Financial Statements and Report of Independent Certified Public Accountants

University of Nevada, Las Vegas Foundation

June 30, 2018 and 2017

Contents

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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, 2018 and 2017, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Nevada, Las Vegas Foundation as of June 30, 2018 and 2017, 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.

Emphasis of Matter

Change in accounting principle

As discussed in Note A3 to the financial statements, the Foundation adopted new accounting guidance in 2018 related to the accounting for split-interest agreements.

Restatement

As discussed in Note A15 to the financial statements, the 2017 financial statements have been restated to correct certain misclassifications.

Our opinion is not modified with respect to these matters.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 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 October 16, 2018, 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 solely 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 the Foundation's 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.

Grant Thornton LLP

Reno, Nevada
October 16, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

University of Nevada, Las Vegas Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

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, 2018 and 2017. This discussion has been prepared by management along with the basic financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the basic 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, 2018 and 2017. 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, 2018 and 2017.

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 split-interest agreements.

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 A10, to the financial statements. 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.

Statements of Net Position - Continued

Current assets decreased to $83.8 million at June 30, 2018, from $96.5 million at June 30, 2017, due primarily to a year-end gift in 2017 that resulted in a larger than normal year end cash balance. 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 $282.7 million at June 30, 2018, from $278.0 million at June 30, 2017, was due to a decrease in noncurrent pledges receivable, net, offset by an increase in investment in marketable securities – at fair value primarily to new gifts and market appreciation related to investments in marketable securities at fair value as well as an increase in investment in real estate due to a current appraisal.

Total current liabilities decreased to $0.9 million at June 30, 2018 from $2.6 million at June 30, 2017 due to a charitable gift annuity nearing extinguishment.

Total noncurrent liabilities increased to $1.0 million at June 30, 2018 from $0.9 million at June 30, 2017 due to two new charitable gift annuities.

Total net position decreased to $360.6 million at June 30, 2018 from $367.0 million at June 30, 2017, as a result of the excess of operating expenses over operating and non-operating revenues of approximately $6.4 million.

Statements of Revenues, Expenses and Changes in Net Position

This statement reflects the effect of revenues and expenses on net position. Net position decreased from the prior year by $6.4 million. Total net position was $360.6 and $367.0 million at June 30, 2018 and 2017, respectively.

The statement contains three categories: Operating Support and Revenues, Operating Expenses and Nonoperating Revenues. 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 primarily include investment income and gifts of permanent endowments.

Total contributions decreased $13.0 million to $48.0 million for the year ended June 30, 2018 from $61.0 million for the year ended June 30, 2017, attributable primarily to the timing of program and scholarship gifts, as well as capital project gifts. Cash gifts decreased by $16.4 million and noncash gifts increased by $3.4 million.

Administrative, development, and other expenses increased to $23.6 million for the year ended June 30, 2018, from $10.4 million in 2017. The increase is mainly due to pledge write-offs, 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 and scholarships) increased $21.0 million from $29.9 million for the year ended June 30, 2017 to $50.9 million for the year ended June 30, 2018. A decrease of $1.5 million of scholarship expenses to $6.6 million for the year ended June 30, 2018, from $8.1 million for the year ended June 30, 2017, was in response to decreased scholarship funding requests by UNLV.

Statements of Revenues, Expenses and Changes in Net Position - Continued

Nonoperating revenues decreased to $22.6 million for the year ended June 30, 2018, from $29.4 million for the year ended June 30, 2017. Interest and dividends on investments increased slightly to $3.4 million for the year ended June 30, 2018 from $3.0 million for the year ended June 30, 2017. The positive performance of the investment portfolios resulted in realized capital gains of $6.6 million and unrealized gains of $6.6 million for the year ended June 30, 2018 compared to realized capital gains of $5.2 million and unrealized gains of $15.5 million for the year ended June 30, 2017. Private gifts of permanent endowments decreased $1.1 million to $4.6 million for the year ended June 30, 2018 compared to $5.7 million for the year ended June 30, 2017.

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.

University of Nevada, Las Vegas Foundation

SUMMARY STATEMENTS OF NET POSITION

June 30,

	2018	2017 *(Restated)*
ASSETS		
Current assets	$ 83,784,555	$ 96,458,982
Noncurrent assets		
Capital assets, net of accumulated depreciation	311,036	337,654
Other	282,394,144	277,670,119
Total noncurrent assets	282,705,180	278,007,773
Total assets	366,489,735	374,466,755
LIABILITIES AND NET POSITION		
Liabilities		
Current liabilities	902,107	2,556,718
Noncurrent liabilities	1,012,374	892,265
Total liabilities	1,914,481	3,448,983
Deferred inflows of resources		
Split-interest agreements	3,996,560	4,049,518
Total deferred inflows of resources	3,996,560	4,049,518
Net position		
Invested in capital assets	157,482	184,100
Restricted - nonexpendable	144,571,710	138,084,433
Restricted - expendable	211,489,788	223,894,682
Unrestricted	4,359,714	4,805,039
Total net position	360,578,694	366,968,254
CAPITAL ASSETS, net		
Land	50,699	50,699
Works of art/collections	102,855	102,855
Furniture and equipment	1,041,780	1,004,422
	1,195,334	1,157,976
Less accumulated depreciation	(884,298)	(820,322)
Net capital assets	$ 311,036	$ 337,654

University of Nevada, Las Vegas Foundation

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

Years ended June 30,

	2018	2017 *(Restated)*
Operating support and revenues		
Donor contributions - cash and pledges	$ 39,852,616	$ 56,207,232
Donor contributions - noncash	8,178,618	4,827,422
University support	3,246,253	3,028,345
Other income and fees	899,250	940,671
Total operating support and revenue	52,176,737	65,003,670
Operating expenses		
Administrative and other expenses	20,175,764	7,073,574
Development expenses	3,470,458	3,286,086
Program expenses	50,942,311	29,923,580
Scholarship expenses	6,586,367	8,103,621
Total operating expenses	81,174,900	48,386,861
OPERATING (LOSS) INCOME	(28,998,163)	16,616,809
Nonoperating revenues	22,608,603	29,447,609
Change in net position	$ (6,389,560)	$ 46,064,418

BASIC FINANCIAL STATEMENTS

University of Nevada, Las Vegas Foundation

STATEMENTS OF NET POSITION

June 30,

		2018		2017
ASSETS				*(Restated)*
Current assets				
Cash and cash equivalents	$	15,387,358	$	35,001,029
Prepaid expenses and other assets		21,900		297,041
Due from UNLV		2,881,528		438,728
Accrued interest receivable		577,294		511,697
Pledges receivable, net		17,213,356		16,732,063
Investment in marketable securities - at fair value		47,703,119		43,478,424
Total current assets		83,784,555		96,458,982
Noncurrent assets				
Pledges receivable, net		27,568,625		34,704,283
Capital assets, net of accumulated depreciation of $884,298 and $820,322		311,036		337,654
Investment in marketable securities - at fair value		238,822,270		227,146,414
Assets held in charitable remainder trusts		4,906,302		6,132,024
Investment in First Trust Deed		1,667,900		1,667,900
Investment in real estate		9,000,000		7,600,000
Other assets		429,047		419,498
Total noncurrent assets		282,705,180		278,007,773
Total assets	$	366,489,735	$	374,466,755
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable and other liabilities	$	489,276	$	1,018,288
Current portion of liabilities under charitable remainder trust		412,831		1,538,430
Total current liabilities		902,107		2,556,718
Noncurrent liabilities				
Liability under charitable remainder trusts		157,342		204,507
Other liabilities		855,032		687,758
Total noncurrent liabilities		1,012,374		892,265
Total liabilities		1,914,481		3,448,983
Deferred inflows of resources				
Split-interest agreements		3,996,560		4,049,518
Total deferred inflows of resources		3,996,560		4,049,518
Net position				
Invested in capital assets		157,482		184,100
Restricted for:				
Nonexpendable		144,571,710		138,084,433
Expendable		211,489,788		223,894,682
Unrestricted		4,359,714		4,805,039
Total net position	$	360,578,694	$	366,968,254

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,

	2018	2017
		(Restated)
Operating support and revenue		
Donor contributions - cash and pledges	$ 39,852,616	$ 56,207,232
Donor contributions - noncash	8,178,618	4,827,422
University support	3,246,253	3,028,345
Other income and fees	899,250	940,671
Total operating support and revenue	52,176,737	65,003,670
Operating expenses		
Administrative and other expenses	20,175,764	7,073,574
Development expenses	3,470,458	3,286,086
Program expenses	50,942,311	29,923,580
Scholarship expenses	6,586,367	8,103,621
Total operating expenses	81,174,900	48,386,861
OPERATING (LOSS) INCOME	(28,998,163)	16,616,809
Nonoperating revenue (expenses)		
Interest and dividends on investments, net	3,418,752	2,994,681
Realized gains on investments	6,604,014	5,211,283
Change in market value of investments	6,566,727	15,507,878
Change in market value of real estate	1,400,000	-
Additions to permanent endowments	4,619,110	5,733,767
Total nonoperating revenue	22,608,603	29,447,609
CHANGE IN NET POSITION	(6,389,560)	46,064,418
Net position at beginning of year	366,968,254	320,903,836
Net position at end of year	$ 360,578,694	$ 366,968,254

The accompanying notes are an integral part of these statements.

University of Nevada, Las Vegas Foundation

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2018	2017 *(Restated)*
Operating activities:		
Cash received from contributions	$ 32,007,171	$ 55,791,154
Distributions to The University of Nevada, Las Vegas	(51,718,278)	(34,564,598)
Payments to vendors for supplies and services	(4,397,944)	(4,125,325)
Payments on behalf of employees	(5,541,134)	(2,214,265)
Other - rental income, fees, donor paid benefits liability portion/charitable gift annuity, split-interest agreements	2,295,925	2,456,845
Net cash (used in) provided by operating activities	(27,354,260)	17,343,811
Non-capital financing activities:		
Gifts to permanent endowments	4,619,110	5,733,767
Net cash provided by non-capital financing activities	4,619,110	5,733,767
Capital and related financing activities:		
Purchases of furniture and equipment	(37,358)	(42,854)
Net cash used in capital and related financing activities	(37,358)	(42,854)
Investing activities:		
Proceeds from sale of marketable securities	239,959,246	242,331,630
Purchase of marketable securities	(240,320,838)	(243,910,034)
Interest and dividends received, net of fees	3,353,155	2,975,876
Receipts for charitable gift annuities	337,655	469,395
Payments paid to charitable gift annuities	(170,381)	(155,106)
Net cash provided by investing activities	3,158,837	1,711,761
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,613,671)	24,746,485
Cash and cash equivalents, beginning of year	35,001,029	10,254,544
Cash and cash equivalents, end of year	$ 15,387,358	$ 35,001,029

University of Nevada, Las Vegas Foundation

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30,

	2018	2017 *(Restated)*
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	$ (28,998,163)	$ 16,616,809
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	63,976	59,752
Noncash contributions	(8,178,618)	(4,827,422)
Noncash program expense	5,810,400	3,462,603
Loss on sale of property	-	90,377
Life insurance policy	(10,693)	(22,257)
Bad debt expense	14,499,811	3,069,647
Actuarial assumptions	989,779	998,950
Changes in:		
Prepaid expenses and other assets	275,141	(236,877)
Pledges receivable, net	(8,835,225)	(1,415,028)
Due from UNLV	(2,442,800)	(544,472)
Other assets	1,144	17
Accounts payable and other liabilities	(529,012)	91,712
Net cash provided by (used in) operating activities	$ (27,354,260)	$ 17,343,811
Supplemental disclosure of noncash information:		
Fair market value adjustments		
Investments	6,566,727	15,507,878
Real estate	1,400,000	-
Split-interest agreements	(52,958)	(1,048,686)
Total fair market value adjustments	$ 7,913,769	$ 14,459,192

The accompanying notes are an integral part of these statements.

University of Nevada, Las Vegas Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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 Statement No. 81 is effective for fiscal years beginning after December 15, 2016 and should be applied retroactively. As further discussed in Note A15, the UNLV Foundation adopted GASB Statement No. 81 effective July 1, 2017.

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 the principal value of 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.

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 from UNLV towards salaries and benefits 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. As the eligibility requirements for endowment gifts cannot be met until funds are invested, endowment pledges are not recorded as revenue until cash or other assets are received.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Endowments

The UNLV Foundation records three types of endowments. Permanent or true endowments are funded by gifts and bequests. The principal is reported in restricted-nonexpendable and any accumulated earnings is reported in restricted-expendable on the Statements of Net Position. Restricted quasi-endowments are funds designated as endowments by UNLV for a specific use or program, and both the principal and accumulated earnings are included in restricted-expendable net position on the Statements of Net Position. Unrestricted quasi-endowments are funds designated as endowments by the UNLV Foundation Board of Trustees, and both the principal and accumulated earnings are 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 2007. 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 of the fair market value, as permitted by individual donor agreements. The annual payout rate is determined by the UNLV Foundation Investment Committee and is applied to the average fair 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 and GASB Statement No. 72, *Fair Value Measurement and Application*, which requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. 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.

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.

15. Changes in Accounting

Change in Accounting Principle

Effective July 1, 2017, the UNLV Foundation adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, on a retroactive basis. As required by GASB Statement No. 81, changes in assets recognized pursuant to irrevocable split-interest agreements-such as those resulting from interest, dividends, and changes in fair value-should be recognized as an increase or decrease in the related deferred inflow of resources. Accordingly, the financial statements have been adjusted for the year ended June 30, 2017 to reflect the adoption. Those adjustments are quantified in the table below and reflect the changes to the period ended June 30, 2017.

Restatement

During 2018, management of the UNLV Foundation determined the need to reclassify net position in the June 30, 2017 financial statement presentation. It was determined that the restricted - nonexpendable classification of net position should only contain the permanent principal of endowments which must be retained in perpetuity. Approximately $40 million of accumulated net earnings on these endowments should have been recorded in the restricted – expendable classification of net position. In addition, it was noted that approximately $1.6 million of accumulated earnings on quasi-endowments had been classified in net position as restricted – nonexpendable that should have been classified as unrestricted. Also during 2018, management identified an error totaling approximately $8.1 million in the recording of endowment related pledges receivable, which should not have been included in the financial statements pursuant to GASB Statement No. 33, which states that promises to provide endowment gifts (endowment pledges) should not be recorded because it is not possible to comply with the eligibility requirements relating to the promised gifts. The key criterion for the investment and spending of an endowment cannot be satisfied prior to the receipt of the promised assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Changes in Accounting - Continued

A summary of the adjustments to 2017 related to the change in accounting principle and restatement is as follows:

	June 30, 2017 As Reported	GASB Statement No. 81 Adjustment	Restatement Adjustment	June 30, 2017 As Restated
Statement of net position				
Current assets:				
Pledges receivable, net	$ 16,413,999	$ -	$ 318,064	$ 16,732,063
Total current assets	96,140,918	-	318,064	96,458,982
Noncurrent assets				
Pledges receivable, net	43,130,159	-	(8,425,876)	34,704,283
Total noncurrent assets	286,433,649	-	(8,425,876)	278,007,773
Total assets	$ 382,574,567	$ -	$ (8,107,812)	$ 374,466,755
Net position:				
Invested in capital assets	$ 184,100	$ -	$ -	$ 184,100
Restricted – nonexpendable	180,278,968	-	(42,194,535)	138,084,433
Restricted – expendable	184,828,223	(1,513,178)	40,579,637	223,894,682
Unrestricted	5,726,481	(2,536,340)	1,614,898	4,805,039
Total net position	$ 371,017,772	$ (4,049,518)	$ -	$ 366,968,254
Deferred inflows of resources:				
Split-interest agreements	$ -	$ 4,049,518	$ -	$ 4,049,518
Endowment pledge donations, net	$ 8,107,812	$ -	$ (8,107,812)	$ -
Statement of support and revenues, expenses and changes in net position				
Nonoperating revenue (expenses):				
Change in value of split-interest agreements	$ (1,047,354)	$ 1,047,354	$ -	$ -
Total nonoperating revenues	28,400,255	1,047,354	-	29,447,609
Change in net position	$ 45,017,064	$ 1,047,354	$ -	$ 46,064,418

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Changes in Accounting - Continued

	June 30, 2017 As Reported	GASB Statement No. 81 Adjustment	Restatement Adjustment	June 30, 2017 As Restated
Statement of cash flows				
Operating activities:				
Other - rental income, fees, donor paid benefits liability portion/charitable gift annuity, split-interest agreements	$ 918,414	$ 1,538,431	$ -	$ 2,456,845
Net cash (used in) provided by operating activities	$ 15,805,380	$ 1,538,431	$ -	$ 17,343,811
Investing activities:				
Purchase of marketable securities	$ (242,371,603)	$ (1,538,431)	-	$ (243,910,034)
Net cash provided by investing Activities	$ 3,250,192	$ (1,538,431)	$ -	$ 1,711,761
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:				
Actuarial assumptions	$ 2,170,194	$ -	$ (1,171,244)	$ 998,950
Changes in:				
Pledges receivable, net	(2,586,272)	-	1,171,244	(1,415,028)
Accounts payable and other liabilities	(1,446,719)	1,538,431	-	91,712
Net cash provided by (used in) operating activities	$ 15,805,380	$ 1,538,431	$ -	$ 17,343,811

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 $811,365 and $716,288 for the years ended June 30, 2018 and 2017, 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:

	2018	2017
Mutual funds	$ 32,072,290	$ 30,793,480
Certificates of deposit	2,673,818	2,477,266
Equities	14,044,087	12,889,659
Collateralized securities	26,646,385	20,671,705
U.S. government obligations	44,475,184	40,210,484
U.S. corporate bonds	28,772,007	30,341,023
Alternative investments	130,893,030	125,747,377
Non-U.S. corporate bonds	6,948,588	7,493,844
Investment in securities at fair value	$286,525,389	$270,624,838

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, 2018, the total balance for the UNLV Foundation's cash and money market funds was $15,387,358. Of this balance, $467,715 was covered by the Federal Deposit Insurance Corporation, and $14,919,643 was uninsured. At June 30, 2017, the total balance for the UNLV Foundation's cash and money market funds was $35,001,029. Of this balance, $820,832 was covered by the Federal Deposit Insurance Corporation, and $34,180,197 was uninsured. Cash balances in United States banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per bank.

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

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, 2018 and 2017 follows:

	2018					
	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	$ 26,646,385	$22,529,647	$ 3,948,033	$ 168,705	$ -	$ -
U.S. corporate bonds	28,772,007	-	128,002	5,640,446	19,512,912	3,490,647
Non-U.S. corporate bonds	6,948,588	-	529,112	2,835,582	2,725,417	858,477
	$ 62,366,980	$22,529,647	$ 4,605,147	$ 8,644,733	$22,238,329	$4,349,124

	2017					
	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	$ 20,671,705	$18,305,033	$ 2,048,763	$ 317,909	$ -	$ -
U.S. corporate bonds	30,341,023	332,956	1,160,284	4,884,113	20,336,189	3,627,481
Non-U.S. corporate bonds	7,493,844	496,674	583,527	2,560,562	2,973,261	879,820
	$ 58,506,572	$19,134,663	$ 3,792,574	$ 7,762,584	$23,309,450	$4,507,301

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.

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 Bloomberg Barclays Aggregate U.S. Bond Index average as the benchmark; maturity as of June 30, 2018 was 8.2 years. The fixed-income portfolio's average maturity was 7.91 years. Interest rates range from 2.66% to 3.25%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Bloomberg Barclays Aggregate U.S. Bond Index average as the benchmark; maturity as of June 30, 2018 was 8.5 years. The fixed-income portfolio's average maturity was 8.3 years. Interest rates range from 0% to 9.8%.

	Maturity under 1 Year	Maturity 1-5 Years	Maturities 6-10 Years	Maturities over 10 Years	Total
Mutual funds	$ 28,774,119	$ 3,298,171	$ -	$ -	$ 32,072,290
Certificates of deposit	99,568	2,574,250	-	-	2,673,818
Collateralized securities	790,711	6,813,743	2,067,050	16,974,881	26,646,385
U.S. Government obligations	14,343,984	17,041,228	7,332,303	5,757,669	44,475,184
U.S. corporate bonds	3,225,806	16,930,830	4,289,941	4,325,430	28,772,007
Non-U.S. corporate bonds	468,932	3,855,288	1,424,669	1,199,699	6,948,588
Investment in securities at fair value	$ 47,703,120	$ 50,513,510	$ 15,113,963	$ 28,257,679	$141,588,272

4. Foreign Currency Risk

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

NOTE C - 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.

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, assets held in charitable remainder trusts 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.

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.

NOTE C - FAIR VALUE MEASUREMENTS - Continued

Assets measured at fair value on a recurring basis at June 30, 2018 are:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Alternative investment	$ -	$ -	$ -	$130,893,030	$130,893,030
Mutual funds	32,072,290	-	-	-	32,072,290
Collateralized securities	-	26,646,385	-	-	26,646,385
U.S. corporate bonds	28,772,007	-	-	-	28,772,007
Non-U.S. corporate bonds	6,948,588	-	-	-	6,948,588
Equities	14,044,087	-	-	-	14,044,087
Certificate of deposit	2,673,818	-	-	-	2,673,818
US Government obligations	44,475,184	-	-	-	44,475,184
	$128,985,974	$ 26,646,385	$ -	$130,893,030	$286,525,389
Investment in real estate	$ -	$ -	$ 9,000,000	$ -	$ 9,000,000
Assets held in charitable remainder trusts					
Equities	$ -	$ -	$ 4,906,302	$ -	$ 4,906,302

Assets measured at fair value on a recurring basis at June 30, 2017 are:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Alternative investment	$ -	$ -	$ -	$125,747,377	$125,747,377
Mutual funds	30,793,480	-	-	-	30,793,480
Collateralized securities	-	20,671,705	-	-	20,671,705
U.S. corporate bonds	30,341,023	-	-	-	30,341,023
Non-U.S. corporate bonds	7,493,844	-	-	-	7,493,844
Equities	12,889,659	-	-	-	12,889,659
Certificate of deposit	2,477,266	-	-	-	2,477,266
US Government obligations	40,210,484	-	-	-	40,210,484
	$124,205,756	$ 20,671,705	$ -	$125,747,377	$270,624,838
Investment in real estate	$ -	$ -	$ 7,600,000	$ -	$ 7,600,000
Assets held in charitable remainder trusts					
Equities	$ -	$ -	$ 6,132,024	$ -	$ 6,132,024

NOTE D - NET ASSET VALUE (NAV)

The following table is a summary of the alternative NAV in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, as of June 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
MS Infrastructure Partners (North Haven)	$ 324,335	$ 62,178	N/A	N/A
Heitman Real Estate Trust (Open End RE Fund)	21,023,203	2,200,000	Quarterly	90 days after the quarter the notice was submitted
Grosvenor (HF FOF)	16,634,415	N/A	Quarterly	70 days' notice
Drum Capital Distressed (PE Distressed Securities)	447,903	88,791	N/A	N/A
Aberdeen EAFE Plus Fund LLC	4,383,806	N/A	N/A	N/A
Aberdeen EAFE Plus Fund LLC	19,293,699	N/A	N/A	N/A
S&P 500 Indx (Non-Lending QP Strategy) Fiduciary	6,900,748	N/A	N/A	N/A
S&P 500 Indx (Non-Lending QP Strategy) Endowment	46,944,126	N/A	N/A	N/A
Mondrian All Countries (World Ex Equity Fund LP)	13,684,972	N/A	N/A	N/A
Pathway Capital Fund 9 (PE)	1,255,823	13,745,511	N/A	N/A
Total investments measured at the NAV	$ 130,893,030			

- *MS Infrastructure Partners (North Haven Infrastructure Partners):* This is an investment in North Haven Infrastructure Partners I, a Private Infrastructure Fund managed by Morgan Stanley. The fund had its initial closing in May 2008 and made its final investment in May 2013. The fund is in its wind-down period, and has five remaining investments in the United States, India, and China as of June 30, 2018.
- *Heitman America Real Estate Trust ("HART"):* The Heitman America Real Estate Trust is an open-ended real estate fund investing in a diversified, high-quality, income-producing real estate across property types and geographies. The Trust is managed by Heitman Capital Management. HART invests in apartments, industrial, office, retail, and self-storage assets across America. The Trust had 103 investments as of June 30, 2018.
- *Grosvenor Institutional Partners LP ("GIP"):* Grosvenor Institutional Partners LP is a multi-strategy hedge fund-of-funds managed by Grosvenor Capital Management. GIP was invested in a diversified basket of 27 underlying hedge funds as of June 30, 2018. These hedge funds follow multiple investment strategies, including Relative Value, Multi-Strategy, Credit, Equity, Quantitative, Macroeconomic and Strategic funds.

NOTE D - NET ASSET VALUE (NAV) - Continued

- *Drum Special Situation Partners II ("SSP II"):* Drum Special Situation Partners II is a closed-end limited partnership managed by Drum Capital Management. It is designed to invest in stressed, distressed, and turnaround-focused private equity funds. Launched in 2006, SSP II ultimately made 13 fund investments and 4 co-investments, predominantly in North America. As of June 30, 2018, SSP II is in its wind-down stage, with all 11 remaining fund investments going through liquidation.
- *Aberdeen EAFE Plus Fund:* Aberdeen EAFE Plus Fund is a commingled vehicle investing in publicly traded non-U.S. equity securities, managed by Aberdeen Standard Investments. The Fund invests in securities from both developed and emerging markets. As of June 30, 2018, the Aberdeen EAFE Plus Fund held 54 securities.
- *State Street Global Advisors S&P 500 Index Fund:* The State Street Global Advisors S&P 500 Index Fund is a passively-managed commingled investment vehicle designed to track the performance of the Standard & Poor's 500 index. The fund is managed by State Street Global Advisors. The fund uses a full replication methodology to reproduce the performance of the target index over time.
- *Mondrian All Countries World ex-US Equity Fund LP:* The Mondrian All Countries World ex-US Equity Fund LP is a commingled investment vehicle managed by Mondrian Investment Group. The strategy invests in publicly traded non-U.S. equity securities from both developed and emerging markets. The commingled fund held 114 equity securities as of June 30, 2018.
- *Pathway Private Equity Fund Investors 9 ("PPEF Investors 9"): PPEF* Investors 9 is a private equity fund managed by Pathway Capital Management. PPEF Investors 9 was launched in 2017.

NOTE E - 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 F - 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 is reflected in the accompanying Statements of Net Position.

NOTE G - PLEDGES RECEIVABLE-NET

Pledges receivable, net are comprised of the following balances:

	June 30, 2018	June 30, 2017 *(Restated)*
Gross pledges receivable	$ 48,056,826	$ 53,721,411
Present value discount of 1.82% and 1.04%, respectively	(2,061,550)	(1,445,682)
Allowance for uncollectible pledges	(1,213,295)	(839,383)
Pledges receivable, net	$ 44,781,981	$ 51,436,346

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, 2018, will be received as follows for fiscal years ending June 30:

Fiscal years ending June 30,	
2019	$ 18,389,697
2020	12,838,435
2021	5,634,795
2022	2,431,356
2023	1,234,993
Thereafter	7,527,550
	$ 48,056,826

For the years ended June 30, 2018 and 2017, bad debt expense totaled $14,499,811 and $3,069,647, 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 also adjusts the estimate based on any other factors known at the time of estimation.

NOTE H - CAPITAL ASSETS

The following is a summary of capital asset activity during the fiscal year ended June 30, 2018 and 2017:

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets not being depreciated				
Land	$ 50,699	$ -	$ -	$ 50,699
Works of art/collections	102,855	-	-	102,855
Total capital assets not being depreciated	153,554	-	-	153,554
Other capital assets				
Furniture and equipment	1,004,422	37,358	-	1,041,780
Total other capital assets at historical cost	1,004,422	37,358	-	1,041,780
Less accumulated depreciation for				
Furniture and equipment	(820,322)	(63,976)	-	(884,298)
Total accumulated depreciation	(820,322)	(63,976)	-	(884,298)
Capital assets, net	$ 337,654	$ (26,618)	$ -	$ 311,036

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
Capital assets not being depreciated				
Land	$ 50,699	$ -	$ -	$ 50,699
Works of art/collections	193,232	-	(90,377)	102,855
Total capital assets not being depreciated	243,931	-	(90,377)	153,554
Other capital assets				
Furniture and equipment	961,568	42,854	-	1,004,422
Total other capital assets at historical cost	961,568	42,854	-	1,004,422
Less accumulated depreciation for				
Furniture and equipment	(760,570)	(59,752)	-	(820,322)
Total accumulated depreciation	(760,570)	(59,752)	-	(820,322)
Capital assets, net	$ 444,929	$ (16,898)	$ (90,377)	$ 337,654

NOTE I - CHARITABLE REMAINDER TRUSTS

In accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, the UNLV Foundation recognizes assets, liabilities, and deferred inflows of resources at the inception of the irrevocable split-interest agreement, as well as recognize the assets representing its beneficial interests in the irrevocable split-interest agreements that are administered by a third party, if the UNLV Foundation controls the present service capacity of the beneficial interests.

The UNLV Foundation serves as trustee of three charitable remainder unitrusts and one charitable reminder annuity trust as of June 30, 2018 and 2017. 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, 2018 and 2017, the related assets were $1,701,972 and $3,109,340, respectively, and liabilities were $570,173 and $1,742,937, 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 an increase or decrease in the related deferred inflow of resources. At June 30, 2018 and 2017, the balance of these charitable remainder trusts was $3,204,330 and $3,022,683, 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 9.5%, 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, 2018 and 2017.

NOTE J - RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

UNLV contributes to the administrative and accounting support of the UNLV Foundation. This support totaled $3,246,253 and $3,028,345 for the years ended June 30, 2018 and 2017, respectively, and is included as university Support on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position.

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 years 2018 and 2017, this amounted to $183,333 and $200,000 respectively, and is included in program expenses the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position.

NOTE K - RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

On January 18, 2017, the Executive Committee approved the funding for an achievement bonus for Scott M. Roberts, UNLV Vice President for Philanthropy and Alumni Engagement, not to exceed $15,000 during his tenure as the Vice President, subject to satisfactorily meeting or exceeding the benchmarks set and evaluated by the University President. This bonus was earned in 2018, in the amount of $10,000, and will be paid out in fiscal year 2019, and is reflected in accounts payable and other accrued liabilities on the accompanying Statements of Net Position. This bonus was also earned in 2017, in the amount of $15,000, and reflected in the 2017 accounts payable and other accrued liabilities on the Statements of Net Position and was paid out in 2018.

The UNLV Foundation transfers funds for programs and scholarships as requested by UNLV and its affiliated foundations, as appropriate or approved. Program expenses in the amount of $50.9 million and $29.9 million were transferred to UNLV and its affiliated foundations for the years ended June 30, 2018 and June 30, 2017. Scholarship expenses were $6.6 million for the year ended June 30, 2018 and $8.1 million for the year ended June 30, 2017. Both are included in operating expenses accompanying Statements of Support and Revenues, Expenses and Changes in Net Position.

NOTE L - 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*

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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 basic financial statements of the University of Nevada, Las Vegas Foundation (the "Foundation"), which comprise the statement of net position as of June 30, 2018, and the statements of support and revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2018.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, as items 2018-001 and 2018-002, that we consider to be material weaknesses in the Foundation's internal control.

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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*.

Foundation's response to findings

The Foundation's response to our findings, which is described in the accompanying schedule of findings, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Foundation's response.

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.

GRANT THORNTON LLP

Reno, Nevada
October 16, 2018

University of Nevada Las Vegas Foundation

SCHEDULE OF FINDINGS

June 30, 2018

SCHEDULE OF FINDINGS

Item 2018-001 – Accounting for Deferred in Inflows/Outflows of Resources under GASB Statement No. 33

Criteria or specific requirement:
Management is responsible for the preparation and fair presentations of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). 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. Understanding the accounting treatment of relevant accounting standards and reflecting those in the financial statements in a timely manner are important elements of a strong control environment over financial reporting.

Condition:
The Foundation presented pledges related to endowment funds as pledges receivables with a corresponding amount recorded to deferred inflows. Under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the timing of recognition for voluntary nonexchange transactions is "when all applicable eligibility requirements are met or resources are received, whichever is first. Eligibility requirements are established by the provider and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies." Promises to provide endowment gifts (endowment pledges) should not be recorded because it is not possible to comply with the time restriction related to those gifts. Accordingly, there should be no receivables related to these amounts, nor should they be presented as deferred inflows of resources.

Effect:
Pledge receivables were recorded for endowments in 2017.

Cause:
There was insufficient controls over financial reporting to ensure compliance with GASB standards.

Recommendation:
We recommend that the Foundation enhance their internal controls over financial reporting to address the application of GASB standards. All new accounting standards should be evaluated thoroughly well before adoption to ensure understanding, proper accounting, and overall successful implementation. Inherent in this is assigning the task to appropriate individuals within the Foundation and ensuring supervisory review of their work. In addition, evaluation of the application of accounting standards should occur on an on-going basis to ensure that they are consistently and correctly applied.

Views of responsible officials:
Refer to separate attachment.

SCHEDULE OF FINDINGS - Continued

Item 2018-002 – Classification of Restricted (Expendable) and Restricted (Nonexpendable) Net Position in accordance with GASB Statement No. 54

Criteria or specific requirement:
Management is responsible for the preparation and fair presentations of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). 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. Understanding the accounting treatment of relevant accounting standards and reflecting those in the financial statements in a timely manner are important elements of a strong control environment over financial reporting.

Condition:
GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* provides guidance on the presentation of net position, and specifically its three major categories: restricted (nonexpendable), restricted (expendable), and unrestricted. GASB Statement No. 54 states that "the nonspendable (i.e nonexpendable) fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to maintain intact."

In 2017 and 2018, Management had included amounts in the restricted (nonexpendable) category that should have been classified as restricted (expendable), as these amounts were neither in a nonspendable form, nor contractually required to be maintained intact/reinvested (based on donor stipulations). Additionally, earnings from quasi-endowments, which should have been classified as unrestricted, were classified as restricted (nonexpendable).

Per GASB Statement No. 54, management should classify only the corpus (historical dollar value) and any donor-restricted amounts of the endowment funds as restricted (nonexpendable), and classify the remaining as restricted (expendable). Quasi endowments are not considered to be restricted funds and thus should be categorized as unrestricted.

Effect:
Earnings on endowed assets were misclassified as nonexpendable, rather than expendable, on the Statement of Net Position in 2017. Earnings on quasi endowments were misclassified as nonexpendable, rather than unrestricted, on the Statement of Net Position in 2017.

Cause:
There was insufficient controls over financial reporting to ensure compliance with GASB standards.

Recommendation:
We recommend that the Foundation enhance their internal controls over financial reporting to address the application of GASB standards. All new accounting standards should be evaluated thoroughly well before adoption to ensure understanding, proper accounting, and overall successful implementation. Inherent in this is assigning the task to appropriate individuals within the Foundation and ensuring supervisory review of their work. In addition, evaluation of the application of accounting standards should occur on an on-going basis to ensure that they are consistently and correctly applied.

Views of responsible officials:
Refer to separate attachment.

Classification of Restricted (Expendable) and Restricted (Nonexpendable) Net Position

During the fiscal year 2018 financial statement audit, discussions between management and the audit team were held related to the categories of net position within the statements of net position (unrestricted, restricted – expendable, restricted – nonexpendable). Historically, the UNLV Foundation included amounts in the restricted (nonexpendable) category representative of the corpus (original gift value of an endowment) as well as the accumulated earnings on those endowments. Annually, when the Investment Committee approved the distribution (payout rate and endowment management fee) for the year, that amount was released from the restricted (nonexpendable) category into the restricted (expendable) category. Additionally, earnings from quasi-endowments, were classified as restricted (nonexpendable), as they too were invested within the endowment portfolio and classified accordingly. Donors, management and the UNLV Foundation Board of Trustees relied on the information within those categories as presented with an understanding that only the amount that is approved annually by the Investment Committee is considered expendable, a process that is independent of the classification issue described herein.

The UNLV Foundation has restated its financial statements to conform with Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The UNLV Foundation has been utilizing Fundriver, a unitizing endowment software, since 2003, that accounts for endowment funds and its corpus value accurately and concisely, as well as all earnings and expenses. The Nevada System of Higher Education ("NSHE") has also implemented this software tool with the assistance of the UNLV Foundation management team within the last 5 years. The reporting tool allows for year-end classification that conforms to the requirements in GASB Statement No. 54, as well as any other classification method that is adopted. As such, it is not a matter of interpretation or ability that determined how the UNLV Foundation was reporting the categories of net position, rather, how donors, management and its Board of Trustees utilized the information.

UNLV Foundation is confident that it has and will continue to work to improve the tools and expertise, as well as the internal controls to support the proper accounting and classification of the various components of net position. Donor intent and designation has not been compromised or challenged, nor has total net position been affected by this change.

Accounting for Deferred in Inflows/Outflows of Resources under GASB Statement No. 33

In fiscal year 2014, the Foundation adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amended/superseded the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective was to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). This resulted in the recording of endowment pledges receivable (net), with an offset to deferred inflows of resources.

As stated in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the timing of recognition for voluntary nonexchange transactions is "when all applicable eligibility requirements are met or resources are received, whichever is first". Eligibility requirements are established by the provider and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies." Promises to provide endowment gifts (endowment pledges) should not be recorded because it is not possible to comply with the time restriction related to those gifts. Accordingly, there should be no receivables related to these amounts, nor should they be presented as deferred inflows of resources. As such, due to the clarity around the interpretation of GASB Statement No. 33, the UNLV Foundation has removed these amounts from the presentation of the financial statements for both June 30, 2018 and 2017.

The UNLV Foundation is confident that it has and will continue to work to improve the tools and expertise, as well as the internal controls to support the proper accounting for existing and new pronouncements as they arise. Donor intent and designation has not been compromised or challenged.