



**UNIVERSITY OF WYOMING FOUNDATION**

**FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
University of Wyoming  
Foundation  
Laramie, Wyoming

We have audited the accompanying statements of financial position of University of Wyoming Foundation (a non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Wyoming Foundation as of June 30, 2012 and 2011, and change in its net assets, cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2, the financial statements include alternative investments whose term ranges from five to ten years valued at \$92,130,035 (20.68 percent of total assets). The fair values for these investments have been provided to management by the fund managers in the absence of readily determinable fair values.

*Mader Tschacher Peterson + Co, LLC*

Laramie, Wyoming  
October 3, 2012

UNIVERSITY OF WYOMING FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,118,148	\$ 190,253
Investments (Note 2)	420,424,870	415,558,626
Funds held by others (Note 3)	200,042	197,466
Pledges receivable, net (Note 4)	22,775,207	15,472,226
Other receivables	556,827	472,749
Property and equipment, at cost, net of accumulated depreciation (Note 5)	<u>471,315</u>	<u>469,872</u>
Total Assets	<u>\$ 445,546,409</u>	<u>\$ 432,361,192</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable (Note 7)	\$ 9,432,134	\$ 2,510,609
Conference center bond interest payable	33,846	35,253
Vehicle loan payable	10,222	16,073
Bonds payable (Notes 6 and 8)	3,385,000	3,465,000
Due to others (Note 9)	<u>156,565,281</u>	<u>157,871,997</u>
Total liabilities	<u>169,426,483</u>	<u>163,898,932</u>
<b>NET ASSETS</b>		
Unrestricted (Note 11)	19,989,943	20,914,125
Temporarily restricted	100,579,936	102,599,769
Permanently restricted (Note 12)	<u>155,550,047</u>	<u>144,948,366</u>
Total net assets	<u>276,119,926</u>	<u>268,462,260</u>
Total Liabilities and Net Assets	<u>\$ 445,546,409</u>	<u>\$ 432,361,192</u>

See Accompanying Notes to the Financial Statements.

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b>SUPPORT AND REVENUE</b>			
Contributions and State Match	\$ 261,749	\$ 17,666,727	\$ 11,138,840
University of Wyoming	873,996	-	-
Donated rent (Note 10)	182,806	-	-
Interest and dividends	1,600,602	978,317	-
Assessments	3,539,203	-	-
Unrealized/realized net gain (loss) on investments	-	(217,690)	(2,978,334)
Market decline in excess of original gifts and endowments, net	(2,105,030)	(1,604,525)	3,709,555
Increase (decrease) in value of charitable remainder trusts	-	-	125,927
Increase (decrease) in cash surrender value of life insurance policies	-	-	8,576
Net assets released from/applied to restrictions:			
Satisfaction of program restrictions	20,816,852	(13,798,843)	(7,018,009)
Permanent program restriction	(700)	(5,145,420)	5,146,120
Other revenue	-	101,601	469,006
Total support and revenue	<u>25,169,478</u>	<u>(2,019,833)</u>	<u>10,601,681</u>
<b>EXPENSES</b>			
Program services	23,669,538	-	-
Supporting services:			
General and administrative	2,107,956	-	-
Outreach and research	316,166	-	-
Total expenses	<u>26,093,660</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<b>(924,182)</b>	<b>(2,019,833)</b>	<b>10,601,681</b>
<b>NET ASSETS</b>			
Beginning of year	20,914,125	102,599,769	144,948,366
End of year	<u>\$ 19,989,943</u>	<u>\$ 100,579,936</u>	<u>\$ 155,550,047</u>

See Accompanying Notes to the Financial Statements.

2012 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
\$ 29,067,316	\$ 424,475	\$ 11,743,818	\$ 20,806,840	\$ 32,975,133
873,996	837,956	-	-	837,956
182,806	182,806	-	-	182,806
2,578,919	1,868,141	1,167,433	-	3,035,574
3,539,203	3,191,860	-	-	3,191,860
(3,196,024)	-	1,421,019	50,542,642	51,963,661
-	(1,213,742)	(717,971)	1,931,713	-
125,927	-	-	(143,180)	(143,180)
8,576	-	-	(17,851)	(17,851)
-	60,306,822	(4,271,782)	(56,035,040)	-
-	(3,239)	(2,803,553)	2,806,792	-
570,607	-	291,136	52,628	343,764
33,751,326	65,595,079	6,830,100	19,944,544	92,369,723
23,669,538	55,871,473	-	-	55,871,473
2,107,956	1,663,032	-	-	1,663,032
316,166	334,253	-	-	334,253
26,093,660	57,868,758	-	-	57,868,758
7,657,666	7,726,321	6,830,100	19,944,544	34,500,965
268,462,260	13,187,804	95,769,669	125,003,822	233,961,295
<u>\$ 276,119,926</u>	<u>\$ 20,914,125</u>	<u>\$ 102,599,769</u>	<u>\$ 144,948,366</u>	<u>\$ 268,462,260</u>

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,657,666	\$ 34,500,965
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	91,270	82,657
Change in value of charitable remainder trusts	(125,927)	143,180
Unrealized and realized losses (gains) on investments	3,196,024	(51,963,661)
(Increase) decrease in:		
Investments held by others	(2,576)	(1,908)
Pledges receivable	(7,302,981)	6,022,138
Other receivables	(84,078)	104,110
Increase (decrease) in:		
Accounts payable	6,921,525	964,484
Accrued interest payable	(1,407)	-
Due to others	(1,306,716)	20,272,983
Net cash from operating activities	<u>9,042,800</u>	<u>10,124,948</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(92,713)	(91,229)
Purchases of investments	(63,433,517)	(92,594,176)
Proceeds from sales of investments	55,497,176	82,528,877
Net cash from investing activities	<u>(8,029,054)</u>	<u>(10,156,528)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on vehicle loan	(5,851)	(5,852)
Principal payments for bonds	(80,000)	(80,000)
Net cash from financing activities	<u>(85,851)</u>	<u>(85,852)</u>
<b>NET CHANGE IN CASH</b>	927,895	(117,432)
CASH—beginning of year	<u>190,253</u>	<u>307,685</u>
CASH—end of year	<u>\$ 1,118,148</u>	<u>\$ 190,253</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	<u>\$ 205,196</u>	<u>\$ 209,416</u>

See Accompanying Notes to the Financial Statements.

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2012

	Program Services				
	Annual Fund	Stewardship Donor Relations	Major Gift Officers	Corp & Fdn Gifts	Vice-President Development
Salaries	\$ 175,143	\$ 10,000	\$ 391,683	\$ 138,008	\$ 675,786
Employee benefits	54,598	2,035	136,054	40,174	141,740
Total salaries and employee benefits	229,741	12,035	527,737	178,182	817,526
Travel	3,202	18,361	55,645	13,291	25,212
Contractual services	-	12,268	56	15	-
Recognition	-	735	-	-	-
Donor functions	1,140	1,980	2,799	7,976	4,852
Professional development	3,031	40	4,851	645	471
Equipment and data processing	176	2,904	235	-	-
Communications	30,058	16,833	4,649	1,854	2,876
Printing and duplication	70,987	11,131	954	1,887	1,091
Supplies	644	6,156	693	205	607
Director discretionary	129	100,671	211	165	17,410
Transformational gift travel	-	-	-	-	55,367
Other	-	-	255	-	-
Total expenses before depreciation and distributions	339,108	183,114	598,085	204,220	925,412
Management fees	-	-	-	-	-
Distributions to University of Wyoming:					
Requested support	-	-	-	-	-
Capital gain gift allocation	-	-	-	-	-
Total Expenses	<u>\$ 339,108</u>	<u>\$ 183,114</u>	<u>\$ 598,085</u>	<u>\$ 204,220</u>	<u>\$ 925,412</u>

See Accompanying Notes to the Financial Statements.

Associate Vice-President Development	Communication	Information Services	Recruiting & Moving Expenses	Planned Giving	Distributions	Total
\$ 182,334	\$ 209,829	\$ 311,104	\$ -	\$ 194,745	\$ -	\$ 2,288,632
69,656	89,042	134,535	-	70,086	-	737,920
251,990	298,871	445,639	-	264,831	-	3,026,552
7,414	4,277	430	8,818	31,979	-	168,629
-	4,250	-	3,413	50	-	20,052
-	-	-	-	-	-	735
783	581	899	3,847	10,441	-	35,298
245	(3,869)	8,814	-	5,023	-	19,251
4,901	5,527	102,050	-	7,353	-	123,146
1,621	7,070	3,448	-	21,743	-	90,152
327	34,675	1,419	-	33,522	-	155,993
-	50,530	769	1,047	1,730	-	62,381
811	770	-	-	854	-	121,021
-	-	-	-	-	-	55,367
283	-	-	71	-	-	609
268,375	402,682	563,468	17,196	377,526	-	3,879,186
-	-	-	-	-	463,239	463,239
-	-	-	-	-	15,414,835	15,414,835
-	-	-	-	-	3,912,278	3,912,278
<u>\$ 268,375</u>	<u>\$ 402,682</u>	<u>\$ 563,468</u>	<u>\$ 17,196</u>	<u>\$ 377,526</u>	<u>\$ 19,790,352</u>	<u>\$ 23,669,538</u>

(Continued)

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2012

(Continued)

	Supporting Services			Total Expenses
	General and Administrative	Research	Total	
Salaries	\$ 390,545	\$ 205,592	\$ 596,137	\$ 2,884,769
Employee benefits	143,053	91,717	234,770	972,690
Total salaries and employee benefits	533,598	297,309	830,907	3,857,459
Travel	6,649	3,470	10,119	178,748
Contractual services	28,213	4,600	32,813	52,865
Recognition	-	-	-	735
Investment council fees	150,000	-	150,000	150,000
Donor functions	192	36	228	35,526
Directors meeting expenses	75,556	-	75,556	75,556
Professional development	4,308	8,583	12,891	32,142
Equipment and data processing	50,472	-	50,472	173,618
House maintenance	5,227	-	5,227	5,227
Communications	15,781	1,957	17,738	107,890
Rent (Note 10)	182,806	-	182,806	182,806
Printing and duplication	22,218	146	22,364	178,357
Supplies	19,084	65	19,149	81,530
Director discretionary	222	-	222	121,243
Change in vacation accruals	37,697	-	37,697	37,697
Incentive	50,000	-	50,000	50,000
Legal fees	7,431	-	7,431	7,431
Facilities planning	230,899	-	230,899	230,899
Transformational gift travel	-	-	-	55,367
Other	23,403	-	23,403	24,012
Total expenses before depreciation and distributions	1,443,756	316,166	1,759,922	5,639,107
Depreciation	91,270	-	91,270	91,270
Management fees	-	-	-	463,239
Distributions on behalf of UW:				
Governor's task force	930	-	930	930
Football coach bonus	250,000	-	250,000	250,000
President discretionary	23,000	-	23,000	23,000
President's special projects	299,000	-	299,000	299,000
Distributions to University of Wyoming:				
Requested support	-	-	-	15,414,835
Capital gain gift allocation	-	-	-	3,912,278
Total Expenses	\$ 2,107,956	\$ 316,166	\$ 2,424,122	\$ 26,093,659

See Accompanying Notes to the Financial Statements.

UNIVERSITY OF WYOMING FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2011

	Program Service				
	Annual Fund	Stewardship Donor Relations	Major Gift Officers	Corp & Fdn Gifts	Vice-President Development
Salaries	\$ 168,148	\$ -	\$ 385,572	\$ 129,306	\$ 620,763
Employee benefits	52,066	-	124,012	38,445	176,810
Total salaries and employee benefits	220,214	-	509,584	167,751	797,573
Travel	826	40,626	46,811	9,733	20,440
Contractual services	905	44,904	33,375	655	3,167
Recognition	24	6,277	98	8	24
Donor functions	489	51,209	3,398	2,271	6,744
Professional development	916	248	3,610	437	423
Equipment and data processing	26,269	45	9	-	-
Communications	46,494	5,780	4,953	1,466	3,004
Printing and duplication	79,945	19,612	737	56	820
Supplies	1,139	(4,266)	1,224	81	835
Director discretionary	-	43,871	1,297	222	3,544
Other	-	15,502	400	-	-
Total expenses before depreciation and distributions	377,221	223,808	605,496	182,680	836,574
Depreciation	-	-	-	-	-
Management fees	-	-	-	-	-
Distributions to University of Wyoming:					
Requested support	-	-	-	-	-
Capital gain income	-	-	-	-	-
Total Expenses	<u>\$ 377,221</u>	<u>\$ 223,808</u>	<u>\$ 605,496</u>	<u>\$ 182,680</u>	<u>\$ 836,574</u>

See Accompanying Notes to the Financial Statements.

Associate Vice-President Development	Communication	Information Services	Moving Expenses	Planned Giving	Distributions	Total
\$ 180,804	\$ 169,656	\$ 341,140	\$ -	\$ 131,393	\$ -	\$ 2,126,782
54,922	68,800	141,550	-	48,077	-	704,682
235,726	238,456	482,690	-	179,470	-	2,831,464
6,232	2,476	-	8,490	11,351	-	146,985
317	850	4,523	8,734	2,386	-	99,816
26	49	71	-	149	-	6,726
397	1,605	25	258	1,081	-	67,477
372	212	6,582	-	2,376	-	15,176
6,339	7,594	265,430	-	2,224	-	307,910
1,489	21,145	3,340	-	11,270	-	98,941
129	88,508	251	-	14,191	-	204,249
-	586	644	19	344	-	606
270	80	-	-	248	-	49,532
-	-	-	-	400	-	16,302
251,297	361,561	763,556	17,501	225,490	-	3,845,184
-	-	-	-	-	-	-
-	-	-	-	-	425,455	425,455
-	-	-	-	-	26,363,660	26,363,660
-	-	-	-	-	25,237,174	25,237,174
<u>\$ 251,297</u>	<u>\$ 361,561</u>	<u>\$ 763,556</u>	<u>\$ 17,501</u>	<u>\$ 225,490</u>	<u>\$ 52,026,289</u>	<u>\$ 55,871,473</u>

(Continued)

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2011  
(Continued)

	Supporting Services			Total Expenses
	General and Administrative	Research	Total	
Salaries	\$ 358,533	\$ 193,555	\$ 552,088	\$ 2,678,870
Employee benefits	118,408	85,923	204,331	909,013
Total salaries and employee benefits	476,941	279,478	756,419	3,587,883
Travel	5,686	2,214	7,900	154,885
Contractual services	35,905	1,850	37,755	137,571
Recognition	140	31	171	6,897
Investment council fees	150,000	-	150,000	150,000
Donor functions	949	298	1,247	68,724
Directors meeting expenses	88,699	-	88,699	88,699
Professional development	7,731	5,797	13,528	28,704
Equipment and data processing	31,306	42,340	73,646	381,556
House maintenance	14,760	-	14,760	14,760
Communications	22,411	2,003	24,414	123,355
Rent (Note 10)	182,826	-	182,826	182,826
Printing and duplication	17,649	56	17,705	221,954
Supplies	21,537	166	21,703	22,309
Director discretionary	-	-	-	49,532
President discretionary	20,466	-	20,466	20,466
President's Special Projects	300,000	-	300,000	300,000
Change in Vacation Accruals	13,034	-	13,034	13,034
Incentive	50,000	-	50,000	50,000
Legal fees	4,371	-	4,371	4,371
UW Academic Request	114,942	-	114,942	114,942
Other	21,022	20	21,042	37,344
Total expenses before depreciation and distributions	1,580,375	334,253	1,914,628	5,759,812
Depreciation	82,657	-	82,657	82,657
Management fees	-	-	-	425,455
Distributions to University of Wyoming:				
Interest and dividends income	-	-	-	26,363,660
Capital gain income	-	-	-	25,237,174
 Total Expenses	 <u>\$ 1,663,032</u>	 <u>\$ 334,253</u>	 <u>\$ 1,997,285</u>	 <u>\$ 57,868,758</u>

See Accompanying Notes to the Financial Statements.

# UNIVERSITY OF WYOMING FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Significant Accounting Policies

#### Nature of Activities and Organization

The University of Wyoming Foundation is an independent not-for-profit organization established for the purpose of obtaining contributions for the benefit of the University of Wyoming and the management of the related investments in accordance with donor directions. The Foundation and the University of Wyoming Institutional Advancement Office cooperates significantly and utilize common staff in performing the fund raising activities and management of investments. Accordingly, the Foundation's financial statements present the shared budget expenditures and recognize as support the University of Wyoming's contribution to the shared budget.

#### Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted, or unrestricted as follows:

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the University.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets – net assets which represent resources generated from operations or that are not subject to donor-imposed stipulations. In general the unrestricted net assets of the Foundation may be used at the discretion of the foundation's management and board of directors to support the Foundation's purposes, operations and mission.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise was made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Income and realized and unrealized gains on investments of permanently restricted net assets are reported as follows:

## NOTES TO FINANCIAL STATEMENTS

- as increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- as increases in unrestricted net assets in all other cases.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures during the reporting period. Actual results could differ from those estimates.

The Foundation's investments are invested in various types of investment securities and in various companies within various markets. Investment securities are exposed to several risks, such as interest rates, and market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Foundation's financial statements.

Another estimate that is particularly susceptible to significant change in the near term relates to the allowance for uncollectible pledges.

### Cash

Cash includes depository account balances other than those held temporarily as part of the long-term investment portfolio.

### Property and Equipment

The Foundation follows the practice of capitalizing all major expenditures from Foundation funds for leasehold improvements, office equipment and equipment. Additions are recorded at cost, or if donated, at fair market value at the time of donation. Leasehold improvements and equipment are depreciated by the straight-line method using the following estimated service lives:

## NOTES TO FINANCIAL STATEMENTS

	<u>Years</u>
Leasehold improvements	15-25
Office equipment	5-7
Equipment	3-5

Fair Value Measurements

Financial Accounting Standards Board Statement No. 820, Fair Value Measurements, establishes a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring investment at fair value. Accounting Standards Update No. 2009-12, “*Investments in Certain Entities that Calculate Net Asset Per Share (or Its Equivalent)*” (ASU 2009-12). ASU 2009-12 amends ASC 820 of the FASB Accounting Standards Codification (ASC) by providing additional guidance on measuring the fair value of certain alternative investments and required disclosures for Level III investment activity. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market prices in an orderly market will general have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1: Quoted prices available in active markets for indicated investments as of the reporting date. The type of investments which would generally be included in Level I include listed equity securities and listed derivatives.

Level 2: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies. The types of investments which would generally be included in this category include publicly-traded securities with restrictions on disposition.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs in to the determination of fair value require significant judgment or estimation by Investment Manager. The types of investments which would generally be included in this category include debt and equity securities issued by private entities.

### Pledges

All unconditional pledges to give are recorded at their estimated realizable value on

## NOTES TO FINANCIAL STATEMENTS

a discounted basis.

### Split Interest Agreements and Perpetual Trusts

The Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of annuities, charitable lead trusts, or charitable remainder trusts. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates. For certain split interest agreements where the measurement objective is fair value, the discount rate is adjusted to a current market rate at each reporting date. The gift portion of net assets subject to split interest agreements are classified as temporarily restricted or permanently restricted based upon donor designations.

Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements* (“ASU 2010-06”). ASU 2010-06 amends ASC 820, *Fair Value Measurements and Disclosures*, to require new disclosures as follows (a) disclosure of the amounts of significant transfers in and out of Level I and Level II fair value measurements and the reasons for the transfers and (b) separate presentation of information about purchases, sales, issuances, and settlements on a gross basis rather than as one net number, in the reconciliation for fair value and measurements using significant unobservable inputs (Level III). In addition, ASU 2010-06 provided clarification of existing disclosures as follows: (a) a reporting entity should provide fair value measurement disclosures for each class of assets and liabilities where a class is often a subset of assets or liabilities within a line item in the statement of assets and liabilities and (b) a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both reoccurring and nonrecurring fair value measurements, such as fair value measurements that fall in either Level II or Level III.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level III fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The adoption of ASU 2010-06 requires only additional disclosures and will not have an impact on the University of Wyoming Foundation’s consolidated net assets.

### Income Taxes

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal income taxes.

## NOTES TO FINANCIAL STATEMENTS

Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

In accordance with ASC (Accounting Standards Codification) 740 Income Taxes (formerly FASB Interpretation 48, Accounting for Uncertainty in Income Taxes) the Foundation currently recognizes the effect of income tax positions only if such positions are probable of being sustained. The Foundations tax years subject to examination by the U.S. federal, state and local tax authorities are for the fiscal years ending June 30, 2012, 2011, 2010, and 2009, respectively.

### Liquidity

Assets are presented according to their nearness to cash and liabilities are presented according to their nearness of payment or use of cash.

### Statement of Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Subsequent Events

No events have occurred subsequent to the statement of financial position date and through the date of the report October 3, 2012 that would require adjustment to, or disclosure in, the financial statements.

### Note 2. Investments

The Foundation, the Cowboy Joe Club, ASUW, and the University endowments are participants in a joint venture whereby certain assets are pooled for investment purposes. The Foundation manages the assets of the pool and maintains separate accounts for each participant. Investment income, gains, and losses and expenses of the pool are allocated to each participant based on their share of ownership of the pool. At June 30, 2012 and 2011, approximately 75% and 76%, respectively, of the investments are included in the pool.

Investments are summarized as follows at June 30, 2012 and 2011:

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Level 1

	Carrying Value	Market Value	Unrealized Apreciation (Depreciation)
Money market funds	\$ 13,763,736	\$ 13,763,736	\$ -
Corporate stocks	35,213,132	38,820,487	3,607,355
Corporate bonds notes	94,804,120	94,405,318	(398,802)
Government obligations	181,417	181,739	322
Other investments	345,172	369,734	24,562
	<u>144,307,577</u>	<u>147,541,014</u>	<u>3,233,437</u>

### Level 2

	Carrying Value	Market Value	Unrealized Apreciation (Depreciation)
Real estate	12,671,000	12,690,473	19,473
Y Cross Ranch	4,275,397	4,275,397	-
International equity	17,071,283	20,031,768	2,960,485
Domestic Trust	7,481,666	9,630,225	2,148,559
Absolute return hedge funds	16,580,410	23,140,027	6,559,617
Long/short hedge funds	24,000,000	26,162,456	2,162,456
	<u>82,079,756</u>	<u>95,930,346</u>	<u>13,850,590</u>

### Level 3

	Carrying Value	Market Value	Unrealized Apreciation (Depreciation)
Insurance	256,140	256,140	-
Other investments	8,803	8,805	2
Absolute return hedge funds	46,379,318	67,464,125	21,084,807
Private equity funds	47,194,345	62,433,239	15,238,894
Real estate and energy funds	23,769,672	30,403,658	6,633,986
Long/short hedge funds	13,000,000	16,387,543	3,387,543
	<u>130,608,278</u>	<u>176,953,510</u>	<u>46,345,232</u>
Combined Total	<u>\$ 356,995,611</u>	<u>\$ 420,424,870</u>	<u>\$ 63,429,259</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Level 1

	Carrying Value	Market Value	Unrealized Apreciation (Depreciation)
Money market funds	\$ 16,793,837	\$ 16,793,837	\$ -
Corporate stocks	41,675,621	47,397,827	5,722,206
Corporate bonds notes	76,322,921	77,454,718	1,131,797
Government obligations	211,653	211,653	-
Other investments	338,455	351,071	12,616
	<u>135,342,487</u>	<u>142,209,106</u>	<u>6,866,619</u>

### Level 2

	Carrying Value	Market Value	Unrealized Apreciation (Depreciation)
Real estate	12,741,000	12,754,860	13,860
Y Cross Ranch	4,275,397	4,275,397	-
International equity	16,365,612	22,069,584	5,703,972
Domestic Trust	11,335,689	18,402,828	7,067,139
Private equity funds	825,949	679,029	(146,920)
Absolute return hedge funds	9,000,000	15,055,239	6,055,239
Long/short hedge funds	24,000,000	28,646,979	4,646,979
	<u>78,543,647</u>	<u>101,883,916</u>	<u>23,340,269</u>

### Level 3

	Carrying Value	Market Value	Unrealized Apreciation (Depreciation)
Insurance	247,564	247,564	-
Other investments	8,805	8,805	-
Absolute return hedge funds	39,806,514	60,820,485	21,013,971
Private equity funds	46,047,969	58,619,068	12,571,099
Real estate and energy funds	23,030,446	30,031,756	7,001,310
Long/short hedge funds	16,242,427	21,737,926	5,495,499
	<u>125,383,725</u>	<u>171,465,604</u>	<u>46,081,879</u>
Combined Total	<u>\$ 339,269,859</u>	<u>\$ 415,558,626</u>	<u>\$ 76,288,767</u>

## NOTES TO FINANCIAL STATEMENTS

The Foundation has invested in alternative investments defined as hedge funds, private equity, venture capital and other investments for which the fair market value is not readily attainable.

The fair market values for these types of investments have been obtained through alternative means. The Foundation has implemented procedures to evaluate and monitor the investment values and the performance of the funds.

The major categories of Level 2 and Level 3 investments are summarized as follows at June 30, 2012:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long/short hedge funds (a)	\$ 42,549,998	\$ -	Quarterly to Annually	30 days to 60 days
Absolute return hedge funds (b)	90,604,153	-	Monthly to Every 3 Years	45 days to 180 days
Private equity funds (c)	61,856,208	18,796,157	n/a	n/a
Real estate and energy funds (d)	30,273,827	-	n/a	n/a
International equity (e)	20,031,768	-	Semi-monthly to monthly	5 days to 30 days
Domestic equity (f)	9,630,225	-	Monthly	30 days
Liquidating funds (g)	478,992	-	n/a	n/a
	<u>\$ 255,425,172</u>	<u>\$ 18,796,157</u>		

(a) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in the U.S. market, but will also take advantage of investment opportunities in Europe, Asia and Emerging Markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of June 30, 2012, 33% of the fair value of the investments in this category are in the initial lock up period or have terms that make full liquidity unavailable at the Foundation's report date.

## NOTES TO FINANCIAL STATEMENTS

(b) This category includes a multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mis-priced assets/securities across conventional and alternative financial strategies. Management initiates long and short position targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. June 30, 2012, 73% of the fair value of the investments in this category are in the initial lock up period or have terms that make full liquidity unavailable at the Foundation's report date.

(c) This category includes several private equity funds that focus on buyout, growth equity and/or distressed debt. These investments are not redeemable. Instead, the nature of the investments in this category are that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments range from 5 to 10 years. As of June 30, 2012, the fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

(d) This category includes investment in funds that focus primarily in real estate and energy related infrastructure opportunities. These investments are not redeemable. Instead, the nature of the investments in this category are that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments range from 5 to 10 years. As of June 30, 2012, the fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

(e) This category includes investments in funds that focus on long-only international equities. The underlying assets are liquid and the fund's managers provide details of those assets. As of June 30, 2012, all of the investments in the category can be redeemed with no restrictions.

(f) This category includes investments in funds that focus on long-only domestic equities. The underlying assets are liquid and the fund's managers provide details of those assets. As of June 30, 2012, all of the investments in the category can be redeemed with no restrictions.

(g) This category consists of two investments that are liquidating the assets remaining in the portfolios. The assets are private equity in nature and are not redeemable. As of June 30, 2012, the fair value of the investments have been estimated using the practical expedient provided by the investment manager. The manager currently has no clarity on a timetable for the conclusion of these funds.

## NOTES TO FINANCIAL STATEMENTS

The Foundation has entered into various split interest agreements, including charitable lead annuity trusts, charitable remainder unitrusts, and charitable gift annuities; whereby the Foundation serves as trustee. The assets held under these split interest agreements are included in investments at June 30, 2012 and 2011 with an approximate fair value of \$12,368,392 and \$12,403,200, respectively.

As of June 30, 2012 and 2011 the ending balance for the Permanently Restricted endowment funds had an estimated fair value that was \$2,105,030 and \$1,213,743 respectively less than the historic dollar value. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. This was the result of net declines in financial markets since the endowment funds were established. Such endowments are often referred to as “underwater” investments. Though the Foundation is not required to by donor imposed restriction or law to use its unrestricted recourses to restore the endowment to its historic dollar value, accounting guidance for not-for-profit organizations require that such losses and subsequent gains be reflected as changes to unrestricted net assets until the fair value reaches the historic dollar value.

### Note 3. Funds Held by Others

The funds held by others consist of University of Wyoming – Division of Student Loans. The amount as of June 30, 2012 and 2011 was \$200,042 and \$197,466 respectively.

Funds were forwarded to the University of Wyoming – Division of Student Loans. Interest earned from student loans and investments is reflected as income in the Foundation’s financial statements.

### Note 4. Pledges Receivable

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Foundation. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year.

Due to the nature of these pledges, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions are recognized as support in the fiscal period in which they are pledged, but the expenses incurred with such contributions occur in a different fiscal period. Total promises to give were as follows at June 30, 2012 and 2011:

## NOTES TO FINANCIAL STATEMENTS

	2012	2011
Due within 1 year	\$ 11,005,808	\$ 7,854,308
Due 1 to 5 years	10,965,706	7,756,091
Due 5 years and later	2,353,030	1,052,323
	24,324,544	16,662,722
Less allowance for uncollectable pledges	(997,706)	(657,660)
Less discount to present value	(551,631)	(532,836)
Total Pledges Receivable	\$ 22,775,207	\$ 15,472,226

### Note 5. Property and Equipment

Property and equipment consists of the following as of June 30, 2012 and 2011:

	2012	2011
Leasehold Improvements	\$ 495,152	\$ 495,152
Furniture and Equipment	849,307	756,594
	1,344,459	1,251,746
Less accumulated depreciation	873,144	781,874
	\$ 471,315	\$ 469,872

During the years ended June 30, 2012 and 2011, depreciation expense of \$91,270 and \$82,657 was recognized.

### Note 6. Education and Conference Center Financing

The Foundation purchased a \$3.7 million bond to facilitate financing on the Education and Conference Center project for the University of Wyoming. The University paid the Foundation in one lump sum. The Foundation will pay off the \$3.7 bond according to the terms of the bond. To do this the Foundation has purchased a series of bonds that will mature as the bond payments come due. The bonds are currently outstanding and are discussed in Note 8.

### Note 7. Accounts Payable

The current year accounts payable balance includes amounts owed to various departments and colleges of the University of Wyoming. As part of the efforts to comply with GASB #39 reporting in the current year, the University recorded a receivable for these amounts. The Foundation recorded a similar payable entry.

### Note 8. Bonds Payable

The Foundation issued revenue bonds in the aggregate principal amount of \$3,700,000, pursuant to an Indenture of Trust, dated November 2007, by and between the Foundation and Wells Fargo Bank, N.A. The aggregate amount includes

## NOTES TO FINANCIAL STATEMENTS

\$1,155,000 of serial bonds and \$2,545,000 of term bonds. The proceeds were used by the Foundation to help finance the cost of constructing and equipping the Conference Center located at 22<sup>nd</sup> Street and Grand Avenue in Laramie, Wyoming. The Bonds bear interest from the date of issue to maturity or earlier redemption with interest payable semiannually on May 1 and November 1 of each year. The Foundation has made all required debt payments.

The debt service requirements for the Bonds are as follows:

Year	Principal due November 1	Interest	Interest Rate	Annual Debt Service
2012	\$ 85,000	\$ 203,076	5.40%	\$ 288,076
2013	90,000	198,486	5.45%	288,486
2014	95,000	193,581	5.55%	288,581
2015	100,000	188,309	5.60%	288,309
2016	110,000	182,709	5.65%	292,709
2017	115,000	176,494	5.72%	291,494
2018	120,000	169,916	5.79%	289,916
2019	125,000	162,968	5.84%	287,968
2020	135,000	155,668	5.95%	290,668
2021	140,000	147,635	5.95%	287,635
2022	150,000	139,305	5.95%	289,305
2023	160,000	130,380	6.15%	290,380
2024	170,000	120,540	6.15%	290,540
2025	180,000	110,085	6.15%	290,085
2026	190,000	99,015	6.15%	289,015
2027	1,420,000	87,330	6.15%	1,507,330
	\$ 3,385,000	\$ 2,465,497		\$ 5,850,497

The Bonds maturing on or after November 1, 2018 are redeemable by the Foundation on any date on or after November 1, 2017, in whole or in part, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed and accrued interest to the redemption date. The Bonds maturing on November 1, 2022 and November 1, 2027 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date.

Since the Foundation no longer had an interest in the Conference Center at year-end, they were required by the Bond Council to transfer funds in the amount of \$3.7 million to certain “permitted investments” to satisfy future obligations on the bonds.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Due to Others

The Foundation acts as an investment manager for certain assets for the University of Wyoming, the Cowboy Joe Club, Associated Students of the University of Wyoming, and as trustee for several remainder trusts. The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's terms, usually the designated beneficiary's lifetime. The investment held on the behalf of others and the related liabilities are as follows:

	2012	2011
Cowboy Joe Club	\$ 753,487	\$ 758,284
UW- State Match	88,573,288	88,387,997
UW - Endowments	60,328,174	61,959,973
Polly Downs Education Trust	290,370	271,707
Remainder Trusts	6,619,962	6,494,036
	\$ 156,565,281	\$ 157,871,997

The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as permanently and temporarily restricted contributions in the period the trust is established. Additional contributions totaled \$2,243,811 and \$280,529 in 2012 and 2011, respectively. Assets held in the charitable remainder trusts are reported at fair market value in the Foundation's Statement of Financial Position. On a periodic basis, as prescribed in the agreement, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$6,619,962 and \$6,494,036 at June 30, 2012 and 2011, respectively) is calculated using discount rates of 1.2% for 2012 and 3.0% for 2011.

### Note 10. Related Party Transactions

The University of Wyoming provides office facilities to the Foundation under a \$20 per year lease agreements for the Foundation House and the Annex are through 2033 and 2013 respectively. The additional estimated fair rental value, reflected in the financial statements was \$182,806 and \$182,806 for the years ended June 30, 2012 and 2011, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Net Assets

The Board designates Unrestricted Net Assets for the following purposes:

	2012	2011
Investment in property and equipment	\$ 471,315	\$ 469,872
Investments from which the income will be used to cover Foundation operating expenses or used for special Foundation projects	21,264,813	21,298,451
Other amounts held for special requests	358,846	359,546
	22,094,974	22,127,869
Reserve for market decline in excess of original gifts and endowments	(2,105,031)	(1,213,744)
Total Unrestricted	\$ 19,989,943	\$ 20,914,125

### Note 12. Spending Policy

Administration of the endowment is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under the provisions of this state law, the Foundation Board is to appropriate a prudent amount of net investment return, taking into consideration the short and long-term needs of the University of Wyoming, current and future anticipated financial requirements, expected investment returns given the current asset allocations, anticipated rates of inflation, and other economic factors. The Foundation Board has adopted a spending policy that makes a distribution based on the weighted average method, and new endowments are restricted from having a payout for one year. For fiscal year 2012 the distribution method uses a calculation with 40% based on a 3.75% spending rate of the December market value, and 60% based on the prior year distribution with an inflation adjustment increase of 3%. In fiscal year 2013 the spending rate will increase to 4.0%.

### Note 13. Financial Instruments

The carrying amount reported in the statements of financial position for cash, funds held by others, other receivables, and accounts payable approximate fair value because of the immediate or short term maturities of these financial instruments. The carrying amount of pledges receivable approximates fair value as they are presented on a discounted basis.

## NOTES TO FINANCIAL STATEMENTS

### Note 14. Major Construction Project

Planning for the University of Wyoming Gateway Center (now The Marian H. Rochelle Gateway Center) began in 2008 within the context of the University Plan and the University of Wyoming Foundation's strategic plan. As a result, the Center has emerged as one of the university's most prominent and important capital projects, with significant opportunity to celebrate, welcome, and benefit the internal and external constituents of UW.

As a multi-use location with a state-of-the-art technological infrastructure, small and large meeting rooms, and public and social event spaces, the Marian H. Rochelle Gateway Center will be a place for prospective students and families to enter the university, for gatherings of current students, for alumni to arrive and celebrate the history and traditions of their alma mater, for friends to participate in the university's programs, and for corporations and employers to interview and recruit UW students.

The Center will also include museum-quality space to commemorate the history of UW with displays and exhibitions that honor the impact of UW on Wyoming, the renowned alumni and leaders who have supported Wyoming's university, and the noteworthy traditions of the institution.

The Center details include the following:

- The Center will be located at the corner of 22nd Street and Grand Avenue and is scheduled to open in the fall of 2014. The placement of the Center on this site is in keeping with the University's Long Range Development Plan.
- The site location is approximately 2.5 acres and is owned by the UW.
- The Center will encompass more than 60,000 square feet.
- The total project cost will be approximately \$30 million.
- Construction is expected to start spring/summer 2013.
- Funding will be provided through private gifts, support from the University of Wyoming Foundation's strategic reserve and financing.
- The Center is being designed by Cheyenne architects Pappas and Pappas in partnership with the DLR Group, a national architecture firm. The national branding firm Advent will design the exhibits and museum spaces. The construction manager at risk is Haselden Construction.
- The Center will include office and meeting spaces for the UW Foundation, Alumni Association, and portions of the staff from the Center for Advising and Career Services and Admissions.

**SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
University of Wyoming  
Foundation  
Laramie, Wyoming

Our report on our audit of the basic financial statements of the University of Wyoming Foundation for the fiscal years ended June 30, 2012 and 2011 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of investments held for others is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mader Tschacher Peterson + Co, LLC*

Laramie, Wyoming  
October 3, 2012

UNIVERSITY OF WYOMING FOUNDATION

**SCHEDULE OF INVESTMENTS HELD  
FOR THE UNIVERSITY OF WYOMING**

For the Year Ended June 30, 2012

	<u>Beginning of Year Balance</u>	<u>Additions (Redemptions)</u>	<u>Transfers to UW</u>	<u>Investment Return</u>	<u>Fees</u>	<u>End of Year Balance</u>
Cowboy Joe Club	\$ 758,284	\$ 37,380	\$ (34,217)	\$ (6,835)	\$ (1,125)	\$ 753,487
UW- State Match	88,387,997	4,102,464	(3,053,324)	(863,385)	(464)	88,573,288
UW - Endowment	<u>61,959,973</u>	<u>706,024</u>	<u>(1,742,789)</u>	<u>(595,034)</u>	<u>-</u>	<u>60,328,174</u>
	<u>\$ 151,106,254</u>	<u>\$ 4,845,868</u>	<u>\$ (4,830,330)</u>	<u>\$ (1,465,254)</u>	<u>\$ (1,589)</u>	<u>\$ 149,654,949</u>