

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

**JUNE 30, 2011 and 2010**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
University of Arkansas Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of University of Arkansas Foundation, Inc. and subsidiary as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial position of University of Arkansas Foundation, Inc. and subsidiary as of June 30, 2011 and 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.



September 30, 2011

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30, 2011 and 2010**

|  | 2011                  | 2010                  |
|--|-----------------------|-----------------------|
| <b>Assets</b>  |                       |                       |
| Contributions receivable, net  | \$ 67,127,113         | \$ 78,609,611         |
| Interest receivable  | 2,881,560             | 2,076,577             |
| Investments, at fair value   | 679,284,645           | 571,798,818           |
| Cash value of life insurance   | 758,667               | 643,968               |
| Land, buildings and equipment, net of accumulated depreciation of \$255,834 at 2011 and 2010 | 385,752               | 390,752               |
| Total assets   | <u>\$ 750,437,737</u> | <u>\$ 653,519,726</u> |
| <b>Liabilities and Net Assets</b>  |                       |                       |
| Liabilities:   |                       |                       |
| Accounts payable   | \$ 6,188,369          | \$ 5,681,299          |
| Annuity obligations  | 15,966,475            | 16,669,037            |
| Total liabilities  | <u>22,154,844</u>     | <u>22,350,336</u>     |
| Net assets:  |                       |                       |
| Unrestricted   | 76,064,090            | 69,625,749            |
| Temporarily restricted   | 159,825,370           | 151,489,115           |
| Permanently restricted   | 492,393,433           | 410,054,526           |
| Total net assets   | <u>728,282,893</u>    | <u>631,169,390</u>    |
| Total liabilities and net assets   | <u>\$ 750,437,737</u> | <u>\$ 653,519,726</u> |

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2011**

|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total              |
|--|-------------------|---------------------------|---------------------------|--------------------|
| Revenues, gains and other support:                   |                   |                           |                           |                    |
| Contributions  | \$ 9,185,884      | \$ 38,951,573             | \$ 20,789,614             | \$ 68,927,071      |
| Sponsored programs                                   | 485,618           | 45,296                    | -                         | 530,914            |
| Interest and dividends                               | 3,165,583         | 4,878,108                 | 330,759                   | 8,374,450          |
| Net realized and unrealized gains on<br>investments  | 12,239,522        | 14,798,162                | 61,728,444                | 88,766,128         |
| Other  | 161,172           | 29,671                    | -                         | 190,843            |
| Net assets released from restrictions                | 48,045,047        | (48,045,047)              | -                         | -                  |
| <b>Total revenues, gains and other support</b>       | <b>73,282,826</b> | <b>10,657,763</b>         | <b>82,848,817</b>         | <b>166,789,406</b> |
| Expenses and losses:                                 |                   |                           |                           |                    |
| Program services:                                    |                   |                           |                           |                    |
| Construction   | 12,990,496        | -                         | -                         | 12,990,496         |
| Research   | 12,822,638        | -                         | -                         | 12,822,638         |
| Faculty/staff support                                | 10,052,485        | -                         | -                         | 10,052,485         |
| Scholarships and awards                              | 8,075,659         | -                         | -                         | 8,075,659          |
| Public/staff relations                               | 2,830,998         | -                         | -                         | 2,830,998          |
| Equipment  | 3,436,365         | -                         | -                         | 3,436,365          |
| Sponsored programs                                   | 1,352,198         | -                         | -                         | 1,352,198          |
| Other  | 12,540,494        | -                         | -                         | 12,540,494         |
| <b>Total program services</b>                        | <b>64,101,333</b> | <b>-</b>                  | <b>-</b>                  | <b>64,101,333</b>  |
| Supporting services:                                 |                   |                           |                           |                    |
| Management and general                               | 820,773           | -                         | -                         | 820,773            |
| Fundraising  | 1,877,351         | -                         | -                         | 1,877,351          |
| Change in value of split-interest<br>agreements      | -                 | -                         | 405,500                   | 405,500            |
| Provision for loss on uncollectible<br>contributions | 45,028            | 2,321,508                 | 104,410                   | 2,470,946          |
| <b>Total supporting services</b>                     | <b>2,743,152</b>  | <b>2,321,508</b>          | <b>509,910</b>            | <b>5,574,570</b>   |
| <b>Total expenses and losses</b>                     | <b>66,844,485</b> | <b>2,321,508</b>          | <b>509,910</b>            | <b>69,675,903</b>  |
| Change in net assets                                 | 6,438,341         | 8,336,255                 | 82,338,907                | 97,113,503         |
| Net assets, beginning of year                        | 69,625,749        | 151,489,115               | 410,054,526               | 631,169,390        |
| Net assets, end of year                              | \$ 76,064,090     | \$ 159,825,370            | \$ 492,393,433            | \$ 728,282,893     |

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2010**

|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total              |
|--|-------------------|---------------------------|---------------------------|--------------------|
| Revenues, gains and other support:                   |                   |                           |                           |                    |
| Contributions  | \$ 12,125,457     | \$ 59,301,035             | \$ 20,379,836             | \$ 91,806,328      |
| Sponsored programs                                   | 1,231,335         | 399,787                   | -                         | 1,631,122          |
| Interest and dividends                               | 5,801,437         | 5,277,288                 | 338,743                   | 11,417,468         |
| Net realized and unrealized gains on<br>investments  | 17,193,821        | 15,095,585                | 28,656,166                | 60,945,572         |
| Other  | 269,676           | 124,545                   | -                         | 394,221            |
| Net assets released from restrictions                | 49,613,848        | (49,613,848)              | -                         | -                  |
| <b>Total revenues, gains and other support</b>       | <b>86,235,574</b> | <b>30,584,392</b>         | <b>49,374,745</b>         | <b>166,194,711</b> |
| Expenses and losses:                                 |                   |                           |                           |                    |
| Program services:                                    |                   |                           |                           |                    |
| Construction   | 21,455,134        | -                         | -                         | 21,455,134         |
| Research   | 10,242,053        | -                         | -                         | 10,242,053         |
| Faculty/staff support                                | 14,367,472        | -                         | -                         | 14,367,472         |
| Scholarships and awards                              | 6,954,482         | -                         | -                         | 6,954,482          |
| Public/staff relations                               | 2,538,153         | -                         | -                         | 2,538,153          |
| Equipment  | 2,874,655         | -                         | -                         | 2,874,655          |
| Sponsored programs                                   | 1,573,084         | -                         | -                         | 1,573,084          |
| Other  | 12,592,218        | -                         | -                         | 12,592,218         |
| <b>Total program services</b>                        | <b>72,597,251</b> | <b>-</b>                  | <b>-</b>                  | <b>72,597,251</b>  |
| Supporting services:                                 |                   |                           |                           |                    |
| Management and general                               | 350,617           | -                         | -                         | 350,617            |
| Fundraising  | 2,193,246         | -                         | -                         | 2,193,246          |
| Change in value of split-interest<br>agreements      | -                 | -                         | 79,248                    | 79,248             |
| Provision for loss on uncollectible<br>contributions | 72,660            | 1,960,493                 | 375,207                   | 2,408,360          |
| <b>Total supporting services</b>                     | <b>2,616,523</b>  | <b>1,960,493</b>          | <b>454,455</b>            | <b>5,031,471</b>   |
| <b>Total expenses and losses</b>                     | <b>75,213,774</b> | <b>1,960,493</b>          | <b>454,455</b>            | <b>77,628,722</b>  |
| Change in net assets                                 | 11,021,800        | 28,623,899                | 48,920,290                | 88,565,989         |
| Net assets, beginning of year                        | 58,603,949        | 122,865,216               | 361,134,236               | 542,603,401        |
| Net assets, end of year                              | \$ 69,625,749     | \$ 151,489,115            | \$ 410,054,526            | \$ 631,169,390     |

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2011 and 2010**

|   | 2011          | 2010          |
|---|---------------|---------------|
| <b>Cash Flows from Operating Activities</b>   |               |               |
| Change in net assets  | \$ 97,113,503 | \$ 88,565,989 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |               |               |
| Change in value of split-interest agreements  | 405,500       | 79,248        |
| Net realized and unrealized gains on investments  | (88,766,128)  | (60,945,572)  |
| Net loss on disposal of land, buildings and equipment                                   | 5,000         | 31,564        |
| Net increase in provision for loss on uncollectible contributions                       | 243,000       | 452,500       |
| Increase in cash value of life insurance  | (114,699)     | (32,917)      |
| Noncash gifts   | -             | (118,500)     |
| Interest restricted for long-term investment  | (388,215)     | (382,812)     |
| Contributions restricted for long-term investment                                       | (23,550,129)  | (23,745,817)  |
| Change in assets and liabilities:   |               |               |
| Decrease (increase) in contributions receivable   | 11,239,498    | (30,737,391)  |
| Increase in interest receivable   | (804,983)     | (240,539)     |
| Decrease in other   | -             | 109,009       |
| Increase in accounts payable  | 507,070       | 1,208,848     |
|   | (4,110,583)   | (25,756,390)  |
| <b>Cash Flows from Investing Activities</b>   |               |               |
| Proceeds from sale of investments   | 203,862,774   | 853,542,836   |
| Purchase of investments   | (222,582,473) | (853,224,517) |
| Proceeds from sale of land, buildings and equipment                                     | -             | 162,936       |
|   | (18,719,699)  | 481,255       |
| <b>Cash Flows from Financing Activities</b>   |               |               |
| Proceeds from contributions restricted for:   |               |               |
| Investment in endowment   | 23,550,129    | 23,745,817    |
| Investment subject to annuity obligations   | 814,226       | 3,210,731     |
| Other financing activities:   |               |               |
| Interest restricted for reinvestment  | 388,215       | 382,812       |
| Payment of annuity obligations  | (1,922,288)   | (2,064,225)   |
|   | 22,830,282    | 25,275,135    |
| Net cash provided by financing activities   |               |               |
|   | 22,830,282    | 25,275,135    |
| Net change in cash and cash at beginning and end of year                                | \$ -          | \$ -          |

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2011 and 2010**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Nature of operations

The University of Arkansas Foundation, Inc. (the Foundation) administers and invests gifts and other amounts received directly or indirectly as a result of the individual fundraising activities of the various unincorporated development councils of the Foundation. The Foundation's principal activity is providing support to or for the benefit of University of Arkansas.

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, University of Arkansas Foundation Realty LLC (an Arkansas limited liability company) (the Subsidiary). The specific purposes of the Subsidiary are to receive, hold, manage and sell real estate of the Foundation and the Subsidiary, acquired by gift, devise or purchase, and to otherwise invest, reinvest, manage and operate the assets of the Subsidiary. The Subsidiary will exist for a period of 50 years ending December 31, 2050. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the allowance for doubtful contributions receivable. While the allowance is maintained at a level considered adequate to provide for potential losses based on management's evaluation of the contributions receivable, as well as on historical losses, changes in conditions may necessitate revision of these estimates in future years.

The financial statements include marketable and nonmarketable alternative investments valued at approximately \$211 million (29% of net assets) and \$168 million (27% of net assets) as of June 30, 2011 and 2010, respectively. The fair values of alternative investments have been prepared by management in the absence of readily determinable fair values. These values are based on information provided by the respective fund managers.

Unrestricted net assets

Gifts of cash and other assets that have neither permanent nor temporary donor imposed restrictions are recorded as unrestricted. Donor-restricted contributions, whose restrictions are met within the same year as received, are also reported as unrestricted contributions.

Temporarily restricted net assets

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a

stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

#### Permanently restricted net assets

Permanently restricted net assets are subject to donor imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to expend income and principal in an amount equal to a predetermined "spending rate" established by the Foundation's Board of Directors (see Note 11).

#### Contributions

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

#### Purchased investments

Investments consist primarily of marketable securities. The Foundation accounts for investments under applicable guidance for certain investments held by not-for-profit organizations. This guidance requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in the Statements of Activities.

#### Donated assets

Donated assets are carried at the lower of fair value on the date of receipt or year-end market value.

#### Income taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is considered an organization that is not a private foundation.

The accounting for income taxes may, at times, involve some degree of uncertainty and, as such, lead to uncertain tax positions having been taken. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008.

#### Reclassifications

Certain reclassifications have been made to prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on the Foundation's change in net assets.

#### New accounting pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued new guidance, improving disclosures and fair value measurements to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements. The new guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new guidance is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The new guidance was adopted for the year ended June 30,

2011, except for the Level 3 reconciliation disclosures, which is required in 2012. The adoption in 2011 did not materially affect, and the future adoption is not expected to materially affect, the Foundation's financial statements.

### Subsequent events

Management has evaluated subsequent events through September 30, 2011, the date the financial statements were available to be issued.

### **Note 2 – Contributions Receivable**

Contributions receivable consist of the following unconditional promises to give at June 30:

|                                       | 2011                 | 2010                 |
|---------------------------------------|----------------------|----------------------|
| Due in less than one year             | \$ 32,705,329        | \$ 37,084,722        |
| Due in one to five years              | 42,347,580           | 49,038,193           |
| Due in more than five years           | 1,827,649            | 3,424,299            |
|                                       | <u>76,880,558</u>    | <u>89,547,214</u>    |
| Less: Allowance for doubtful accounts | (1,536,000)          | (1,293,000)          |
| Unamortized discount                  | (8,217,445)          | (9,644,603)          |
|                                       | <u>(9,753,445)</u>   | <u>(10,937,603)</u>  |
|                                       | <u>\$ 67,127,113</u> | <u>\$ 78,609,611</u> |

### **Note 3 – Investments**

The market values of the Foundation's portfolios of investments, consisting primarily of marketable securities as of June 30 are as follows:

|   | 2011                  | 2010                  |
|---|-----------------------|-----------------------|
| Equity securities                       | \$ 38,120,994         | \$ 31,821,673         |
| Fixed income securities                 | 40,826,995            | 48,620,786            |
| Commingled funds                        | 304,657,934           | 262,388,587           |
| Other partnerships                      | 79,265,993            | 56,651,821            |
| Marketable alternatives                 | 103,747,498           | 85,157,280            |
| Nonmarketable alternatives              | 107,489,229           | 82,807,976            |
| Money market and short-term investments | 5,176,002             | 4,350,695             |
|   | <u>\$ 679,284,645</u> | <u>\$ 571,798,818</u> |

The Foundation paid approximately \$2.1 million and \$2.9 million in custodial and investment advisory fees during 2011 and 2010, respectively. These fees are netted against interest and dividend revenue in the Statements of Activities.

The Foundation invests in various investment securities, including marketable and nonmarketable alternatives, which are in general exposed to various risks, such as interest rate, credit and overall market volatility risks. Investments are made by investment managers engaged by the Foundation, and the investments are monitored by the Foundation staff and its outsourced chief investment officer. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

Due to market volatility, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the Statements of Activities. Significant fluctuations in fair values could occur from year to year, and the amounts the Foundation will ultimately realize could differ materially.

#### Note 4 – Annuity Obligations

The Foundation has received gifts in return for lifetime annuities. The terms of these annuities vary depending upon the life expectancy of the recipients. The quarterly payments as of June 30, 2011 and 2010, were \$460,400 and \$533,400, respectively, including interest which ranges from 5% to 12%.

Aggregate annual maturities of annuity obligations at June 30, 2011, are as follows:

| <u>Year</u> | <u>Amount</u>        |
|-------------|----------------------|
| 2012        | \$ 1,288,280         |
| 2013        | 1,255,168            |
| 2014        | 1,205,204            |
| 2015        | 1,167,376            |
| 2016        | 1,122,036            |
| Thereafter  | 9,928,411            |
|             | <u>\$ 15,966,475</u> |

#### Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

|                         | <u>2011</u>           | <u>2010</u>           |
|-------------------------|-----------------------|-----------------------|
| Construction            | \$ 81,004,461         | \$ 68,537,814         |
| Faculty/staff support   | 15,275,877            | 14,344,793            |
| Institutional support   | 23,171,555            | 27,332,110            |
| Research                | 15,777,424            | 19,996,762            |
| Scholarships and awards | 19,632,989            | 18,795,624            |
| Other                   | 4,963,064             | 2,482,012             |
|                         | <u>\$ 159,825,370</u> | <u>\$ 151,489,115</u> |

#### Note 6 – Permanently Restricted Net Assets

Permanently restricted net assets are required to be invested in perpetuity. In accordance with donor stipulations, net appreciation in the value of endowed funds, less the amount equal to the spending rate as determined by the Board, is to be retained permanently. Permanently restricted net assets are designated for the following purposes at June 30:

|                         | <u>2011</u>           | <u>2010</u>           |
|-------------------------|-----------------------|-----------------------|
| Construction            | \$ 15,348,496         | \$ 11,834,553         |
| Faculty/staff support   | 162,110,123           | 133,467,240           |
| Institutional support   | 115,221,701           | 103,602,599           |
| Research                | 26,705,393            | 22,480,022            |
| Scholarships and awards | 154,275,777           | 126,665,986           |
| Other                   | 18,731,943            | 12,004,126            |
|                         | <u>\$ 492,393,433</u> | <u>\$ 410,054,526</u> |

## Note 7 – Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the years ended June 30:

|                         | 2011                 | 2010                 |
|-------------------------|----------------------|----------------------|
| Construction            | \$ 12,056,110        | \$ 15,535,558        |
| Scholarships and awards | 7,180,583            | 6,396,774            |
| Research                | 11,846,646           | 8,703,823            |
| Faculty/staff support   | 6,928,649            | 8,653,991            |
| Other                   | 10,033,059           | 10,323,702           |
|                         | <u>\$ 48,045,047</u> | <u>\$ 49,613,848</u> |

## Note 8 – Pension Plan

The Foundation has a defined contribution (money-purchase) retirement plan covering substantially all employees. The Foundation's contributions to the plan are 5% of participants' salaries. In addition, the Foundation will match all contributions made by employees up to and including 5%. Contributions are limited to 10% of the total compensation paid to participants during the plan year. Participants' interests are immediately vested. Employer contributions to the plan were \$102,900 and \$99,500 in fiscal years 2011 and 2010, respectively.

## Note 9 – Financial Instruments

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments, all of which are reported at fair value:

### Interest receivable

For these short-term instruments, the carrying amount approximates fair value.

### Contributions receivable

The fair value is estimated by discounting the expected future cash flows using the risk-free interest rates applicable to the years in which the promises are received.

## Note 10 – Fair Value Measurements

The Financial Accounting Standards Board established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to the Foundation's perceived risk of that fund.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Publicly traded equity securities and mutual funds are the primary investments included in Level 1 and are valued at the individual security's closing market price.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from independent sources. These types of sources would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, models or other valuation methodologies. Level 2 investments include U.S. and international government debt securities valued at market corroborated prices and certain equity and fixed income investments in commingled investment vehicles reported at net asset value derived from the market prices of security holdings.
- Level 3 – Inputs that are unobservable. Unobservable inputs are those that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager pricing for private equities, hedge funds and certain limited partnerships. Limited partner interests in private equity and other partnerships and hedge fund investments are included in Level 3 and are valued using the individual investment manager's reported estimates of fair value developed in accordance with reasonable valuation policies.

The inputs used in determining the fair value of the Foundation's annuity obligations are the annuity payout percentage, payment frequency, discount rate and life expectancy of the donor. Life expectancies are based upon mortality tables issued by IRS Publication No. 1457 and discount rates are the applicable federal rate, per Section 7520 of the Internal Revenue Code. The Foundation has classified annuity obligations in Level 3, given these unobservable inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

There were no investment transfers due to changes in the observability of significant inputs between Level 1 and Level 2 assets during the years ended June 30, 2011 and 2010. The transfers in and out of Level 3 assets for the year ended June 30, 2011, are outlined in the table that summarizes changes in fair value of the Foundation's Level 3 assets below. There were no transfers in and out of Level 3 assets for the year ended June 30, 2010.

The following tables set forth, by level, within the valuation hierarchy amounts recorded in the Foundation's financial statements at fair value as of June 30, 2011 and 2010:

| 2011   | Assets               |                       |                       |                       | Liabilities          |                      |
|--|----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
|  | Level 1              | Level 2               | Level 3               | Total                 | Level 3              | Total                |
| Equity Securities:                               |                      |                       |                       |                       |                      |                      |
| United States                                    | \$ 27,537,121        | \$ 13,636             | \$ -                  | \$ 27,550,757         | \$ -                 | \$ -                 |
| International                                    | 2,796,853            | -                     | 14,895                | 2,811,748             | -                    | -                    |
| REITs  | 7,758,489            | -                     | -                     | 7,758,489             | -                    | -                    |
| Fixed Income:                                    |                      |                       |                       |                       |                      |                      |
| Government Debt Securities,<br>US (a)            | 499,826              | 21,894,085            | -                     | 22,393,911            | -                    | -                    |
| Government Debt Securities,<br>International (b) | -                    | 17,052,658            | -                     | 17,052,658            | -                    | -                    |
| Other Debt Securities                            | 1,380,426            | -                     | -                     | 1,380,426             | -                    | -                    |
| Commingled Funds:                                |                      |                       |                       |                       |                      |                      |
| US Equity (c)                                    | 21,175,949           | 26,073,808            | -                     | 47,249,757            | -                    | -                    |
| International Equity (d)                         | 6,354,209            | 52,992,547            | -                     | 59,346,756            | -                    | -                    |
| Commodities (e)                                  | -                    | 2,283,569             | -                     | 2,283,569             | -                    | -                    |
| US Government Bonds (f)                          | 3,010,572            | 65,180,202            | -                     | 68,190,774            | -                    | -                    |
| Corporate Bonds (g)                              | 5,880,023            | 121,707,055           | -                     | 127,587,078           | -                    | -                    |
| Other Partnerships:                              |                      |                       |                       |                       |                      |                      |
| United States (h)                                | -                    | -                     | 32,970,580            | 32,970,580            | -                    | -                    |
| International (i)                                | -                    | -                     | 46,295,413            | 46,295,413            | -                    | -                    |
| Marketable alternatives (j)                      | -                    | -                     | 103,747,498           | 103,747,498           | -                    | -                    |
| Nonmarketable alternatives (k)                   | -                    | -                     | 107,489,229           | 107,489,229           | -                    | -                    |
| Money markets and short-term<br>investments      | 5,176,002            | -                     | -                     | 5,176,002             | -                    | -                    |
| Annuity obligations                              | -                    | -                     | -                     | -                     | 15,966,475           | 15,966,475           |
| <b>Total</b>                                     | <b>\$ 81,569,470</b> | <b>\$ 307,197,560</b> | <b>\$ 290,517,615</b> | <b>\$ 679,284,645</b> | <b>\$ 15,966,475</b> | <b>\$ 15,966,475</b> |

| 2010   | Assets               |                       |                       |                       | Liabilities          |                      |
|--|----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
|  | Level 1              | Level 2               | Level 3               | Total                 | Level 3              | Total                |
| Equity Securities:                               |                      |                       |                       |                       |                      |                      |
| United States                                    | \$ 21,332,476        | \$ 11,345             | \$ -                  | \$ 21,343,821         | \$ -                 | \$ -                 |
| International                                    | 2,805,052            | -                     | -                     | 2,805,052             | -                    | -                    |
| REITs  | 7,672,800            | -                     | -                     | 7,672,800             | -                    | -                    |
| Fixed Income:                                    |                      |                       |                       |                       |                      |                      |
| Government Debt Securities,<br>US (a)            | 837,361              | 22,037,187            | -                     | 22,874,548            | -                    | -                    |
| Government Debt Securities,<br>International (b) | -                    | 24,549,937            | 108,304               | 24,658,241            | -                    | -                    |
| Other Debt Securities                            | 1,048,838            | 39,159                | -                     | 1,087,997             | -                    | -                    |
| Commingled Funds:                                |                      |                       |                       |                       |                      |                      |
| US Equity (c)                                    | 15,841,588           | 23,829,666            | -                     | 39,671,254            | -                    | -                    |
| International Equity (d)                         | 8,258,934            | 44,325,929            | -                     | 52,584,863            | -                    | -                    |
| Commodities (e)                                  | -                    | 5,028,456             | -                     | 5,028,456             | -                    | -                    |
| US Government Bonds (f)                          | 3,074,058            | 73,739,065            | -                     | 76,813,123            | -                    | -                    |
| Corporate Bonds (g)                              | 6,004,018            | 82,286,873            | -                     | 88,290,891            | -                    | -                    |
| Other Partnerships:                              |                      |                       |                       |                       |                      |                      |
| United States (h)                                | -                    | -                     | 24,104,566            | 24,104,566            | -                    | -                    |
| International (i)                                | -                    | -                     | 32,547,255            | 32,547,255            | -                    | -                    |
| Marketable alternatives (j)                      | -                    | -                     | 85,157,280            | 85,157,280            | -                    | -                    |
| Nonmarketable alternatives (k)                   | -                    | -                     | 82,807,976            | 82,807,976            | -                    | -                    |
| Money markets and short-term<br>investments      | 4,350,695            | -                     | -                     | 4,350,695             | -                    | -                    |
| Annuity obligations                              | -                    | -                     | -                     | -                     | 16,669,037           | 16,669,037           |
| <b>Total</b>                                     | <b>\$ 71,225,820</b> | <b>\$ 275,847,617</b> | <b>\$ 224,725,381</b> | <b>\$ 571,798,818</b> | <b>\$ 16,669,037</b> | <b>\$ 16,669,037</b> |

(a) This class includes U.S. Treasury securities managed to approximate the risk and return characteristics of the Barclays Capital U.S. Treasury OTR 10 Index.

(b) This class includes European government bonds managed to approximate the risk and return characteristics of the CG European Government World Bond Index.

- (c) This class includes mutual funds and collective trust funds invested in the common stocks of large cap U.S. companies. The holdings are benchmarked to or are similar in composition to the S&P 100 Index.
- (d) This class includes mutual funds and collective trust funds invested in the common stocks of international companies with approximately 60% in developed markets funds and 40% in emerging markets funds. Benchmarks include the MSCI World ex U.S. Index, MSCI Japan Index, MSCI Emerging Markets Index and S&P Emerging and Frontier Middle East & Africa Index.
- (e) This class includes a collective trust fund that makes commodities related investments benchmarked to the S&P GS Commodity Index Equal Weighted.
- (f) This class includes investments in collective trust funds indexed to the Barclays Capital U.S. Intermediate Government Bond Index and the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index.
- (g) This class includes investments in collective trust funds indexed to the Barclays Capital U.S. Credit Index and the Barclays Capital U.S. Intermediate Credit Index.
- (h) This class includes investments in limited partnerships that invest primarily in U.S. common stocks and are benchmarked to the S&P 500. These partnerships may invest in securities outside the benchmark index, use futures and options, invest in private investments and engage in short-selling. Liquidity may be restricted through the use of lock-up periods and notice requirements.
- (i) This class includes investments in limited partnerships that invest primarily in international common stocks, including both developed and emerging markets. Approximately 75% of partnership assets are benchmarked to the MSCI EAFE Index. MSCI World and Emerging Markets Indices serve as benchmarks for the remaining 25% of assets. Withdrawals are subject to notice requirements and approximately 25% of assets are invested in partnerships with lock-up requirements.
- (j) This class includes investments through a limited partnership in multiple underlying hedge funds with the overall investment objective of achieving equity-like returns with minimal correlation to major market averages. The portfolio is diversified by investment strategy and by manager. Liquidity and lock-up periods will vary by individual fund.
- (k) This class includes investments through a limited partnership in multiple underlying private equity partnerships. The underlying investments are diversified by strategy, fund and vintage year.

The tables below sets forth a summary of changes in the fair value of the Foundation's level 3 assets and liabilities for the fiscal year ended June 30, 2011:

|                              | Assets            |                       |                            |                            |                            |               | Total          |
|------------------------------|-------------------|-----------------------|----------------------------|----------------------------|----------------------------|---------------|----------------|
|                              | Equity Securities |                       | Other Partnerships         |                            | Government Debt Securities |               |                |
|                              | International     | Other Partnerships US | Partnerships International | Nonmarketable Alternatives | Marketable Alternatives    | International |                |
| Balance, July 1, 2010        | \$ -              | \$ 24,104,566         | \$ 32,547,255              | \$ 82,807,976              | \$ 85,157,280              | \$ 108,304    | \$ 224,725,381 |
| Purchases                    | -                 | 2,094,403             | 4,367,367                  | 10,902,748                 | 18,226,263                 | -             | 35,590,781     |
| Sales                        | -                 | -                     | (90,267)                   | (5,087,848)                | (13,989,476)               | -             | (19,167,591)   |
| Transfer in (out) of Level 3 | 12,594            | -                     | -                          | -                          | -                          | (108,304)     | (95,710)       |
| Investment income            | -                 | -                     | 495,105                    | -                          | -                          | -             | 495,105        |
| Unrealized gain              | 2,301             | 6,771,611             | 8,422,565                  | 18,866,353                 | 14,353,431                 | -             | 48,416,261     |
| Realized gain                | -                 | -                     | 553,388                    | -                          | -                          | -             | 553,388        |
| Balance, June 30, 2011       | \$ 14,895         | \$ 32,970,580         | \$ 46,295,413              | \$ 107,489,229             | \$ 103,747,498             | \$ -          | \$ 290,517,615 |

|                           | Liabilities          |                      |
|---------------------------|----------------------|----------------------|
|                           | Annuity Obligations  | Total                |
| Balance, July 1, 2010     | \$ 16,669,037        | \$ 16,669,037        |
| New annuity obligations   | 525,563              | 525,563              |
| Payments to beneficiaries | (1,922,640)          | (1,922,640)          |
| Sales/liquidations        | (3,130,289)          | (3,130,289)          |
| Adjustments               | 405,500              | 405,500              |
| Investment income         | 325,082              | 325,082              |
| Unrealized gain           | 1,563,275            | 1,563,275            |
| Realized gain             | 1,530,947            | 1,530,947            |
| Balance, June 30, 2011    | <u>\$ 15,966,475</u> | <u>\$ 15,966,475</u> |

The tables below sets forth a summary of changes in the fair value of the Foundation's level 3 assets and liabilities for the fiscal year ended June 30, 2010:

|                        | Assets                |                                  |                            |                         |  | Total                 |
|------------------------|-----------------------|----------------------------------|----------------------------|-------------------------|--|-----------------------|
|                        | Other Partnerships US | Other Partnerships International | Nonmarketable Alternatives | Marketable Alternatives | Government Debt Securities-International |                       |
| Balance, July 1, 2009  | \$ 25,383,251         | \$ 22,868,637                    | \$ 57,108,960              | \$ 66,956,212           | \$ 79,592                                | \$ 172,396,652        |
| Purchases              | 724,871               | 28,161,780                       | 16,518,017                 | 22,046,561              | 177,144                                  | 67,628,373            |
| Sales                  | (6,934,481)           | (22,113,715)                     | (5,903,977)                | (9,122,000)             | (157,161)                                | (44,231,334)          |
| Unrealized gain        | 5,159,042             | 651,352                          | 13,218,883                 | 5,276,507               | 92,913                                   | 24,398,697            |
| Realized gain (loss)   | (228,117)             | 2,979,201                        | 1,866,093                  | -                       | (84,184)                                 | 4,532,993             |
| Balance, June 30, 2010 | <u>\$ 24,104,566</u>  | <u>\$ 32,547,255</u>             | <u>\$ 82,807,976</u>       | <u>\$ 85,157,280</u>    | <u>\$ 108,304</u>                        | <u>\$ 224,725,381</u> |

|                           | Liabilities          |                      |
|---------------------------|----------------------|----------------------|
|                           | Annuity Obligations  | Total                |
| Balance, July 1, 2009     | \$ 15,443,283        | \$ 15,443,283        |
| New annuity obligations   | 505,947              | 505,947              |
| Payments to beneficiaries | (2,064,225)          | (2,064,225)          |
| Sales/Liquidations        | (104,552)            | (104,552)            |
| Adjustments               | 455,116              | 455,116              |
| Investment income         | 342,348              | 342,348              |
| Unrealized gain           | 2,620,401            | 2,620,401            |
| Realized loss             | (529,281)            | (529,281)            |
| Balance, June 30, 2010    | <u>\$ 16,669,037</u> | <u>\$ 16,669,037</u> |

All net realized and unrealized gains (losses) in the tables above are reflected in the accompanying Statements of Activities. Net unrealized gains of approximately \$50,000,000 and \$27,000,000 relate to the Level 3 assets and liabilities held by the Foundation at June 30, 2011 and 2010, respectively.

## Note 11 – Endowment

The Foundation's endowment consists of funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by The Board of Directors of the Foundation (the Board) to function as endowments. As required by accounting principles generally accepted in the United

States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** – The Foundation interprets Arkansas Act 262, cited as the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), which was approved February 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policy of the Foundation

**Funds with Deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in permanently restricted net assets based upon donor stipulations. Deficiencies were \$110,945 and \$250,155 as of June 30, 2011 and 2010, respectively.

**Endowment Investment Policies** – The overall financial objectives of the Foundation are (1) to advance and support higher education, both current and future operations, for all units and activities of the University of Arkansas System, and (2) to enhance the purchasing power by generating an average annual real total return (net of investment management fees) in excess of the spending rate over the long-term with minimal return volatility. It is recognized that the real return objective may be difficult to attain in any specific time frame, but should be attainable on average over time. The returns are compared to appropriate composite benchmarks and/or endowment median.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment's investments are diversified across asset classes that balance the Foundation's need for liquidity, preservation of purchasing power and risk tolerance.

**Spending Policy** – The Board has approved a spending policy whereby funds are transferred quarterly from endowment to the appropriate temporarily restricted or unrestricted operating fund. The amount of funds transferred out of endowment is computed by applying the spending rate ranging from 4.4% to 4.5% in 2011 and 2010 to the 36-month average market value as of the end of each quarter.

Endowment net asset composition by type of fund as of June 30 are as follows:

| 2011                             | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                 |
|----------------------------------|----------------------|------------------------|------------------------|-----------------------|
| Donor-restricted endowment funds | \$ 11,646,928        | \$ 7,167,139           | \$ 461,451,054         | \$ 480,265,121        |
| Board-designated endowment funds | 18,836,431           | -                      | -                      | 18,836,431            |
|                                  | <u>\$ 30,483,359</u> | <u>\$ 7,167,139</u>    | <u>\$ 461,451,054</u>  | <u>\$ 499,101,552</u> |
| 2010                             | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                 |
| Donor-restricted endowment funds | \$ 10,000,563        | \$ 5,116,504           | \$ 383,728,128         | \$ 398,845,195        |
| Board-designated endowment funds | 16,500,060           | -                      | -                      | 16,500,060            |
|                                  | <u>\$ 26,500,623</u> | <u>\$ 5,116,504</u>    | <u>\$ 383,728,128</u>  | <u>\$ 415,345,255</u> |

Changes in endowment net assets for the fiscal years ended June 30:

| 2011   | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                 |
|--|----------------------|------------------------|------------------------|-----------------------|
| Endowment net assets, beginning of year                    | \$ 26,500,623        | \$ 5,116,504           | \$ 383,728,128         | \$ 415,345,255        |
| Investment return:   |                      |                        |                        |                       |
| Interest and dividends                                     | 266,281              | 364,914                | 3,444,553              | 4,075,748             |
| Net realized and unrealized gains on long term investments | 4,799,798            | 1,037,076              | 71,437,922             | 77,274,796            |
| Total investment return                                    | 5,066,079            | 1,401,990              | 74,882,475             | 81,350,544            |
| Contributions  | 64,453               | 1,150,495              | 22,335,180             | 23,550,128            |
| Appropriation for endowment assets for expenditure         | (1,147,796)          | (501,850)              | (19,494,729)           | (21,144,375)          |
| Endowment net assets, end of year                          | <u>\$ 30,483,359</u> | <u>\$ 7,167,139</u>    | <u>\$ 461,451,054</u>  | <u>\$ 499,101,552</u> |
| 2010   | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                 |
| Endowment net assets, beginning of year                    | \$ 22,197,206        | \$ 5,008,782           | \$ 350,082,574         | \$ 377,288,562        |
| Investment return:   |                      |                        |                        |                       |
| Interest and dividends                                     | 219,414              | 490,216                | 3,337,838              | 4,047,468             |
| Net realized and unrealized gains on long term investments | 2,795,752            | 646,080                | 44,205,356             | 47,647,188            |
| Total investment return                                    | 3,015,166            | 1,136,296              | 47,543,194             | 51,694,656            |
| Contributions  | 2,310,693            | 138,954                | 8,325,790              | 10,775,437            |
| Appropriation for endowment assets for expenditure         | (1,022,442)          | (1,167,528)            | (22,223,430)           | (24,413,400)          |
| Endowment net assets, end of year                          | <u>\$ 26,500,623</u> | <u>\$ 5,116,504</u>    | <u>\$ 383,728,128</u>  | <u>\$ 415,345,255</u> |

## Note 12 – Significant Concentrations

Five pledges approximate 62% and six pledges approximate 58% of total contributions receivable at June 30, 2011 and 2010, respectively.

**SUPPLEMENTAL SCHEDULES**

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**

**SCHEDULE OF ACTIVITIES BY DEVELOPMENT COUNCIL**

**Year ended June 30, 2011**

|  | System           | Fayetteville      | Agriculture      | Little Rock       | Medical Sciences  | Monticello       | Pine Bluff       | Arkansas Cancer Research Center | Batesville     | Total              |
|--|------------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|---------------------------------|----------------|--------------------|
| Revenues, gains and other support:               |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Contributions                                    | \$ 698,271       | \$ 37,862,653     | \$ 2,919,585     | \$ 4,905,794      | \$ 15,545,228     | \$ 782,412       | \$ 732,922       | \$ 5,382,831                    | \$ 97,375      | \$ 68,927,071      |
| Sponsored programs                               | 505              | -                 | 485,572          | 20,127            | 13,250            | 11,245           | 215              | -                               | -              | 530,914            |
| Interest and dividends                           | 542,408          | 3,714,598         | 345,634          | 678,441           | 2,409,545         | 144,729          | 66,429           | 465,785                         | 6,881          | 8,374,450          |
| Net realized and unrealized gains on investments | 3,403,960        | 48,995,254        | 2,046,502        | 6,483,129         | 22,235,665        | 1,721,635        | 622,593          | 3,199,011                       | 58,379         | 88,766,128         |
| Other  | -                | -                 | 12,273           | 126,784           | 17,180            | 30,256           | -                | 4,350                           | -              | 190,843            |
| <b>Total revenues, gains and other support</b>   | <b>4,645,144</b> | <b>90,572,505</b> | <b>5,809,566</b> | <b>12,214,275</b> | <b>40,220,868</b> | <b>2,690,277</b> | <b>1,422,159</b> | <b>9,051,977</b>                | <b>162,635</b> | <b>166,789,406</b> |
| Expenses and losses:                             |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Program services-                                |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Construction                                     | -                | 664,117           | 140,748          | 226,586           | 10,285,651        | 85,905           | 128,754          | 1,458,735                       | -              | 12,990,496         |
| Research   | -                | 6,087,643         | 1,329,939        | -                 | 1,828,192         | -                | -                | 3,576,864                       | -              | 12,822,638         |
| Faculty/staff support                            | 550,559          | 4,650,266         | 255,533          | 1,067,453         | 3,306,996         | 86,002           | 67,100           | 67,098                          | 1,478          | 10,052,485         |
| Scholarships and awards                          | 90,318           | 5,475,633         | 186,200          | 822,843           | 650,420           | 336,125          | 485,559          | -                               | 28,561         | 8,075,659          |
| Public/staff relations                           | 185,124          | 590,831           | 521,117          | 351,729           | 898,097           | 40,762           | 47,259           | 185,238                         | 10,841         | 2,830,998          |
| Equipment  | 111,405          | 696,906           | 356,655          | 164,587           | 1,295,297         | 16,689           | 42,521           | 620,138                         | 132,167        | 3,436,365          |
| Sponsored programs                               | 50,540           | 293,918           | 659,796          | 47,681            | 164,935           | 14,466           | 11,765           | 108,026                         | 1,071          | 1,352,198          |
| Other  | 555,878          | 6,263,209         | 1,071,038        | 1,731,068         | 1,981,580         | 79,987           | 108,376          | 747,904                         | 1,454          | 12,540,494         |
| <b>Total program services</b>                    | <b>1,543,824</b> | <b>24,722,523</b> | <b>4,521,026</b> | <b>4,411,947</b>  | <b>20,411,168</b> | <b>659,936</b>   | <b>891,334</b>   | <b>6,764,003</b>                | <b>175,572</b> | <b>64,101,333</b>  |
| Supporting services-                             |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Management and general                           | 126,456          | 309,135           | 23,018           | 10,256            | 334,920           | 10,159           | 2,381            | 4,448                           | -              | 820,773            |
| Fundraising                                      | 33,592           | 1,125,776         | 29,531           | 22,898            | 260,710           | 12,697           | 57,679           | 309,890                         | 24,578         | 1,877,351          |
| Change in value of split-interest agreements     | -                | 373,663           | 1,725            | 27,622            | 114,876           | (19,636)         | (1,032)          | (91,718)                        | -              | 405,500            |
| Provision for loss on uncollectible pledges      | -                | 2,299,714         | 11,500           | 67,132            | 51,600            | -                | -                | 41,000                          | -              | 2,470,946          |
| <b>Total supporting services</b>                 | <b>160,048</b>   | <b>4,108,288</b>  | <b>65,774</b>    | <b>127,908</b>    | <b>762,106</b>    | <b>3,220</b>     | <b>59,028</b>    | <b>263,620</b>                  | <b>24,578</b>  | <b>5,574,570</b>   |
| <b>Total expenses and losses</b>                 | <b>1,703,872</b> | <b>28,830,811</b> | <b>4,586,800</b> | <b>4,539,855</b>  | <b>21,173,274</b> | <b>663,156</b>   | <b>950,362</b>   | <b>7,027,623</b>                | <b>200,150</b> | <b>69,675,903</b>  |
| Change in net assets                             | 2,941,272        | 61,741,694        | 1,222,766        | 7,674,420         | 19,047,594        | 2,027,121        | 471,797          | 2,024,354                       | (37,515)       | 97,113,503         |
| Net assets, beginning of year                    | 8,052,888        | 290,309,128       | 21,174,365       | 52,632,313        | 203,831,281       | 11,302,667       | 4,885,931        | 38,518,480                      | 462,337        | 631,169,390        |
| Net assets, end of year                          | \$ 10,994,160    | \$ 352,050,822    | \$ 22,397,131    | \$ 60,306,733     | \$ 222,878,875    | \$ 13,329,788    | \$ 5,357,728     | \$ 40,542,834                   | \$ 424,822     | \$ 728,282,893     |

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.**

**SCHEDULE OF ACTIVITIES BY DEVELOPMENT COUNCIL**

**Year ended June 30, 2010**

|  | System           | Fayetteville      | Agriculture      | Little Rock       | Medical Sciences  | Monticello       | Pine Bluff       | Arkansas Cancer Research Center | Batesville     | Total              |
|--|------------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|---------------------------------|----------------|--------------------|
| Revenues, gains and other support:               |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Contributions                                    | \$ 947,747       | \$ 20,532,859     | \$ 995,296       | \$ 7,824,119      | \$ 49,494,842     | \$ 719,852       | \$ 1,543,364     | \$ 9,658,068                    | \$ 90,181      | \$ 91,806,328      |
| Sponsored programs                               | 2,488            | 33,029            | 927,830          | 352,070           | 233,949           | 841              | 55,470           | 25,445                          | -              | 1,631,122          |
| Interest and dividends                           | 884,161          | 4,857,904         | 524,484          | 1,239,132         | 3,012,778         | 182,242          | 89,841           | 617,480                         | 9,446          | 11,417,468         |
| Net realized and unrealized gains on investments | 1,785,742        | 32,150,260        | 1,873,001        | 5,279,835         | 15,698,501        | 1,130,189        | 464,115          | 2,522,055                       | 41,874         | 60,945,572         |
| Other  | -                | 16,920            | 57,889           | 221,805           | 28,558            | 43,968           | 16,079           | 9,002                           | -              | 394,221            |
| <b>Total revenues, gains and other support</b>   | <b>3,620,138</b> | <b>57,590,972</b> | <b>4,378,500</b> | <b>14,916,961</b> | <b>68,468,628</b> | <b>2,077,092</b> | <b>2,168,869</b> | <b>12,832,050</b>               | <b>141,501</b> | <b>166,194,711</b> |
| Expenses and losses:                             |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Program services-                                |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Construction                                     | -                | 1,258,883         | 144,747          | 10,819,643        | 3,107,888         | 214,130          | 739,511          | 5,170,332                       | -              | 21,455,134         |
| Research   | -                | 4,929,925         | 1,193,273        | 5,853             | 1,522,637         | 668              | -                | 2,589,697                       | -              | 10,242,053         |
| Faculty/staff support                            | 686,802          | 7,232,574         | 415,207          | 837,753           | 4,778,473         | 83,835           | 102,619          | 230,209                         | -              | 14,367,472         |
| Scholarships and awards                          | 90,185           | 4,668,264         | 195,631          | 827,213           | 635,238           | 374,387          | 138,214          | -                               | 25,350         | 6,954,482          |
| Public/staff relations                           | 135,701          | 463,807           | 482,499          | 330,718           | 830,691           | 25,129           | 87,888           | 167,468                         | 14,252         | 2,538,153          |
| Equipment  | (33,642)         | 689,107           | 291,839          | 303,565           | 1,308,148         | -                | 39,794           | 275,675                         | 169            | 2,874,655          |
| Sponsored programs                               | 22,781           | 335,675           | 839,524          | 78,819            | 240,953           | 375              | 2,735            | 52,222                          | -              | 1,573,084          |
| Other  | 761,781          | 6,477,092         | 656,917          | 1,928,262         | 1,690,661         | 103,540          | 288,874          | 677,311                         | 7,780          | 12,592,218         |
| <b>Total program services</b>                    | <b>1,663,608</b> | <b>26,055,327</b> | <b>4,219,637</b> | <b>15,131,826</b> | <b>14,114,689</b> | <b>802,064</b>   | <b>1,399,635</b> | <b>9,162,914</b>                | <b>47,551</b>  | <b>72,597,251</b>  |
| Supporting services-                             |                  |                   |                  |                   |                   |                  |                  |                                 |                |                    |
| Management and general                           | 274              | 152,372           | 29,262           | 11,381            | 132,718           | 9,440            | 8,340            | 6,830                           | -              | 350,617            |
| Fundraising                                      | 29,744           | 1,316,059         | 73,152           | 26,976            | 212,767           | 36,898           | 64,668           | 415,995                         | 16,987         | 2,193,246          |
| Change in value of split-interest agreements     | -                | 68,728            | 1,725            | 2,430             | 123,273           | (20,672)         | 1,314            | (97,550)                        | -              | 79,248             |
| Provision for loss on uncollectible pledges      | -                | 179,469           | (3,950)          | 1,791,074         | 421,942           | -                | -                | 19,825                          | -              | 2,408,360          |
| <b>Total supporting services</b>                 | <b>30,018</b>    | <b>1,716,628</b>  | <b>100,189</b>   | <b>1,831,861</b>  | <b>890,700</b>    | <b>25,666</b>    | <b>74,322</b>    | <b>345,100</b>                  | <b>16,987</b>  | <b>5,031,471</b>   |
| <b>Total expenses and losses</b>                 | <b>1,693,626</b> | <b>27,771,955</b> | <b>4,319,826</b> | <b>16,963,687</b> | <b>15,005,389</b> | <b>827,730</b>   | <b>1,473,957</b> | <b>9,508,014</b>                | <b>64,538</b>  | <b>77,628,722</b>  |
| Change in net assets                             | 1,926,512        | 29,819,017        | 58,674           | (2,046,726)       | 53,463,239        | 1,249,362        | 694,912          | 3,324,036                       | 76,963         | 88,565,989         |
| Net assets, beginning of year                    | 6,126,376        | 260,490,111       | 21,115,691       | 54,679,039        | 150,368,042       | 10,053,305       | 4,191,019        | 35,194,444                      | 385,374        | 542,603,401        |
| Net assets, end of year                          | \$ 8,052,888     | \$ 290,309,128    | \$ 21,174,365    | \$ 52,632,313     | \$ 203,831,281    | \$ 11,302,667    | \$ 4,885,931     | \$ 38,518,480                   | \$ 462,337     | \$ 631,169,390     |