledges receivable are recorded at net present value using the appropriate discount rate. Pledges are examined on an annual basis to determine their collectibility based upon the Foundation's collection history. Contributions received are recorded as unrestricted, restricted or endowed support depending on the existence and/or nature of any donor restrictions.

3. Cash and Cash Equivalents

The Foundation considers all highly liquid short-term interest bearing investments purchased with an original maturity of three months or less and money market funds to be cash equivalents. Cash from all accounts are pooled for investment purposes.

4. Investments

Investments are stated at fair value, and realized and unrealized gains and losses are reflected in the Statement of Support and Revenue, Expenses and Changes in Fund Net Assets. The cost of 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 sales.

5. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Income Taxes

The Foundation is a nonprofit corporation, exempt from income tax under Internal Revenue Code Section 501(c)(3), qualified for the charitable contribution deduction. Accordingly, no liability for Federal income taxes has been provided in the financial statements.

7. Donated Assets and Services

Donated assets are reflected as contributions in the accompanying statements at their estimated value at date of receipt. No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to the organization's program services and its fundraising efforts.

8. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates made by management include the amount of pledges receivable, the amount of expendable endowment income, and the fair value of certain investments.

9. Comparative Information

The basic financial statements and these notes to the financial statements include certain prior-year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's basic financial statements for the year ended June 30, 2007 from which the summarized information was derived.

10. Reclassifications

Certain prior year reclassifications have been made to conform to classifications used in the current period. These reclassifications did not have an impact on the previously reported net change in net assets.

11. Recently Issued Accounting Standard

In November 2007, the GASB Board issued GASB Statement No. 52, *Land and Other Real Estate Held as Investment by Endowments* effective for periods beginning after June 15, 2008. The Foundation is currently evaluating the impact of the adoption of this pronouncement.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B - CASH AND INVESTMENTS

Cash and cash equivalents at June 30 consists of:

	<u>2008</u>	<u>2007</u>
Cash	\$ 1,449,445	\$ 196,274
Money market funds	-	608,126
Commonfund short-term investments	18,361,953	21,854,371
Certificates of deposit	130,000	285,000
Treasury bills and notes	928,589	-
	<u>\$20,869,987</u>	<u>\$22,943,771</u>

The fair value of investments at June 30 are as follows:

	<u>2008</u>	<u>2007</u>
Equity Investments	\$ 503,090	\$ 697,887
Commonfund Bond	24,947,333	25,395,491
Commonfund Equity	62,624,579	70,996,641
Commonfund Intermediate	3,622,913	-
Commonfund Capital Partners	2,035,809	1,248,872
Commonfund Realty Investors	5,303,067	2,392,607
Commonfund Global Distressed	1,490,821	822,084
Commonfund International Commodities	6,920,871	2,976,404
Certificates of Deposit	2,449,928	944,054
U.S. Government Securities	4,915,918	6,121,204
	<u>\$114,814,329</u>	<u>\$111,595,244</u>

At June 30, 2008, the Foundation investments had the following maturities:

	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	6 - 10
Equity investments	\$ 503,090	\$ 503,090	\$ -	\$ -
Open ended mutual funds	106,945,393	106,945,393	-	-
Certificates of deposit	2,449,928	1,978,898	377,225	93,805
U.S. Government securities	4,915,918	4,915,918	-	-
	<u>\$114,814,329</u>	<u>\$114,343,299</u>	<u>\$377,225</u>	<u>\$93,805</u>

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B - CASH AND INVESTMENTS - Continued

The Foundation's investment policy for cash and cash equivalents allows for investments of money market funds, certificates of deposit, commercial paper (rated P-1 and/or A-1 or better up to 10% maximum of the total cash balance), United States treasury bills or notes, mortgage backed securities, or internal loans to the University of Nevada, Reno (secured by a promissory note, with appropriate interest). Investments outside of the Commonfund are staggered in 30, 60 and 90 day investments. All investments in excess of the 90 day limit are approved individually. Justification for the time period of the investment would be that our liquid cash needs didn't exceed \$10 million and the rate of return justifies the investment.

Investments are recorded in the following funds at June 30:

	<u>2008</u>	<u>2007</u>
Unrestricted Fund	\$ 4,552,226	\$ 4,561,569
Restricted Fund	17,842,983	10,130,361
Endowment Fund	<u>92,419,120</u>	<u>96,903,314</u>
	<u>\$114,814,329</u>	<u>\$111,595,244</u>

The cumulative net appreciation of investments at June 30 is as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted Fund	\$ 520,732	\$ 857,156
Restricted Fund	368,065	856,273
Endowment Fund	<u>9,240,682</u>	<u>26,015,471</u>
	<u>\$ 10,129,479</u>	<u>\$ 27,728,900</u>

Investment Estimates

The fair values of Commonfund Capital Partners, Commonfund Realty Investors and Commonfund Global Distressed, which total approximately \$8.8 million and \$4.4 million as of June 30, 2008 and 2007, respectively, have been estimated by Management in the absence of readily determinable market values at year end.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as credit risk and concentrations of credit risk may affect fixed income securities, which are particularly sensitive to credit risks and changes in interest rates. The Investment Committee of the Foundation has policies regarding acceptable levels of risk. The committee meets quarterly to review the investments. Significant amounts of the investments are held with the Commonfund which also has policies regarding acceptable levels of risk.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B - CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Foundation restricts investment of cash and cash equivalents and investments to financial institutions with high credit standing and The Commonfund, a nonprofit membership corporation operated by and for its member colleges, universities and independent schools. The Foundation currently purchases certificates of deposit of less than one hundred thousand dollars per bank or institution. Commercial paper is limited to a maximum of 10% of the total cash available. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents and investments.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance an issuer or other counterparty to an investment will not fulfill its obligations. It is the policy of the Foundation to manage its credit risk by limiting its fixed income securities to obligations of the U.S. Government, which are not considered to have credit risk, and to pooled fixed income funds with the Commonfund. The Commonfund is unrated by recognized statistical rating organizations.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's current policy limits U.S. Treasury instruments and certificates of deposit to no more than 90 days out unless the rate justifies the return and the current cash needs permit.

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. Foreign investments are managed by the Commonfund who has policies in place to address foreign currency risk.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. All cash deposits are primarily on deposit with two financial institutions and several investment companies. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2008, the Foundation's bank balance was \$12,748,217. Of this balance \$643,331 was covered by depository insurance and/or collateralized and \$10,244,779 is held by the Commonfund and subject to their investment policies. The remaining \$1,860,107 was uninsured at year end.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B - CASH AND INVESTMENTS - Continued

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments consist primarily of open-end mutual funds through a single custodian. Debt and equity securities other than open-end mutual funds are uncollateralized.

NOTE C - UNEARNED REVENUE

Unearned revenue primarily represents assets held in irrevocable trusts of which the Foundation is the residual beneficiary. The support and revenue will be recognized when the Foundation receives its residual interest in the trusts. Interest payments are made to beneficiaries based on rates set forth in the trust documents. Upon death of the income beneficiaries, the trusts will be distributed, and the Foundation will receive its residual interest in the trusts. The assets held in the irrevocable trusts are recorded at fair value. Unearned revenue at June 30 is comprised of:

	<u>2008</u>	<u>2007</u>
Residual Interest in Trust	\$2,564,143	\$1,505,178
Royalties and Unrestricted	<u>104,400</u>	<u>107,450</u>
	<u>\$2,668,543</u>	<u>\$1,612,628</u>

NOTE D - RELATED PARTY TRANSACTIONS

The University of Nevada, Reno provided the Foundation with administrative and support services for the years ended June 30, 2008 and 2007 in the amounts of \$2,036,867 and \$1,827,656, respectively. The Foundation expended \$35,463,353 and \$10,640,161 for capital projects, programs and scholarships of the University of Nevada, Reno for the years ended June 30, 2008 and 2007. Amounts due to the University of Nevada, Reno at June 30, 2008 and 2007 are \$3,015,469 and \$1,799,274 respectively.

The Foundation received \$678,128 from the Nevada System of Higher Education during the year ended June 30, 2008 for the management fees related to endowments held on the Foundation's behalf.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE E - PLEDGES RECEIVABLE

Pledges receivable are recorded as revenue at the pledge date. The net present value is calculated based upon the pledge date, the Internal Revenue Service Applicable Federal Rates (AFR) and the pledge payment schedule. The AFR varies from 3.2% to 8.0%. Pledges receivable at June 30 consist of the following:

	<u>2008</u>	<u>2007</u>
Athletics	\$ 395,595	\$ 506,250
College of Liberal Arts	122,071	225,000
College of Agriculture, Biotech	10,252	60,000
College of Business	62,025	8,167
College of Education	437,500	600,000
College of Engineering	102,681	1,248,000
College of Science	1,983,187	397,450
Library	1,184,580	2,401,364
Scholarships	378,810	2,423,265
School of Journalism	744,107	1,569,000
School of Medicine	4,063,626	2,000,000
School of Public Health	-	420
Other	5,000	10,000
	<u>9,489,434</u>	<u>11,448,916</u>
Present value discount	<u>(1,068,032)</u>	<u>(1,058,901)</u>
Net pledges receivable	<u>8,421,402</u>	<u>10,390,015</u>
Less: Current maturities	<u>(2,556,106)</u>	<u>(4,292,417)</u>
	<u><u>\$ 5,865,296</u></u>	<u><u>\$ 6,097,598</u></u>

NOTE F - NOTES RECEIVABLE

Notes receivable as of June 30 consist of the following:

	<u>2008</u>	<u>2007</u>
Installment note receivable, secured by a first deed of trust, monthly payments of \$1,391, including interest at 6.5%, maturing November 2008.	\$176,655	\$181,855
Installment note receivable, secured by a first deed of trust, monthly payments of \$190, including interest at 6.0%, maturing June 2011.	6,250	-
	<u>182,905</u>	<u>181,855</u>
Less current maturities	<u>(178,416)</u>	<u>(5,019)</u>
	<u><u>\$ 4,489</u></u>	<u><u>\$176,836</u></u>

SUPPLEMENTARY INFORMATION

University of Nevada, Reno Foundation
UNRESTRICTED FUND
ALUMNI AND UNIVERSITY PROGRAM EXPENSES
Year ended June 30, 2008
(With comparative totals for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
Alumni programs		
Alumni College	\$ 8,536	\$ 8,590
Alumni Council	8,223	4,344
Band	219	-
Executive Committee	5,228	5,156
Golden Reunion	12,976	13,693
Homecoming	56,145	44,919
Membership Fund	63,630	64,971
Miscellaneous	36,923	28,625
Outreach	41,001	35,975
Pack Tracks	11,201	9,746
Pre-game Events	77,877	79,522
Senior Scholar Dinner	9,998	9,801
Staff and Office Expense	24,825	28,352
Student Support	12,753	9,977
Summer Events	4,929	5,158
Total alumni programs	<u>374,464</u>	<u>348,829</u>
University programs		
Faculty and Staff Enrichment	25,802	38,462
Tibbitts Memorial Distinguished Teacher Award	7,500	7,500
Total university programs	<u>33,302</u>	<u>45,962</u>
Total alumni and university program expenses	<u>\$407,766</u>	<u>\$394,791</u>

University of Nevada, Reno Foundation
UNRESTRICTED FUND
ADMINISTRATIVE AND FUNDRAISING EXPENSES

Year ended June 30, 2008
(With comparative totals for the year ended June 30, 2007)

	2008			2007
	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Payroll and related expenses				
Salaries and wages	\$ 735,041	\$ 1,164,023	\$ 1,899,064	\$ 1,590,967
Fringe benefits	190,055	333,148	523,203	387,119
	<u>925,096</u>	<u>1,497,171</u>	<u>2,422,267</u>	<u>1,978,086</u>
Operating				
Accounting fees	44,383	-	44,383	49,444
Advertising	878	1,339	2,217	669
Appreciation, gifts and sponsorships	6,278	2,376	8,654	6,019
Books, periodicals and subscriptions	21,205	8,386	29,591	6,045
Contract services	28,343	58,596	86,939	60,834
Depreciation expense	9,838	185	10,023	27,097
Dues and memberships	4,192	2,240	6,432	4,275
Equipment maintenance expense	45,523	13,169	58,692	48,613
Insurance, taxes and licenses	10,005	-	10,005	9,491
Legal fees	18,364	-	18,364	41,831
Meeting and hosting expense	22,758	6,860	29,618	27,418
Office expense	37,787	11,076	48,863	38,346
Photography	5,715	11,669	17,384	32,095
Postage and freight	107,102	3,645	110,747	42,628
Printing and duplicating	143,159	20,237	163,396	182,220
Recruitment costs	2,496	-	2,496	6,255
Special event and meeting supplies	19,222	69,156	88,378	53,713
Telephone	12,723	8,508	21,231	15,024
Training and registration fees	12,544	3,634	16,178	13,334
Travel expense	35,284	11,963	47,247	17,742
	<u>587,799</u>	<u>233,039</u>	<u>820,838</u>	<u>683,093</u>
Total administrative and fundraising expenses	<u>\$ 1,512,895</u>	<u>\$ 1,730,210</u>	<u>\$ 3,243,105</u>	<u>\$ 2,661,179</u>