

Financial statements and report of independent certified public accountants

University of Nevada, Reno Foundation

June 30, 2007

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Accountants and Business Advisors

Grant Thornton LLP
US member of Grant Thornton International

100 West Liberty Street
Suite 770

Reno, NV 89501

T 775.786.1520

F 775.786.7091

W www.grantthornton.com

Report of Independent Certified Public Accountants

Board of Trustees University of Nevada, Reno Foundation

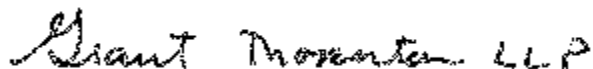
We have audited the accompanying balance sheet of the University of Nevada, Reno Foundation (the "Foundation") as of June 30, 2007, and the related statements of support and revenue, expenses and changes in fund net assets, and cash flows for the year then ended. These basic financial statements are 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 2006 financial statements, and in our report dated August 28, 2006, 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. An audit also includes 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, 2007, 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.



Reno, Nevada
September 10, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2007

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, 2007. 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 and management of gift revenues for the benefit of the University of Nevada, Reno (University). The Foundation was established by the Nevada System of Higher Education ("NSHE") and are the sole owners 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 and the reimbursement of expenditures.

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, 2007. 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, 2007. 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, 2007.

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, accounts receivable, prepaid expenses and deposits, and the current portion of pledges and notes receivable. The non-current assets include investments, pledges receivable, notes receivable, residual interests in trusts held for others, and other assets. Capital assets includes equipment, net of depreciation.

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 increased to \$148 million in fiscal 2007 from \$120 million in fiscal 2006. Current assets increased by \$26 million. The increases were in cash, investments and pledges receivable. Current liabilities decreased by \$1.3 million which resulted from a decrease which was mainly due to a change in athletic revenue going directly to AAUN. Fund net assets increased by \$28 million. Unrestricted net assets increased by \$2.5 million, restricted net assets increased by \$3.7 million and endowed net assets increased by \$22 million. The following is a comparison of the balance sheet at June 30, 2007 and 2006.

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2007

Balance Sheet - Continued

Balance Sheet		
	2007	2006
Assets		
Current assets	\$138,483,126	\$111,998,742
Non-current assets		
Capital assets, net of depreciation	11,952	39,048
Other	9,371,388	8,419,592
Total assets	\$147,866,466	\$120,457,382
Liabilities		
Current liabilities	\$ 1,828,121	\$ 3,116,778
Non-current liabilities	1,612,628	1,000,102
Total liabilities	3,440,749	4,116,880
Fund net assets		
Investment in capital assets	11,952	39,048
Unrestricted	7,714,272	5,217,932
Restricted – expendable	34,085,936	30,354,926
Endowment - nonexpendable	102,613,557	80,728,596
Total fund net assets	144,425,717	116,340,502
Total liabilities and fund net assets	\$147,866,466	\$120,457,382

Capital Assets, Net

	2007	2006
Equipment	\$ 32,228	\$112,142
Less accumulated depreciation	(20,276)	(73,094)
Net capital assets	\$ 11,952	\$ 39,048

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2007

Financial Analysis of Fund Net Assets

Fund net assets increased from the prior year by \$28 million. Total net assets were \$144 million at June 30, 2007, of which \$8 million is available for the unrestricted purposes of the Foundation. Included in unrestricted net assets are Quasi Endowment and other designated funds of \$5.7 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>2007</u>	<u>2006</u>
Investment in capital assets	\$ 11,952	\$ 39,048
Unrestricted		
Undesignated	1,965,844	409,755
Quasi Endowment and other	5,748,428	4,808,177
Restricted		
Expendable	34,085,936	30,354,926
Nonexpendable	102,613,557	80,728,596
Total fund net assets	<u>\$144,425,717</u>	<u>\$116,340,502</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 decreased from the prior year by \$2.7 million. Donor contributions decreased by \$3 million, the majority of which were gifts received in the previous year for the Knowledge Center. University support was substantially the same as the previous year and special event and other income increased by \$200 thousand.

Expenses include alumni programs, university programs, university scholarships, administrative and fundraising expenses. These expenses decreased from the prior year by \$900 thousand. The majority of the decrease was related to a reduction in the amount of funds held for athletics and transferred to the Board of Regents.

Investment income increased by \$9 million and additions to the permanent and term endowments increased by \$2.9 million.

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2007

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

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

Operating Results	<u>2007</u>	<u>2006</u>
Operating support and revenue		
Donor contributions	\$11,069,980	\$14,068,747
University support	1,827,656	1,758,767
Special events and other income	1,333,150	1,119,656
Total operating support and revenue	<u>14,230,786</u>	<u>16,947,170</u>
Operating expenses		
Program expenses		
Alumni programs	348,829	290,946
University programs	8,235,102	7,728,363
University scholarships	2,543,597	4,356,560
Total program expenses	<u>11,127,528</u>	<u>12,375,869</u>
Administrative and fundraising expenses		
Administrative	963,069	834,627
Fundraising	1,559,572	1,327,040
Total administrative and fundraising expenses	<u>2,522,641</u>	<u>2,161,667</u>
Total operating expenses	<u>13,650,169</u>	<u>14,537,536</u>
Operating income	580,617	2,409,634
Investment income	16,674,485	7,679,678
Additions to permanent and term endowments	<u>10,830,113</u>	<u>7,919,644</u>
Net change in fund net assets	<u>\$28,085,215</u>	<u>\$18,008,956</u>

University of Nevada, Reno Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2007

Statement of Cash Flows

This statement is used to determine the Foundation's ability to meet its obligations, and to determine if external financing is needed. It is presented using the direct method with four major classifications: operating activities, non-capital financing activities, capital and related financing activities and investing activities.

Following is a comparison of cash flows for the years ended June 30:

Cash Flows		
	2007	2006
Cash provided by (used in):		
Operating activities	\$ 209,425	\$ 6,609,426
Non-capital financing activities	9,579,995	8,075,069
Capital and related financing activities	(896,286)	(743,942)
Investing activities	(4,638,152)	(5,956,378)
Net increase in cash	4,254,982	7,984,175
Cash and cash equivalents, beginning	18,688,789	10,704,614
Cash and cash equivalents, ending	\$22,943,771	\$18,688,789

Economic Factors

The Foundation's primary sources of revenue are donor contributions, university support and investment income. Comparing fiscal years ended June 30, 2007 to June 30, 2006, donor contributions decreased by 21%. The majority of this decrease was due to the finalization of the Knowledge Center pledges and the change in where the athletic donations are deposited.

The State of Nevada approved a \$32 million commitment for a new Math and Science building which will require the Foundation to raise \$18 million to bid the project. The Foundation is currently in the process of raising this money.

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. Questions concerning the information contained in this report should be addressed to Laurie McLanahan, Treasurer, Mail Stop 162, Reno, Nevada 89557.

BASIC FINANCIAL STATEMENTS

University of Nevada, Reno Foundation
BALANCE SHEET
June 30, 2007
(With comparative totals as of June 30, 2006)

ASSETS	2007				2006
	Unrestricted	Restricted	Endowment	Total	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,862,998	\$ 18,079,509	\$ 2,001,264	\$ 22,943,771	\$ 18,688,789
Investments	4,561,569	9,572,729	96,903,314	111,037,612	89,379,073
Accounts receivable	171,230	4,243	-	175,473	51,765
Prepaid expenses and deposits	6,334	22,500	-	28,834	6,883
Current portion of pledges receivable	-	2,583,750	1,708,667	4,292,417	3,867,959
Current portion of notes receivable	5,019	-	-	5,019	4,273
Total current assets	<u>7,607,150</u>	<u>30,262,731</u>	<u>100,613,245</u>	<u>138,483,126</u>	<u>111,998,742</u>
NON-CURRENT ASSETS					
Investments	-	557,632	-	557,632	573,486
Pledges receivable	-	4,133,684	1,963,914	6,097,598	6,824,820
Notes receivable	176,836	-	-	176,836	188,721
Real property, held for investment	3,500	358,840	48,400	410,740	116,900
Residual interest-irrevocable trusts	-	393,332	1,223,078	1,616,410	345,066
Other	181,686	330,486	-	512,172	370,599
Equipment, at cost, less accumulated depreciation of \$20,276	11,952	-	-	11,952	39,048
Total non-current assets	<u>373,974</u>	<u>5,773,974</u>	<u>3,235,392</u>	<u>9,383,340</u>	<u>8,458,640</u>
Total assets	<u>\$ 7,981,124</u>	<u>\$ 36,036,705</u>	<u>\$103,848,637</u>	<u>\$147,866,466</u>	<u>\$ 120,457,382</u>
LIABILITIES AND FUND NET ASSETS					
CURRENT LIABILITIES					
Due to University of Nevada, Reno	\$ 134,971	\$ 1,664,303	\$ -	\$ 1,799,274	\$ 2,876,719
Accounts payable	12,479	4,366	12,002	28,847	22,198
Current portion of note payable	-	-	-	-	217,861
Total current liabilities	<u>147,450</u>	<u>1,668,669</u>	<u>12,002</u>	<u>1,828,121</u>	<u>3,116,778</u>
NON-CURRENT LIABILITIES					
Note payable	-	-	-	-	660,902
Unearned revenue	107,450	282,100	1,223,078	1,612,628	339,200
Total non-current liabilities	<u>107,450</u>	<u>282,100</u>	<u>1,223,078</u>	<u>1,612,628</u>	<u>1,000,102</u>
Total liabilities	<u>254,900</u>	<u>1,950,769</u>	<u>1,235,080</u>	<u>3,440,749</u>	<u>4,116,880</u>
FUND NET ASSETS					
Investment in capital assets	11,952	-	-	11,952	39,048
Unrestricted	7,714,272	-	-	7,714,272	5,217,932
Restricted - expendable	-	34,085,936	-	34,085,936	30,354,926
Restricted - nonexpendable	-	-	102,613,557	102,613,557	80,728,596
Total fund net assets	<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>
Total liabilities and fund net assets	<u>\$ 7,981,124</u>	<u>\$ 36,036,705</u>	<u>\$103,848,637</u>	<u>\$147,866,466</u>	<u>\$ 120,457,382</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, 2007
(With comparative totals for the year ended June 30, 2006)

	2007			2006	
	Unrestricted	Restricted	Endowment	Total	Total
Operating support and revenue					
Donor contributions	\$ 767,641	\$ 10,302,339	\$ -	\$ 11,069,980	\$ 14,068,747
University support	1,827,656	-	-	1,827,656	1,758,767
Special events and other income	284,788	1,032,951	15,411	1,333,150	1,119,656
Total operating support and revenue	<u>2,880,085</u>	<u>11,335,290</u>	<u>15,411</u>	<u>14,230,786</u>	<u>16,947,170</u>
Operating expenses					
Program expenses					
Alumni programs	348,829	-	-	348,829	290,946
University programs	184,500	8,050,602	-	8,235,102	7,728,363
University scholarships	-	2,543,597	-	2,543,597	4,356,560
Total program expenses	<u>533,329</u>	<u>10,594,199</u>	<u>-</u>	<u>11,127,528</u>	<u>12,375,869</u>
Administrative and fundraising expenses					
Administrative	963,069	-	-	963,069	834,627
Fundraising	1,559,572	-	-	1,559,572	1,327,040
Total administrative and fundraising expenses	<u>2,522,641</u>	<u>-</u>	<u>-</u>	<u>2,522,641</u>	<u>2,161,667</u>
Total operating expenses	<u>3,055,970</u>	<u>10,594,199</u>	<u>-</u>	<u>13,650,169</u>	<u>14,537,536</u>
OPERATING INCOME (LOSS)	<u>(175,885)</u>	<u>741,091</u>	<u>15,411</u>	<u>580,617</u>	<u>2,409,634</u>
Investment income	<u>1,591,422</u>	<u>590,289</u>	<u>14,492,774</u>	<u>16,674,485</u>	<u>7,679,678</u>
Additions to permanent and term endowments	<u>-</u>	<u>-</u>	<u>10,830,113</u>	<u>10,830,113</u>	<u>7,919,644</u>
Transfers between funds					
Distribution of expendable endowment	1,022,698	3,158,464	(4,181,162)	-	-
Other	31,009	(758,834)	727,825	-	-
Total transfers between funds	<u>1,053,707</u>	<u>2,399,630</u>	<u>(3,453,337)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND NET ASSETS	<u>2,469,244</u>	<u>3,731,010</u>	<u>21,884,961</u>	<u>28,085,215</u>	<u>18,008,956</u>
Fund net assets at beginning of year	<u>5,256,980</u>	<u>30,354,926</u>	<u>80,728,596</u>	<u>116,340,502</u>	<u>98,331,546</u>
Fund net assets at end 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>

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, 2007
(With comparative totals for the year ended June 30, 2006)

	2007			2006	
	Unrestricted	Restricted	Endowment	Total	Total
Cash flows from operating activities:					
Donor contributions	\$ 806,773	\$ 11,072,141	\$ -	\$ 11,878,914	\$ 15,970,679
University support	1,668,692	-	-	1,668,692	1,746,536
Special events and other income	284,788	1,032,951	15,411	1,333,150	1,119,656
Cash paid to University	(557,132)	(11,426,837)	-	(11,983,969)	(10,028,113)
Cash paid to employees for services	(1,978,086)	-	-	(1,978,086)	(1,660,589)
Cash paid to suppliers	(507,594)	(202,239)	557	(709,276)	(538,743)
Net cash provided by (used in) operating activities	<u>(282,559)</u>	<u>476,016</u>	<u>15,968</u>	<u>209,425</u>	<u>6,609,426</u>
Cash flows from non-capital financing activities:					
Additions to permanent and term endowments	-	-	9,579,995	9,579,995	8,075,069
Transfer between funds	1,053,707	2,399,630	(3,453,337)	-	-
Net cash provided by non-capital financing activities	<u>1,053,707</u>	<u>2,399,630</u>	<u>6,126,658</u>	<u>9,579,995</u>	<u>8,075,069</u>
Cash flows from capital and related financing activities:					
Purchase of equipment	-	-	-	-	(7,015)
Repayment of debt	-	(878,763)	-	(878,763)	(649,875)
Interest paid on notes payable	-	(17,523)	-	(17,523)	(87,052)
Net cash used in capital and related financing activities	<u>-</u>	<u>(896,286)</u>	<u>-</u>	<u>(896,286)</u>	<u>(743,942)</u>
Cash flows from investing activities:					
Interest and dividends on investments	1,151,226	222,025	2,087,470	3,460,721	2,337,220
Proceeds from sale of investments	8,161	23,467,104	12,962,230	36,437,495	5,629,140
Purchase of investments	(723,408)	(23,514,913)	(20,309,186)	(44,547,507)	(13,955,169)
Payments received from notes receivable	11,139	-	-	11,139	32,431
Net cash provided by (used in) investing activities	<u>447,118</u>	<u>174,216</u>	<u>(5,259,486)</u>	<u>(4,638,152)</u>	<u>(5,956,378)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,218,266</u>	<u>2,153,576</u>	<u>883,140</u>	<u>4,254,982</u>	<u>7,984,175</u>
Cash and cash equivalents, beginning	<u>1,644,732</u>	<u>15,925,933</u>	<u>1,118,124</u>	<u>18,688,789</u>	<u>10,704,614</u>
Cash and cash equivalents, ending	<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>

University of Nevada, Reno Foundation
STATEMENT OF CASH FLOWS - CONTINUED
For the year ended June 30, 2007
(With comparative totals for the year ended June 30, 2006)

	2007				2006
	Unrestricted	Restricted	Endowment	Total	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (175,885)	\$ 741,091	\$ 15,411	\$ 580,617	\$ 2,409,634
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	27,097	-	-	27,097	21,322
Interest on notes payable	-	17,523	-	17,523	87,052
Gifts of stocks and bonds	(8,217)	(67,350)	-	(75,567)	(608,864)
Gift of real property	-	(293,840)	-	(293,840)	-
Changes in:					
Accounts receivable	(158,964)	35,256	-	(123,708)	(26,068)
Pledges receivable	-	1,309,539	-	1,309,539	2,652,304
Prepaid expenses and deposits	549	(22,500)	-	(21,951)	2,632
Residual interest - irrevocable trust	-	(48,266)	-	(48,266)	(71,000)
Other assets	(3,001)	(138,572)	-	(141,573)	5,580
Due to University of Nevada, Reno	(23,803)	(1,053,642)	-	(1,077,445)	2,109,618
Accounts payable	9,315	(3,223)	557	6,649	3,268
Unearned revenue	50,350	-	-	50,350	23,948
Net cash provided by (used in) operating activities	<u>\$ (282,559)</u>	<u>\$ 476,016</u>	<u>\$ 15,968</u>	<u>\$ 209,425</u>	<u>\$ 6,609,426</u>
Non-cash					
Increase in cash surrender value of life insurance	\$ -	\$ 10,322	\$ -	\$ 10,322	\$ 14,420
Gifts of stocks and bonds	<u>\$ 8,217</u>	<u>\$ 67,350</u>	<u>\$ 243,343</u>	<u>\$ 318,910</u>	<u>\$ 677,537</u>
Gifts of real property	<u>\$ -</u>	<u>\$ 293,840</u>	<u>\$ -</u>	<u>\$ 293,840</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

University of Nevada, Reno Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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, for all practical purposes, is a department of the Foundation and, therefore, 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 the Nevada System of Higher Education.

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

1. Financial Reporting

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, 2007

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 164.500) 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 5% of the average market value of assets over the 12-quarter period ending on June 30. Earnings in excess of 5% 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, 2007, 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 the donor makes a promise to give to the Foundation that is, in substance, unconditional. 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.

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.

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, 2007

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, 2006 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.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE B - CASH AND INVESTMENTS

Cash and cash equivalents at June 30, consists of:

	<u>2007</u>	<u>2006</u>
Cash	\$ 196,274	\$ 965,698
Money Market Funds	608,126	53,750
Commonfund Short-term Investments	21,854,371	17,669,341
Certificates of Deposit	285,000	-
	<u>\$22,943,771</u>	<u>\$18,688,789</u>

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

	<u>2007</u>	<u>2006</u>
Equity Investments	\$ 697,887	\$ 357,200
Commonfund Bond	25,395,491	15,926,881
Commonfund Global Bond	-	650,634
Commonfund Equity	70,996,641	59,183,072
Commonfund International Equity	-	1,079,463
Commonfund Emerging Markets	-	1,814,307
Commonfund Capital Partners	1,248,872	843,705
Commonfund Real Estate Securities	-	953,280
Commonfund Realty Investors	2,392,607	2,095,956
Commonfund Global Distressed	822,084	-
Commonfund International Commodities	2,976,404	-
Certificates of Deposit	944,054	1,811,316
U.S. Government Securities	6,121,204	5,236,745
	<u>\$111,595,244</u>	<u>\$89,952,559</u>

At June 30, 2007, the Foundation investments had the following maturities:

	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	6 - 10
Equity investments	\$ 697,887	\$ 697,887	\$ -	\$ -
Open ended mutual funds	103,832,099	103,832,099	-	-
Certificates of deposit	944,054	860,831	-	83,223
U.S. Government securities	6,121,204	5,646,795	474,409	-
	<u>\$111,595,244</u>	<u>\$111,037,612</u>	<u>\$474,409</u>	<u>\$83,223</u>

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

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>2007</u>	<u>2006</u>
Unrestricted Fund	\$ 4,561,569	\$ 3,397,910
Restricted Fund	10,130,361	9,646,938
Endowment Fund	<u>96,903,314</u>	<u>76,907,711</u>
	<u>\$111,595,244</u>	<u>\$89,952,559</u>

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

	<u>2007</u>	<u>2006</u>
Unrestricted Fund	\$ 857,156	\$ 416,906
Restricted Fund	856,273	245,536
Endowment Fund	<u>26,015,471</u>	<u>21,053,182</u>
	<u>\$27,728,900</u>	<u>\$21,715,624</u>

Investment Estimates

The fair values of Commonfund Capital Partners, Commonfund Realty Investors and Commonfund Global Distressed, which total approximately \$4.4 and \$2.9 million as of June 30, 2007 and 2006, 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, 2007

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, 2007, the Foundation's bank balance was \$21,495,135. Of this balance \$921,809 was covered by depository insurance and/or collateralized and \$20,439,413 is held by the Commonfund and subject to their investment policies.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

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 market value. Unearned revenue at June 30 is comprised of:

	<u>2007</u>	<u>2006</u>
Residual Interest in Trust	\$1,505,178	\$ 57,100
Annual Banquet & Unrestricted	<u>107,450</u>	<u>282,100</u>
	<u>\$1,612,628</u>	<u>\$339,200</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, 2007 and 2006 in the amounts of \$1,827,656 and \$1,758,767, respectively. The Foundation expended \$10,778,699 and \$12,084,923 for programs and scholarships of the University of Nevada, Reno for the years ended June 30, 2007 and 2006. Amounts due to the University of Nevada, Reno at June 30, 2007 and 2006 are \$1,799,274 and \$2,876,719, respectively.

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE E - PLEDGES RECEIVABLE

Pledges receivable are recorded as revenue at the pledge date and adjusted to present value based upon collection date in the accompanying financial statements. Pledges receivable at June 30 consist of the following:

	2007	2006
Athletics	\$ 506,250	\$ 2,264,500
College of Liberal Arts	225,000	624,000
College of Agriculture, Biotech	60,000	190,000
College of Business	8,167	477,666
College of Education	600,000	327,000
College of Engineering	1,248,000	298,143
College of Science	397,450	642,500
Library	2,401,364	3,697,364
Redfield Campus	-	750,000
Scholarships	2,423,265	-
School of Journalism	1,569,000	337,000
School of Medicine	2,000,000	2,011,700
School of Public Health	420	61,960
Other	10,000	275,000
	11,448,916	11,956,833
Present value discount	(1,058,901)	(1,264,054)
Net pledges receivable	10,390,015	10,692,779
Less: Current maturities	(4,292,417)	(3,867,959)
	\$ 6,097,598	\$ 6,824,820

University of Nevada, Reno Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE F - NOTES RECEIVABLE

Notes receivable as of June 30 consist of the following:

	<u>2007</u>	<u>2006</u>
Installment note receivable, secured by a first deed of trust, monthly payments of \$1,391, including interest at 6.5%, maturing November 2008.	\$181,855	\$192,994
Less current maturities	<u>(5,019)</u>	<u>(4,273)</u>
	<u>\$176,836</u>	<u>\$188,721</u>

NOTE G - NOTE PAYABLE

On May 17, 2002, the Foundation consummated a Promissory Note with Wells Fargo Bank to assist the University of Nevada, Reno with construction costs associated with the Redfield Campus. The loan was for \$2,415,833, with interest calculated at a rate of .75% below the Prime Rate in effect from time to time. As a means of managing its borrowing costs, the Foundation entered into an interest rate swap in connection with its \$2.4 million promissory note. The intention of the swap was to effectively change the Foundation's variable rate on the note to a synthetic fixed rate of 6.95%. The note was paid off on October 30, 2006, the outstanding balance of the note at June 30, 2007 and 2006 was \$0 and \$878,763, respectively.

SUPPLEMENTARY INFORMATION

University of Nevada, Reno Foundation
UNRESTRICTED FUND
ALUMNI AND UNIVERSITY PROGRAM EXPENSES
Year ended June 30, 2007
(With comparative totals for the year ended June 30, 2006)

	<u>2007</u>	<u>2006</u>
Alumni programs		
Alumni College	\$ 8,590	\$ 2,977
Alumni Council	4,344	8,340
Band		286
Executive Committee	5,156	3,583
Golden Reunion	13,693	7,193
Homecoming	44,919	39,487
Membership Fund	64,971	56,782
Miscellaneous	28,625	27,058
Outreach	35,975	48,558
Pack Tracks	9,746	9,742
Pre-game Events	79,522	28,935
Senior Scholar Dinner	9,801	7,677
Staff and Office Expense	28,352	36,290
Student Support	9,977	10,120
Summer Events	5,158	3,918
Total alumni programs	<u>348,829</u>	<u>290,946</u>
University programs		
Faculty & Staff Enrichment	38,462	47,876
Silver & Blue Magazine	138,538	138,246
Tibbitts Memorial Distinguished Teacher Award	7,500	7,500
Total university programs	<u>184,500</u>	<u>193,622</u>
University scholarships		
University scholarships	<u>-</u>	<u>74,950</u>
Total alumni and university program expenses	<u>\$533,329</u>	<u>\$559,518</u>

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

Year ended June 30, 2007
(With comparative totals for the year ended June 30, 2006)

	<u>2007</u>		<u>Total</u>	<u>2006</u>
	<u>Administrative</u>	<u>Fundraising</u>		<u>Total</u>
Payroll and related expenses				
Salaries and wages	\$ 469,786	\$ 1,121,181	\$ 1,590,967	\$ 1,300,807
Fringe benefits	135,854	251,265	387,119	359,782
	<u>605,640</u>	<u>1,372,446</u>	<u>1,978,086</u>	<u>1,660,589</u>
Operating				
Accounting fees	49,444	-	49,444	31,960
Advertising	294	375	669	853
Appreciation, gifts and sponsorships	4,078	1,941	6,019	19,087
Books, periodicals and subscriptions	4,759	1,286	6,045	26,259
Contract services	7,723	53,111	60,834	56,243
Depreciation expense	26,576	521	27,097	21,322
Dues and memberships	1,505	2,770	4,275	6,741
Equipment maintenance expense	48,353	260	48,613	42,095
Insurance, taxes and licenses	9,491	-	9,491	10,063
Legal fees	41,831	-	41,831	19,039
Meeting and hosting expense	23,593	3,825	27,418	34,359
Office expense	31,410	6,936	38,346	35,792
Photography	566	31,529	32,095	13,049
Postage and freight	23,011	3,290	26,301	21,773
Printing and duplicating	34,656	25,353	60,009	47,463
Recruitment costs	6,255	-	6,255	20,061
Special event and meeting supplies	15,871	37,842	53,713	44,912
Telephone	9,521	5,503	15,024	14,411
Training and registration fees	11,739	1,595	13,334	17,271
Travel expense	6,753	10,989	17,742	18,325
	<u>357,429</u>	<u>187,126</u>	<u>544,555</u>	<u>501,078</u>
Total administrative and fundraising expenses	<u>\$ 963,069</u>	<u>\$ 1,559,572</u>	<u>\$ 2,522,641</u>	<u>\$ 2,161,667</u>