

UNIVERSITY OF NORTH TEXAS
SYSTEM

CONSOLIDATED ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITOR'S REPORT

For the fiscal year ended August 31, 2010

DALLAS, TEXAS

Lee Jackson, Chancellor



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UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION

ORGANIZATIONAL DATA

August 31, 2016

BOARD OF REGENTS

Donald Potts.....	(Term expires 5/22/17).....	Dallas
Al Silva.....	(Term expires 5/22/17).....	San Antonio
Milton B. Lee.....	(Term 2/22/17).....	5. Al

10/1/16
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Blair Ryan, Chairman, CVI System Board of Regents Don Potts, Vice Chairman

[www.cvi.edu](#) [www.cvi.edu](#) [www.cvi.edu](#) [www.cvi.edu](#)

Regent Members

Blair Ryan, Chairman, CVI System Board of Regents

Don Potts, Vice Chairman

Regent Members

Regent Members

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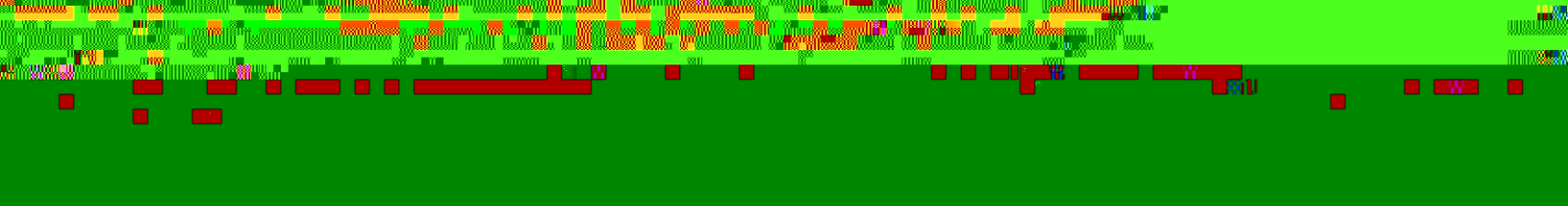
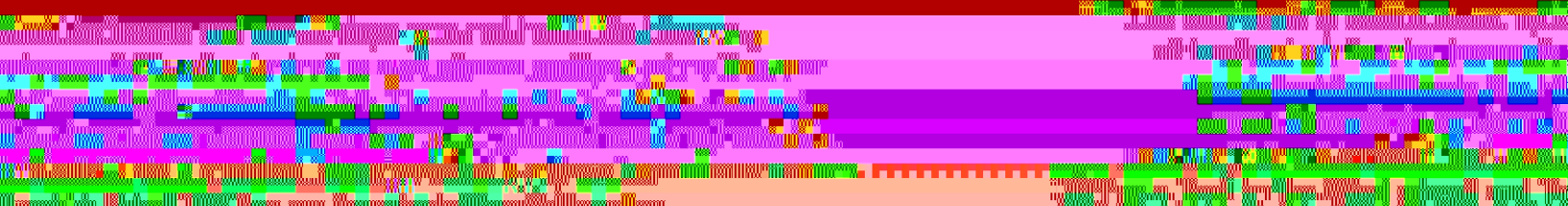
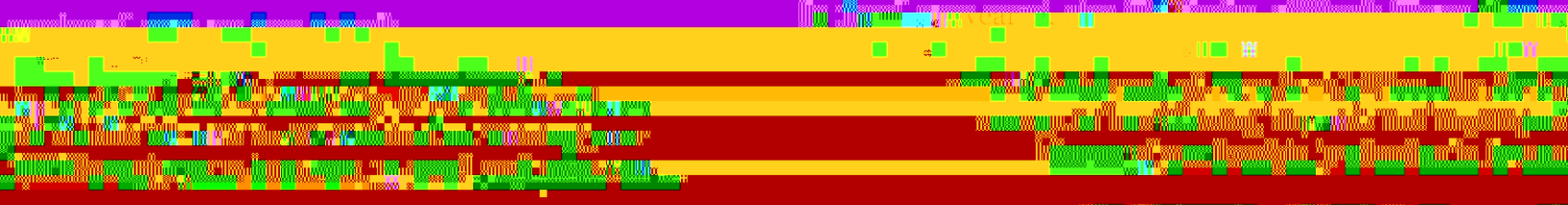
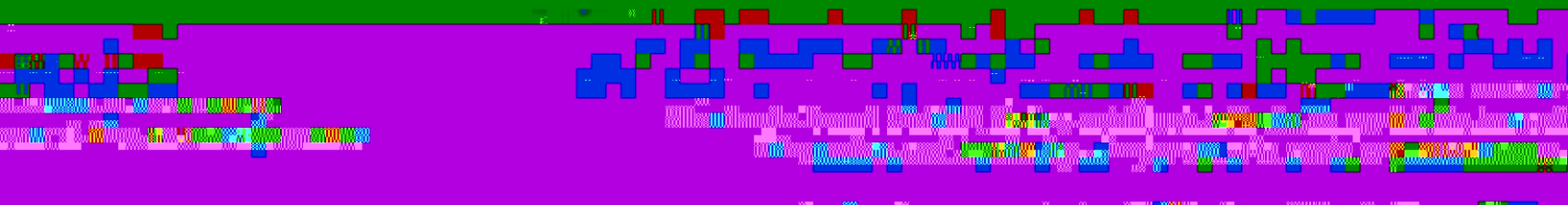
Regent Members

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We are pleased to welcome you to our website.



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in 2015, the 82nd Texas Legislature reaffirmed

the nuclear education.

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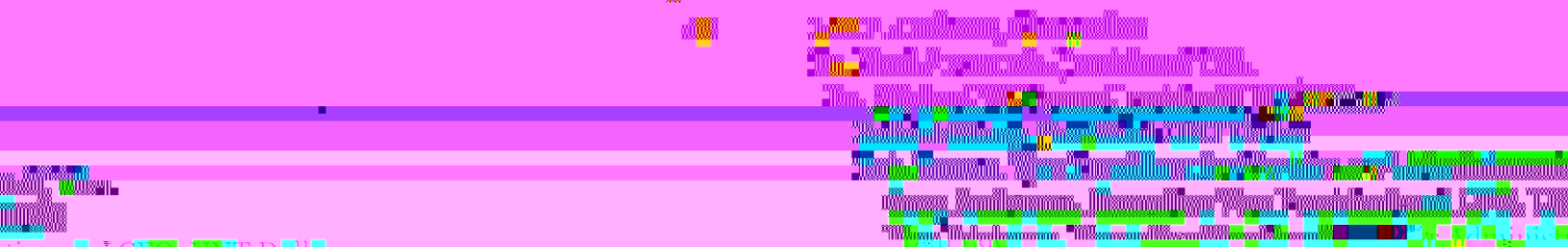
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Regents
University of North Texas System

Report on the financial statements

We have audited the accompanying financial statements of the component unit of the University of North Texas System (the "system"), and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

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 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 the financial statements based on our audit. We are not responsible for the preparer's appointment. These statements are the responsibility of the Board of Regents, the management of the system, and our opinion is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to independent member organizations affiliated with the International Standards issued by the Comptroller General of the United States. Those standards require that we perform the audit of the financial statements in order to form an opinion on the financial statements and to report that opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the risks of material misstatement of the financial statements, whether due to fraud or error. In the course of performing risk assessments, the auditor considers internal control 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 internal control. An audit also includes evaluating the appropriateness 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 our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other audit firms, the financial statements referred to above present fairly, in all material respects, the financial position and business operations, transactions and the discretionary provisions and other adjustments of the System as of 12/31/16, and the respect to changes in financial position and, when applicable, cash flows, therefor 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 the presentation of Discussion and Analysis on pages 11 through 20, and Required Supplementary Information on pages 21 to 22, in the basic financial statements. The presentation of this information in the basic financial statements is required by the Governmental Accounting Standards Board and may be an essential part of financial reporting for certain entities. 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 procedures consisted of inquiries of management about the information, the procedures used to prepare it, and the comparability of the information with other similar information. The results of our limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have performed procedures to determine whether certain provisions of laws, regulations, contracts, and grant agreements and other entities' provisions are included in the report. The results of these procedures are described in our report. The results of these procedures do not provide us with sufficient evidence to report on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, considering the system's internal control over financial reporting and compliance.

Grant Thornton LLP

Dallas, Texas

May 1, 2017

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2016

in the prior year. These increases were offset by investments in plant operations at UNT that are not capitalizable, reflected in an increase in materials and supplies and repairs and maintenance expense of \$8.8 million. Further, an increase of \$3.4 million in depreciation expense

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2016

The following table reflects the Condensed Comparative Statement of Net Position for the Systems as of August 31, 2016 and 2015:

This section below includes the following sections: 1. Financial Statements, 2. Management's Discussion and Analysis, 3. Notes to Financial Statements, 4. Schedule of Contributions, 5. Schedule of Investments, 6. Schedule of Pensions, 7. Schedule of Postretirement Benefits, 8. Schedule of Derivatives, 9. Schedule of Fair Value Measurements, 10. Schedule of Related Party Transactions, 11. Schedule of Contingencies, 12. Schedule of Commitments, 13. Schedule of Subsequent Events, 14. Schedule of Nonrecurring Items, 15. Schedule of Other Disclosures.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2016

Restricted Net Position

Restricted net position primarily includes the System's permanent

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2016

Operating Revenues

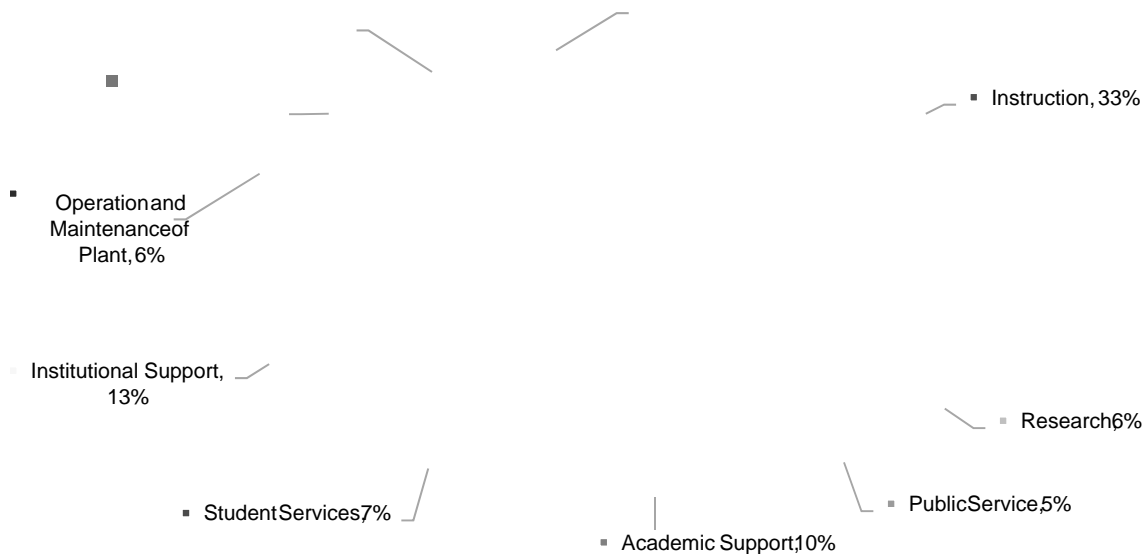
Operating revenues totaled \$632.0 million in 2016, an increase of \$31.8 million, or 5.3%, over 2015. The System's primary sources of operating revenues are tuition and fees, and federal, state, local, and private grants. Net tuition and fees, representing 54% of operating revenues are reflected in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased \$39.0 million, or 12.9%, as a result of increased enrollment and increased tuition rates throughout the System. Federal, state, local, and private grant revenues, representing 17% of operating revenues, are primarily from governmental

UNIVERSITY OF NORTH TEXAS SYSTEM
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended August 31, 2016

The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2016:

Operating Expenses - NACUBO Function For the Years Ended August 31, 2016 and 2015 (in thousands of dollars)			
	2016	2015	% Increase (Decrease)
Operating Expenses			
Instruction	\$ 307,062	\$ 251,692	22.0%
Research	56,796	56,830	(0.1%)
Public Service	44,302	18,569	138.6%
Academic Support	90,221	180,992	(50.2%)
Student Services	66,491	67,672	(1.7%)
Institutional Support	118,619	93,716	26.6%
Operation and Maintenance of Plant	55,655	51,371	8.3%
Scholarship and Fellowships	74,234	58,799	26.3%
Auxiliary Enterprises	55,023	45,215	21.7%
Depreciation and Amortization	65,900	62,508	5.4%
Total Operating Expenses	\$ 934,303	\$ 887,364	5.3%

The pie chart below shows the percentage of total operating expenses pertaining to each type of operating expense based on NACUBO functional (programmatic) classification for the year ended August 31, 2016:



UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2016

Nonoperating Revenues and Expenses
Certain significant recurring revenues

CONSOLIDATED
FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2016

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED
Statement of Net Position

August 31,
2016

ASSETS

Current Assets

Cash and Cash Equivalents:

Cash on Hand	\$	109,654.47
Cash in Bank		20,298,226.21
Cash in Transit/Reimbursed from Treasury		1,683,945.79
Cash in State Treasury		16,864,464.85
Cash		

	August 31, 2016
LIABILITIES	
Current Liabilities	
Payables From:	
Accounts Payable	\$ 52,443,948.51
Payroll Payable	48,435,301.88
Other Payables	4,901,710.50
Interest	8,910,082.34
Due To Other Agencies	335,004.82
Unearned Revenue	230,019,449.35
Notes and Loans Payable	20,150,000.00
Revenue Bonds Payable	33,843,393.95
Claims and Judgments	890,607.00
Employees' Compensable Leave	4,303,112.53
Capital Lease Obligations	1,249,546.84
Funds Held for Others	2,467,341.88
Total Current Liabilities	\$ 407,949,499.60
Non Current Liabilities	
Revenue Bonds Payable	\$ 514,046,365.19
Claims and Judgments	960,317.00
Employees' Compensable Leave	20,378,603.94
Capital Lease Obligations	2,662,979.88
Net Pension Liability	118,374,598.00
Total Non Current Liabilities	\$ 656,422,864.01
Total Liabilities	\$ 1,064,372,363.61
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	\$ 22,122,704.99
Total Deferred Inflows of Resources	\$ 22,122,704.99
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 1,086,495,068.60
NET POSITION	
Net Investment in Capital Assets	\$ 465,252,019.93
Restricted For:	
Funds Held as Permanent Investments	
Non Expendable	46,959,890.17
Expendable	18,160,583.05
Other Restricted	39,135,417.96
Unrestricted	173,425,706.55
Total Net Position	\$ 742,933,617.66

Concluded

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Statement of Financial Position

As of August 31, 2016

	August 31, 2016
ASSETS	
Cash and Cash Equivalents	\$ 10,895,688
Investments	280,651,723
Contributions and Other Receivables	4,393,091
Prepaid Expenses	103
Real Property	42,808
Other Assets	7,500
Cash Value of Life Insurance Policies	513,979
Assets Held Under Trust and Annuity Agreements	6,914,534
Total Assets	\$ 303,419,426
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 1,460,864
Agency Funds	366,057
Trust and Annuity Obligations	2,174,900
Assets Held for Others	180,356,786
Total Liabilities	\$ 184,358,607
NET ASSETS	
Unrestricted:	
Board designated for reserves	\$ 1,577,403
Fair value of endowments below historical cost	(1,878,274)
Undesignated	794,640
Total Unrestricted	493,769
Temporarily restricted	26,565,918
Permanently restricted	92,001,132
Total Net Assets	\$ 119,060,819
TOTAL LIABILITIES & NET ASSET	\$ 303,419,426

See Accompanying Notes to the Consolidated Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM CONSOLIDATED
Statement of Revenues, Expenses and Changes in Position
For the Year Ended August 31, 2016

	August 31, 2016
OPERATING REVENUES	
Tuition and Fees	\$ 434,876,879.48
Discounts and Allowances	(93,362,918.33)
Professional Fees	110,947,043.17
Discounts and Allowances	(69,633,398.30)
Auxiliary Enterprises	65,894,140.84
Discounts and Allowances	(147,746.07)
Sales of Goods and Services	73,905,043.15
Federal Grant Revenue	46,175,539.02
Federal Pass Through Revenue	1,810,748.61
State Grant Revenue	3,040,114.82
State Grant Pass Through Revenue	31,326,811.17
Other Contracts and Grant	24,988,733.90
Other Operating Revenues	2,172,587.63
Total Operating Revenues	\$ 631,993,579.09
OPERATING EXPENSES⁽¹⁾	
Instruction	\$ 307,061,961.54
Research	56,796,046.42
Public Service	44,302,218.73
Academic Support	90,220,550.05
Student Services	66,490,677.74
Institutional Support	118,618,719.72
Operation and Maintenance of Plant	55,655,357.05
Scholarships and Fellowships	74,233,990.42
Auxiliary Enterprises	55,023,485.67
Depreciation and	

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended August 31, 2016 Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 34,691	\$ 4,756,379	\$ 6,266,342	\$ 11,057,412
Adjustment to prior year contribution receivable	r	(16,167,248)	r	(16,167,248)
Investment income (loss)	(27,383)	2,485,316	r	2,457,933
Management fee income	1,513,418	r	r	1,513,418
Other income	r	98,665	r	98,665
Realized and unrealized gain (loss) on market value of investments	42,203	4,396,416	(21,831)	4,416,788
Actuarial gain on annuity obligations	r	r	52,681	52,681
Increase in cash value r life insurance	r	r	17,387	17,387
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 1,562,929			

UNIVERSITY OF NORTH TEXAS SYSTEM CONSOLIDATED
Statement of Cash Flows
For the Year Ended August 31, 2016

	August 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	\$ 112,898,298.11
Proceeds from Tuition and Fees	358,486,870.29
Proceeds from Research Grants and Contracts	105,346,690.42
Proceeds from Loan	

UNIVERSITY OF NORTH TEXAS SYSTEMS CONSOLIDATED
Statement of Cash Flows
For the Year Ended August 31, 2016

	August 31, 2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (302,309,697.33)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization	\$ 65,900,269.08
Pension Expense	(55,742.71)
Employee Benefits Paid by State	29,163,359.49
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(6,700,085.13)
(Increase) Decrease in Inventories	(514,019.34)
(Increase) Decrease in Loans and Contracts	(375,167.57)
(Increase) Decrease in Prepaid Expenses	(9,123,041.11)
Increase (Decrease) in Payables	(19,250,805.47)
Increase (Decrease) in Unearned Revenue	19,269,003.72
Increase (Decrease) in Other Liabilities	(15,779,166.95)
Total Adjustments	\$ 62,534,604.01
Net Cash Used by Operating Activities	\$ (239,775,093.32)
NON CASH TRANSACTIONS	
Net Change in Fair Value of Investments	\$ 10,734,926.66
Donation of Capital Assets	1,266,006.46
Borrowing Under Capital Lease Purchase	186,326.30
Gain on Sales/Disposals of Capital Assets	1,043,427.82
Amortization of Bond Premiums (Discounts)	4,129,746.33
Amortization of Deferred Inflows/Outflows from Refunding Bonds	(133,444.13)
Capital Assets Acquired with Payables	11,765,119.68
Nonoperating Expenses with Payables	Expenses of 1,012,597
Nonoperating	

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NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS
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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 1: Summary of Significant Accounting Policies

Introduction

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

The consolidated financial statements include the University of North Texas System Administration ("System Administration") and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by the System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of the System Administration and three academic institutions as follows: the University of North Texas (the "UT System") / The University of North Texas System Administration, The University of North Texas Health Science Center at Fort Worth (the "UT Health Fort Worth") / The University of North Texas Health Science Center at Fort Worth System Administration, and The University of North Texas System Administration.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Capital and Intangible Assets

The System follows the State's capitalization policy, which requires capitalization of assets with an initial individual cost of more than \$5,000 for equipment items, \$100,000 for buildings, building improvements and improvements other than buildings, and \$500,000 for infrastructure items, and an estimated useful life of greater than one

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Liabilities

Accounts and Other Payables

Accounts and other payables represent the liability for the value of assets or services received at the Statement of Net Position date for which payment is pending.

Unearned Revenue

Unearned revenue represents assets received in advance of an exchange taking place in an exchange transaction or assets received prior to eligibility requirements (other than time requirements) being met in a

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Upcoming Accounting Pronouncements

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, is intended to aid in decisionmaking by improving the usefulness of information about pensions

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 2: Capital

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

The System has the following recurring fair value measurements as of August 31, 2016:

Investments classified in Level 1 of the fair value hierarchy, totaling \$39,264,493.50 for the year ended August 31, 2016, are valued using quoted prices in active markets.

U.S. government agency obligations totaling \$9,217,697.50 classified in Level 2 of the fair value hierarchy are valued using matrix pricing @x

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Other commingled funds consists of funds invested with TexPool, TexStar and TexTERM. These commingled funds were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. They are structured somewhat like money market mutual funds and allow shareholder the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are also adjusted on a daily basis and the funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. The System reports its investment with TexStar of \$27,999,333.30 at fair value and reports its investment with TexPool and TexTERM and

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 5: Long Term Liabilities

Changes in Long Term Liabilities

The following changes occurred in long term liabilities during the year ended August 31, 2016:

Revenue Bonds Payable

Schedule of principal and interest payments for revenue bonds issued and outstanding as of August 31, 2016 are as follows:

Interest paid during 2016, net of capitalized interest, amounted to \$20,399,923.50. Total interest and fiscal charges incurred for the year ended August 31, 2016 was \$25,311,002.83. Of this total, the System capitalized \$21,236.46 associated with financing capital projects during the construction phase. In addition, the System recorded \$4,644,087.69 as a reduction to this balance relating to the amortization of (a) Total Open-Ended (b) Total Closed-Ended (c) Total

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Net Pension Liability

See Note 1, Summary of Significant Accounting Policies and Note 8, Pensions for more information on the Net Pension Liability.

Employees' Compensable Leave

According to the Texas Human Resources Management Statutes Inventory provided by the State Auditor's Office, state agency employees who have accrued six months of continuous state employment are entitled to be paid for the accrued balance of the employee's vacation leave as of the date of separation if the employee is not reemployed by a state agency or institution of higher education in a position which accrues vacation leave during the 30 day period immediately following the date of separation from state employment. Substantially all full time System employees earn between eight and twenty r

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

called on April 15, 2016

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

The System 31,

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Capital lease obligations are due in monthly, quarterly or annual installments through 2020. Future minimum lease payments for assets under capital lease at August 31, 2016 were as follows:

Note 8: Pension Plans

Teacher Retirement System

Plan Description

The State has joint contributory retirement plans for the majority of its employees. One of the primary plans in which the System participates is the Teacher Retirement System of Texas ("TRS") Plan (the "TRS Plan"). The TRS Plan is a cost-sharing defined contribution plan for full-time employees of the System. The TRS Plan is a defined contribution plan with a normal cost method of funding. The TRS Plan is a defined contribution plan with a normal cost method of funding. The TRS Plan is a defined contribution plan with a normal cost method of funding.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

requirements for unreduced benefits. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution member

UNIVERSITY OF NORTH TEXAS SYSTEM
 Notes to the Consolidated Financial Statements
 For the Year Ended August 31, 2016

For the year ended August 31, 2016, the System recognized pension expense of \$9,948,627. At August 31, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 10,041,557.00	\$
Changes of assumptions	5,588,903.00	4,223,087.00
Difference between expected and actual experience	1,329,734.00	4,549,241.00
Change in proportion and contribution difference		11,931,009.00
Net difference between projected and actual investment return	5,454,081.00	
Total	<u>\$ 22,414,275.00</u>	<u>\$ 20,703,337.00</u>

The \$10,041,557.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Expense
2017	\$ (2,718,592.00)
2018	(2,718,592.00)
2019	(2,718,594.00)
2020	5,181,055.00
2021	(2,190,286.00)
Thereafter	(3,165,610.00)
Total	<u>\$ (8,330,619.00)</u>

Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

The following presents the System's proportionate share of the net

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 9: Interagency Activity and Transactions

The System experienced 67 cents

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Sherry B. Skinner and Robert W. Skinner v. Robert Nathaniel Reddix, Jr., M.D. and Jonathan David Boyle, M.D.
Case No. 153 28878616, Tarrant County District Court. Health care liability claim; filed but not served. Plaintiff seeks monetary relief over \$1,000,000 for each Plaintiff. UNTHSC's damages are statutorily capped at \$250,000. The case was dismissed without prejudice by Plaintiff on March 23, 2017.

Anthony DeShawn Thomas v. John Mills, M.D., D. Peyton and Tarrant County Hospital District
Case No. 16 10061, U.S. Court of Appeals for the Fifth Circuit. Prisoner's civil rights claim; on appeal following summary judgment for defendants. Plaintiff seeks actual and compensatory damages of \$200,000 and punitive damages of \$20,000. Loss is reasonably possible.

Research Grant Repayment

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 12: Risk Management

The System .-system

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

agency of the State, is protected from risk of loss arising from these tort claims by sovereign immunity, except as such claims are permitted under the Texas Tort Claims Act. In addition to limiting the type of personal injury and damage claim that can be brought against the System, the Texas Tort Claims Act limits the loss that can result from a claim that can be made to \$250,000 for each person, \$500,000 for each single occurrence of bodily injury or death, and \$100,000 for each single occurrence of damage or destruction of property.

For the year ended August 31, 2016, claims against the System were below the liability limits established by the Texas Tort Claims Act, and thus immaterial.

Commercial Insurance Arrangements

Directors and Officers/ Employment Practices Liability

Directors and Officers ("D&O")/ Employment Practices Liability ("EPL") coverage insures all institutions in the System as well as all officers, employees and the System.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Unemployment Compensation

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

Unemployment compensation is on a pay as you go basis through the State, with the exception on State, ngrk as2_2 1 Tf i15f -

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 13: Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2016, the following table represents operating expenses for both natural and functional classification for the System:

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31, 2016

Note 13: Matrix of Operating Expenses Reported by Function (Continued)

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Consolidated Financial Statements
For the Year Ended August 31,

UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2016

Required Supplementary Information (RSI)

Schedule of the System's	T	3	me27e 4	0
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NOTES TO THE
FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS
FOUNDATION, INC.

DENTON, TEXAS

For the Years Ended August 31, 2015 and 2016

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements
For the Year Ended August 31, 2016

Note 1: Purpose and Summary of Significant Accounting Policies

Purpose

The University of North Texas Foundation, Inc. (Foundation) is a nonprofit organization with the purpose of providing financial support to the University of North Texas. This purpose is accomplished by the Foundation receiving and managing donations (cash and non cash) from individuals and organizations.

The

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements
For the Year Ended August 31, 2016

Note 5: Contributions and Other Receivables

Contributions and other receivables as of August 31, 2016 and August 31, 2015 are as follows:

	August 31, 2016	August 31, 2015
Contributions Receivable in less than one year	\$ 2,514,252	\$ 23,861,550
Contributions Receivable in one to five years	2,491,412	1,924,875
Contributions Receivable in six to ten years	220,000	291,245
Contributions Receivable in over ten years		r
Total Contributions Receivable	5,225,664	26,077,670
Less allowance for uncollectible amounts	(522,566)	(8,398,177)
Less discounts to net present value	(312,807)	(423,421)
Net Contributions Receivable	4,390,291	17,256,072
Other amounts receivable	2,800	2,855
Total Contributions and Other Receivables	\$ 4,393,091	\$ 17,258,927

Contributions receivable in more than one year have been discounted to net present value using an interest rate of eight percent. A significant pledge made in 2011 had stated terms that it was to be paid by December 31, 2015. The pledge payment was not received on that date. The donor verbally renewed the pledge for a payment by March 31, 2016. This date also passed without receiving a payment. The pledge no longer meets the criteria of an unconditional promise to give and has been reversed during the year ended August 31, 2016. The reversal is shown in the Statement of Activities as an adjustment to prior year contributions receivable.

Note 6: Unrestricted Net Assets

Unrestricted net assets at August 31, 2016 and 2015 include \$1,577,403 and \$1,272,517, respectively, which has been designated by the Foundation's Board of Directors as a reserve for future operations.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions from donors to specified programs or scholarships within the University of North Texas. Temporarily restricted net assets also includes income from endowment funds that are available for distribution upon satisfaction of the specific program restriction stated in the endowment agreement.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements

For the Year Ended August 31, 2016

Note 8: Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at August 31, 2016 and 2015:

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Endowments to support various programs, scholarships and other activities of the University of North Texas	\$ 91,487,153	\$ 86,324,889
Cash value of life insurance policies that will provide proceeds upon death of insured for endowments	<u>513,979</u>	<u>512,137</u>
Total	<u>\$ 92,001,132</u>	<u>\$ 86,837,026</u>

Note 9: Life Insurance Policies

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the Foundation has been named owner and beneficiary. Premium payments made by the Foundation are reimbursed by the donors of the policies. As of August 31, 2016 and 2015, there were a total of 26 and 26 such policies, respectively, with death benefits totaling \$1,972,817 and \$3,434,842 respectively, and cash values totaling \$513,975 and \$512,137 respectively.

Note

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements
For the Year Ended August 31, 2016

Note 13: Assets Held For Others

The Foundation holds and invests certain funds in trust on behalf of the University of North Texas System (UNTS). Pursuant to an investment agreement dated March 15, 2012, certain UNTS long term assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Pool. The UNTS investment funds are subject to the same investment management policy as the Foundation's investments, but receive monthly distributions calculated on a 20 quarter rolling average unit value. The initial annually renewable agreement was replaced on November 1, 2014 by a new agreement that renews annually and can be terminated by either party upon written notice to the other party.

The Foundation also holds and invests certain funds in trust on behalf of the University of North Texas (UNT). Pursuant to an investment management agreement, the UNTS is a party to the agreement.

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