



Financial Statements and Report of Independent  
Certified Public Accountants

**University of Nevada, Las Vegas Foundation**

June 30, 2016 and 2015

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## Report of Independent Certified Public Accountants

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

### Report on the financial statements

We have audited the accompanying financial statements of the University of Nevada, Las Vegas Foundation (a nonprofit organization) (the “Foundation”), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of support and revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management’s responsibility for the financial statements

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

### Auditor’s responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Nevada, Las Vegas Foundation as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

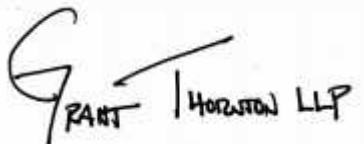
### Other matters

#### Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 28, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Reno, Nevada  
September 28, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## University of Nevada, Las Vegas Foundation

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

#### Overview

This section of the University of Nevada, Las Vegas Foundation's (the "UNLV Foundation") annual financial report presents our discussion and analysis of the financial performance of the UNLV Foundation during the fiscal years ended June 30, 2016 and 2015. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

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

The discussion below refers to the UNLV Foundation's basic financial statements, including the statements of net position, statements of support and revenues, expenses and changes in net position, and cash flows. The statements of net position present the financial position of the UNLV Foundation as of June 30, 2016 and 2015. The statements of support and revenues, expenses and changes in net position summarize the UNLV Foundation's financial activity for the years ended June 30, 2016 and 2015.

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

#### Statements of Net Position

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

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

Deferred inflow of resources include endowment pledge donations, net.

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

## University of Nevada, Las Vegas Foundation

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2016 and 2015

#### Statements of Net Position - Continued

Current assets decreased to \$66.1 million at June 30, 2016, from \$76.1 million at June 30, 2015, due primarily to the classification of investments between long-term and current. Investment decisions are made by the UNLV Foundation portfolio managers within the guidelines set by the UNLV Foundation Investment Committee. The increase in total noncurrent assets to \$267.1 million at June 30, 2016, from \$244.6 million at June 30, 2015, was due primarily to new gifts and market appreciation related to investments in marketable securities at fair value.

Total noncurrent liabilities decreased to \$0.6 million at June 30, 2016 from \$3.0 million at June 30, 2015 due to a decrease in the liability under charitable remainder trusts.

Total net position increased to \$326.0 million at June 30, 2016 from \$307.6 million at June 30, 2015, as a result of the excess of operating and non-operating revenues over operating expenses of approximately \$18.4 million.

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

This statement reflects the effect of revenues and expenses on net position. Net position increased from the prior year by \$18.4 million. Total net position was \$326.0 and \$307.6 million at June 30, 2016 and 2015, respectively.

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

Total contributions increased \$4.3 million to \$40.2 million for year ended June 30, 2016 from \$35.9 million for the year ended June 30, 2015, attributable primarily to the timing of endowment pledge payments and other program, scholarship and endowment gifts. Cash gifts increased by \$2.6 million and noncash gifts increased by \$1.7 million.

Administrative, development, and other expenses increased to \$9.2 million for the year ended June 30, 2016, from \$6.4 million in 2015. The increase is mainly due to additional staffing and a cost of living increase.

The UNLV Foundation transfers funds for programs and scholarships when requested by UNLV. Program expenses (which are transfers from the UNLV Foundation to UNLV in support of University programs) slightly increased \$0.2 million from \$19.1 million for the year ended June 30, 2015 to \$19.3 million for the year ended June 30, 2016. An increase of \$1.4 million of scholarship expenses to \$4.5 million for the year ended June 30, 2016, from \$3.1 million for the year ended June 30, 2015, was in response to increased scholarship funding requests by UNLV.

Nonoperating revenues decreased to \$7.3 million for the year ended June 30, 2016, from \$17.8 million for the year ended June 30, 2015. Interest and dividends on investments remained stable at \$2.9 million for both years ended June 30, 2016 and 2015. The slight under-performance of the investment portfolios resulted in realized capital losses of \$0.7 million. Private gifts of permanent endowments decreased \$11.8 million to \$5.1 million for the year ended June 30, 2016 and from \$16.9 million for the year ended June 30, 2015, attributable primarily due to a single gift of \$10 million received in 2015.

**University of Nevada, Las Vegas Foundation**

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

**June 30, 2016 and 2015**

Requests for Information

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

The 13 members of the Board of Regents of the Nevada System of Higher Education serve as the members of the UNLV Foundation and appoint a Board of Trustees to oversee the management and programs of the UNLV Foundation. The membership of the Board of Trustees includes both alumni and community leaders. These people generously support UNLV in many ways and provide important links between UNLV and the community. Scott Roberts serves as UNLV's Vice President for Philanthropy and Alumni Engagement. Tiffany L. Vickers, CPA, serves alongside him as the Senior Associate Vice President for Finance and Administration and Chief Financial Officer.

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



**University of Nevada, Las Vegas Foundation**

**SUMMARY STATEMENTS OF NET POSITION**

**June 30,**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current assets	\$ 66,149,099	\$ 76,148,741
Noncurrent assets		
Capital assets, net of accumulated depreciation	444,929	467,049
Other	266,653,952	244,108,263
Total noncurrent assets	267,098,881	244,575,312
Total assets	333,247,980	320,724,053
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Liabilities		
Current liabilities	2,570,027	2,387,001
Noncurrent liabilities	622,139	2,967,010
Total liabilities	3,192,166	5,354,011
Deferred inflows of resources		
Endowment pledge donations, net	4,055,106	7,795,896
Net position		
Invested in capital assets	200,998	222,768
Restricted - nonexpendable	149,189,888	149,235,951
Restricted - expendable	172,357,886	153,093,694
Unrestricted	4,251,936	5,021,733
Total net position	326,000,708	307,574,146
 <b>CAPITAL ASSETS, net</b>		
Land	50,699	50,699
Works of art/collections	193,232	193,582
Equipment	961,568	928,252
	1,205,499	1,172,533
Less accumulated depreciation	(760,570)	(705,484)
Net capital assets	\$ 444,929	\$ 467,049

**University of Nevada, Las Vegas Foundation**

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

**Years ended June 30,**

	<b>2016</b>	<b>2015</b>
<b>Operating support and revenues</b>		
Donor contributions - cash and pledges	\$ 36,838,606	\$ 34,253,457
Donor contributions - non-cash	3,342,223	1,658,417
University support	3,138,665	3,210,484
Other income and fees	884,955	949,847
Total operating support and revenue	44,204,449	40,072,205
 <b>Operating expenses</b>		
Administrative and other expenses	5,568,825	3,503,871
Development expense	3,689,255	2,893,649
Program expenses	19,303,430	19,143,832
Scholarship expenses	4,542,741	3,089,712
Total operating expenses	33,104,251	28,631,064
 <b>OPERATING INCOME</b>	 11,100,198	 11,441,141
 <b>Nonoperating revenues</b>	 7,326,364	 17,771,549
 <b>Change in net position</b>	 \$ 18,426,562	 \$ 29,212,690

## **BASIC FINANCIAL STATEMENTS**

**University of Nevada, Las Vegas Foundation**

**STATEMENTS OF NET POSITION**

**June 30,**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 10,254,544	\$ 7,545,153
Prepaid expenses and other assets	60,164	187,941
Due from UNLV	-	741,648
Accrued interest receivable	492,892	564,001
Pledges receivable, net	19,332,582	17,902,839
Investment in marketable securities - at fair value	36,008,917	49,207,159
Total current assets	<u>66,149,099</u>	<u>76,148,741</u>
Noncurrent assets		
Pledges receivable, net	38,812,439	34,207,470
Capital assets, net of accumulated depreciation of \$760,570 and \$705,484	444,929	467,049
Investment in marketable securities - at fair value	210,953,537	190,728,845
Assets held in charitable remainder trusts	7,222,818	9,004,742
Investment in First Trust Deed	1,667,900	1,667,900
Investment in real estate	7,600,000	7,600,000
Other assets	397,258	899,306
Total noncurrent assets	<u>267,098,881</u>	<u>244,575,312</u>
Total assets	<u>\$ 333,247,980</u>	<u>\$ 320,724,053</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Accounts payable and other accrued liabilities		
Accounts payable and other liabilities	\$ 926,577	\$ 843,101
Due to UNLV	105,744	-
Current portion of liabilities under charitable remainder trust	1,537,706	1,543,900
Total current liabilities	<u>2,570,027</u>	<u>2,387,001</u>
Noncurrent liabilities		
Liability under charitable remainder trusts	248,670	2,463,450
Other liabilities	373,469	503,560
Total noncurrent liabilities	<u>622,139</u>	<u>2,967,010</u>
Total liabilities	<u>3,192,166</u>	<u>5,354,011</u>
Deferred inflows of resources		
Endowment pledge donations, net	4,055,106	7,795,896
Net position		
Invested in capital assets	200,998	222,768
Restricted for:		
Nonexpendable	149,189,888	149,235,951
Expendable	172,357,886	153,093,694
Unrestricted	4,251,936	5,021,733
Total net position	<u>\$ 326,000,708</u>	<u>\$ 307,574,146</u>

The accompanying notes are an integral part of these statements.

**University of Nevada, Las Vegas Foundation**

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

**Years ended June 30,**

	<b>2016</b>	<b>2015</b>
<b>Operating support and revenue</b>		
Donor contributions - cash and pledges	\$ 36,838,606	\$ 34,253,457
Donor contributions - non-cash	3,342,223	1,658,417
University support	3,138,665	3,210,484
Other income and fees	884,955	949,847
Total operating support and revenue	44,204,449	40,072,205
<b>Operating expenses</b>		
Program expenses		
Administrative and other expenses	5,568,825	3,503,871
Development expense	3,689,255	2,893,649
Program expenses	19,303,430	19,143,832
Scholarship expenses	4,542,741	3,089,712
Total operating expenses	33,104,251	28,631,064
<b>OPERATING INCOME</b>	11,100,198	11,441,141
<b>Nonoperating revenue (expenses)</b>		
Interest and dividends on investments, net	2,855,760	2,870,071
Realized (losses) gains on investments	(394,264)	8,983,623
Change in market value of investments	(721,085)	(9,547,030)
Change in value of split-interest agreements	439,049	(1,449,065)
Additions to permanent endowments	5,146,904	16,913,950
Total nonoperating revenues	7,326,364	17,771,549
<b>CHANGE IN NET POSITION</b>	18,426,562	29,212,690
<b>Net position at beginning of year</b>	307,574,146	278,361,456
<b>Net position at end of year</b>	\$ 326,000,708	\$ 307,574,146

The accompanying notes are an integral part of these statements.

**University of Nevada, Las Vegas Foundation**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30,**

	<b>2016</b>	<b>2015</b>
<b>Operating activities:</b>		
Cash received from contributions	\$ 25,142,439	\$ 19,712,233
Distributions to The University of Nevada, Las Vegas	(23,103,968)	(20,753,202)
Payments to vendors for supplies and services	(3,186,679)	(4,010,777)
Payments on behalf of employees	(933,141)	(1,087,388)
Other - rental income, fees, donor paid benefits liability portion/charitable gift annuity	885,348	930,192
Net cash used in operating activities	(1,196,001)	(5,208,942)
<b>Non-capital financing activities:</b>		
Gifts to permanent endowments	5,146,904	16,913,950
Net cash provided by non-capital financing activities	5,146,904	16,913,950
<b>Capital and related financing activities:</b>		
Purchases of furniture and equipment	(34,216)	(51,001)
Net cash used in capital and related financing activities	(34,216)	(51,001)
<b>Investing activities:</b>		
Proceeds from sale of marketable securities	170,364,188	179,415,459
Purchase of marketable securities	(174,368,262)	(200,489,877)
Interest and dividends received, net of fees	2,926,869	2,894,816
Payments paid to charitable gift annuities	(130,091)	(127,058)
Net cash used in investing activities	(1,207,296)	(18,306,660)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,709,391	(6,652,653)
<b>Cash and cash equivalents, beginning of year</b>	7,545,153	14,197,806
<b>Cash and cash equivalents, end of year</b>	\$ 10,254,544	\$ 7,545,153

**University of Nevada, Las Vegas Foundation**

**STATEMENTS OF CASH FLOWS - CONTINUED**

**Years ended June 30,**

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of operating income to net cash used in operating activities:</b>		
Operating income	\$ 11,100,198	\$ 11,441,141
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation and amortization	55,943	50,848
Noncash contributions	(3,342,223)	(1,658,417)
Noncash program expense	742,203	1,480,342
Loss on sale of property	393	-
Life insurance policy	-	(19,655)
Bad debt expense	1,920,665	448,023
Actuarial assumptions	2,455,158	(7,919,954)
Changes in:		
Prepaid expenses and other assets	127,777	(31,155)
Pledges receivable, net	(14,151,325)	(6,621,270)
Due from UNLV	847,392	(601,834)
Other assets	502,048	(499,071)
Accounts payable and other liabilities	(1,454,230)	(1,277,940)
	<b>\$ (1,196,001)</b>	<b>\$ (5,208,942)</b>
<b>Supplemental disclosure of noncash information:</b>		
Fair market value adjustments		
Investments	\$ (721,085)	\$ (9,547,030)
Split-interest agreements	(439,049)	1,449,065
	<b>\$ (1,160,134)</b>	<b>\$ (8,097,965)</b>

The accompanying notes are an integral part of these statements.

## University of Nevada, Las Vegas Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. General

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

##### 2. Basis of Presentation

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

##### 3. Recent Accounting Guidance

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. This Statement addresses accounting and financial reporting issues for irrevocable split-interest agreements. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB 81 is effective for fiscal years beginning after December 15, 2016 and should be applied retroactively. The anticipated impact of this pronouncement is uncertain at this time.

##### 4. Net Position

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

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



University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**5. Investment Gains and Losses**

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

**6. Operating Support and Revenues**

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

**7. Donor Contributions**

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

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

**8. Donor Contributions - Noncash**

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

Donated real property, included in the accompanying Statements of Net Position as investments in real estate, is held at fair value based on the most recent appraisal.

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

**9. Operating Expenses**

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

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**10. Endowments**

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

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

**11. Cash and Cash Equivalents**

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

**12. Investments in Securities**

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

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**13. Capital Assets**

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

**14. Estimates and Assumptions**

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

NOTE B - CASH AND INVESTMENT IN SECURITIES - FAIR VALUE

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years. Investment expenses of \$661,076 and \$857,999 for the years ended June 30, 2016 and 2015, respectively, was netted against interest and dividends on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position. Investments are recorded on the date of the trade.

Investments consist of the following at June 30:

	2016	2015
Mutual funds	\$ 28,036,343	\$ 27,717,025
Certificates of deposit	2,036,447	2,047,226
Equities	11,287,588	12,576,275
Collateralized securities	21,942,283	22,070,892
U.S. government obligations	35,097,344	28,506,348
U.S. corporate bonds	28,153,118	30,820,032
Alternative investments	114,404,530	108,114,681
Non-U.S. corporate bonds	6,004,801	8,083,525
Investment in securities at fair value	\$ 246,962,454	\$ 239,936,004

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2016 and 2015**

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

As of June 30, 2016, the UNLV Foundation is committed to acquire approximately \$89,000 in additional alternative investments in future periods related to the UNLV Foundation's investment in Special Situation Partners.

**1. Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2016, the total balance for the UNLV Foundation's cash and money market funds was \$10,254,544. Of this balance, \$816,762 was covered by the Federal Deposit Insurance Corporation, and \$9,437,782 was uninsured. At June 30, 2015, the total balance for the UNLV Foundation's cash money market funds was \$7,545,153; of this balance, \$740,259 was covered by the Federal Deposit Insurance Corporation and \$6,804,894 was uninsured.

**2. Credit Risk**

Credit risk is the risk that an issuer will not fulfill its obligations. The UNLV Foundation reduces its exposure to credit risk with policy guidelines that instruct money managers to purchase securities rated investment grade or better. However, up to 25% of the fixed-income portfolios may be allocated to below investment grade. The credit ratings of fixed income investments at June 30, 2016 and 2015 follows:

	2016					
	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	\$ 21,942,283	\$17,481,953	\$ 2,927,108	\$ 822,498	\$ 710,724	\$ -
U.S. corporate bonds	28,153,118	100,375	1,822,926	3,815,776	16,842,241	5,571,800
Non-U.S. corporate bonds	6,004,801	505,349	773,214	1,883,566	2,316,778	525,894
	<u>\$ 56,100,202</u>	<u>\$18,087,677</u>	<u>\$ 5,523,248</u>	<u>\$ 6,521,840</u>	<u>\$19,869,743</u>	<u>\$6,097,694</u>
	2015					
	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	\$ 22,070,892	\$19,523,941	\$ 1,062,724	\$ 782,478	\$ 701,749	\$ -
U.S. corporate bonds	30,820,032	299,599	783,062	7,013,397	14,865,133	7,858,841
Non-U.S. corporate bonds	8,083,525	1,223,617	477,364	2,465,059	3,722,170	195,315
	<u>\$ 60,974,449</u>	<u>\$21,047,157</u>	<u>\$ 2,323,150</u>	<u>\$10,260,934</u>	<u>\$19,289,052</u>	<u>\$8,054,156</u>

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

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

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2016 and 2015**

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

**3. Interest Rate Risk**

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

For investments in donor-restricted endowment funds, the UNLV Foundation uses the Barclays Aggregate Bond Index average as the benchmark; maturity as of June 30, 2016 was 7.61 years. The fixed-income portfolio's average maturity was 8.76 years. Interest rates range from 2.27% to 3.21%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Bond Index average as the benchmark; maturity as of June 30, 2016 was 7.7 years. The fixed-income portfolio's average maturity was 7.7 years. Interest rates range from 0.40% to 9.80%.

	Maturity under 1 Year	Maturity 1-5 Years	Maturities 6-10 Years	Maturities over 10 Years	Total
Mutual funds	\$ 24,206,927	\$ 3,829,416	\$ -	\$ -	\$ 28,036,343
Certificates of deposit	452,005	1,584,442	-	-	2,036,447
Collateralized securities	207,677	5,355,115	889,613	15,489,878	21,942,283
U.S. government obligations	6,783,509	18,509,024	4,145,073	5,659,738	35,097,344
U.S. corporate bonds	3,662,069	11,736,782	7,490,083	5,264,184	28,153,118
Non-U.S. corporate bonds	696,730	3,479,542	1,019,008	809,521	6,004,801
Investment in securities at fair value	<u>\$ 36,008,917</u>	<u>\$ 44,494,321</u>	<u>\$ 13,543,777</u>	<u>\$ 27,223,321</u>	<u>\$121,270,336</u>

**4. Foreign Currency Risk**

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

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE C – FAIR VALUE MEASUREMENTS

The Foundation has valued their investments based on the following level of inputs:

*Level 1* – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

*Level 2* – Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes agency mortgage-backed debt securities and assets held in charitable remainder trusts.

*Level 3* – Unobservable inputs that are supported by little or no market activities and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes private equity, real estate and commingled investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Net asset value (“NAV”) - The amount of net assets attributable to each share of capital stock (other than senior equity securities; that is, preferred stock) outstanding at the close of the period.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Alternative investments* – Valued at NAV.
- *Real estate* – Assets held in commingled funds are valued at NAV. Assets held in trust represents the Foundation’s beneficial interest in real estate, where fair value is estimated based on appraised value.
- *Mutual funds, U.S. corporate bonds, non-U.S. corporate bonds, equities, certificates of deposit and U.S. Government securities* – Valued at the closing price reported on the active market on which the security is traded, if available.
- *Assets held in charitable remainder trusts* – Assets held in trust represents the Foundation’s beneficial interest in equities held in the trusts, fair value of the equities is based on closing prices reported on the active market on which the security is traced. The Foundation’s interest in those assets is estimated based on models using various estimates from management, including date assets will be received.

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2016 and 2015**

**NOTE C – FAIR VALUE MEASUREMENTS - Continued**

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2016 are:

	Level 1	Level 2	Level 3	NAV	Total
<u>Investments</u>					
Alternative investment	\$ -	\$ -	\$ -	\$ 114,404,530	\$ 114,404,530
Mutual funds	28,036,343	-	-	-	28,036,343
Collateralized securities	-	21,942,283	-	-	21,942,283
U.S. corporate bonds	28,153,118	-	-	-	28,153,118
Non-U.S. corporate bonds	6,004,801	-	-	-	6,004,801
Equities	11,287,588	-	-	-	11,287,588
Certificate of deposit	2,036,447	-	-	-	2,036,447
US Government obligations	35,097,344	-	-	-	35,097,344
	<u>\$ 110,615,641</u>	<u>\$ 21,942,283</u>	<u>\$ -</u>	<u>\$ 114,404,530</u>	<u>\$ 246,962,454</u>
<u>Investment in real estate</u>					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,600,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Assets held in charitable remainder trusts</u>					
Equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,222,818</u>	<u>\$ -</u>	<u>\$ 7,222,818</u>

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

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

**NOTE E - INVESTMENT IN REAL ESTATE**

In December 1997, the UNLV Foundation received a contribution of approximately 3 acres of land in Denver, Colorado. The land is under a 99-year lease that terminates on May 10, 2055. The UNLV Foundation's land is improved with a 175-room motel. The lease calls for level rent payments of \$15,000 per year. At the end of the lease, the UNLV Foundation has the reversionary right to the property, including any building on the site. The appraised value of the land reflected in the Statement of Net Position.

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2016 and 2015**

**NOTE F - PLEDGES RECEIVABLE-NET**

Pledges receivable, net are comprised of the following balances:

	June 30,	
	2016	2015
Gross pledges receivable	\$ 59,556,580	\$ 53,161,519
Present value discount of 0.38% and 0.13%, respectively	(602,188)	(193,036)
Allowance for uncollectible pledges	(809,371)	(858,174)
Pledges receivable, net	<u>\$ 58,145,021</u>	<u>\$ 52,110,309</u>

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

The UNLV Foundation estimates that payments on the gross pledges receivable at June 30, 2016, will be received as follows for fiscal years ending June 30:

Fiscal years ending June 30,	
2017	\$ 20,128,048
2018	10,913,651
2019	9,248,738
2020	7,931,988
2021	1,492,488
Thereafter	9,841,667
	<u>\$ 59,556,580</u>

For the years ended June 30, 2016 and 2015, pledge write-offs were \$1,922,965 and \$457,398, respectively, and are included in administrative, development and other expenses on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position.

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



University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE G - CAPITAL ASSETS

The following is a summary of capital asset activity during the fiscal year ended June 30, 2016 and 2015:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
<u>Capital assets not being depreciated</u>				
Land	\$ 50,699	\$ -	\$ -	\$ 50,699
Works of art/collections	193,582	-	(350)	193,232
Total capital assets not being depreciated	244,281	-	(350)	243,931
<u>Other capital assets</u>				
Furniture and equipment	928,252	34,216	(900)	961,568
Total other capital assets at historical cost	928,252	34,216	(900)	961,568
<u>Less accumulated depreciation for</u>				
Furniture and equipment	(705,484)	(55,943)	857	(760,570)
Total accumulated depreciation	(705,484)	(55,943)	857	(760,570)
Capital assets, net	<u>\$ 467,049</u>	<u>\$ (21,727)</u>	<u>\$ (393)</u>	<u>\$ 444,929</u>
	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
<u>Capital assets not being depreciated</u>				
Land	\$ 50,699	\$ -	\$ -	\$ 50,699
Works of art/collections	193,582	-	-	193,582
Total capital assets not being depreciated	244,281	-	-	244,281
<u>Other capital assets</u>				
Furniture and equipment	877,251	51,001	-	928,252
Total other capital assets at historical cost	877,251	51,001	-	928,252
<u>Less accumulated depreciation for</u>				
Furniture and equipment	(654,636)	(50,848)	-	(705,484)
Total accumulated depreciation	(654,636)	(50,848)	-	(705,484)
Capital assets, net	<u>\$ 466,896</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 467,049</u>

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

**NOTE H - CHARITABLE REMAINDER TRUSTS**

The UNLV Foundation serves as trustee of three charitable remainder unitrusts and one charitable remainder annuity trust as of June 30, 2016. The assets held in these trusts are recorded at fair value when received, and the liabilities to the donors are recorded at the present value of the estimated future payments to be distributed over the donors' expected lives. At June 30, 2016 and 2015, the related assets were \$4,350,101 and \$6,129,832, respectively, and liabilities were \$1,786,376 and \$4,007,350, respectively, for these unitrusts and annuity trust.

The UNLV Foundation has recorded as future gifts three charitable remainder trusts for which the UNLV Foundation has irrevocable beneficiary interests but does not serve as trustee. The present value of the estimated future benefits to be received when the trust assets are distributed is recorded as an asset. Changes in the present value are recorded as investment income (loss). At June 30, 2016 and 2015, the balance of these charitable remainder trusts was \$2,872,716 and \$2,874,910, respectively.

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

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

The trusts are separate legal entities created under the provisions of the Code and applicable Nevada law. Each trust has a calendar year as required by the Code. The charitable remainder trusts are exempt from federal income taxes, except in any year in which they receive unrelated business taxable income. The trusts for which the UNLV Foundation serves as trustee received no unrelated business taxable income for the years ended June 30, 2016 and 2015.

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

UNLV contributes to the administrative and accounting support of the UNLV Foundation. This support totaled \$3,138,665 and \$3,210,484 for the year ended June 30, 2016 and 2015, respectively.

On March 27, 2015, the Executive Committee, via a telephonic meeting, approved the acceptance by the UNLV Foundation, on behalf of UNLV, a contract to purchase a 42-acre property site on Tropicana Avenue for \$50 million. The contract was signed shortly thereafter, and the UNLV has been charged with completing its due diligence. UNLV had until December 18, 2015 to close on the sale, subsequent to approval by the NSHE Board of Regents. The Foundation received its \$500,000 deposit in December 2015, which was included in other assets on the Statement of Net Position.

**University of Nevada, Las Vegas Foundation**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2016 and 2015**

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

On April 10, 2013, the Executive Committee approved annual funding for a car allowance in the amount of \$7,200, plus no more than \$200 for the fringe benefit costs associated with that allowance, for Dr. William Boldt, UNLV Vice President for Advancement. For fiscal year 2015 and 2016, Dr. Boldt was in receipt of that funding, but left UNLV on June 30, 2016.

On December 3, 2014, by telephonic meeting, the Executive Committee approved providing additional annual compensation to incoming UNLV President, Len Jessup, in the amount of \$200,000 effective January 2015. For fiscal year 2015, this amounted to \$100,000 and for fiscal year 2016, \$200,000.

**NOTE K - TAX-EXEMPT STATUS**

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

**OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Nevada, Las Vegas Foundation (the “Foundation”), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of support and revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2016.

### Internal control over financial reporting

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

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

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

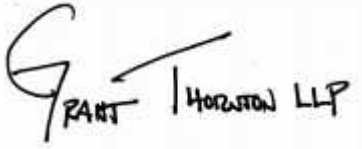
### Compliance and other matters

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Intended purpose**

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



Reno, Nevada  
September 28, 2016