

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER
FINANCIAL INFORMATION

The University of Toledo Foundation and Subsidiary
Years Ended June 30, 2005 and 2004
With Report of Independent Auditors

The University of Toledo Foundation and Subsidiary

Consolidated Financial Statements
and Other Financial Information

Years Ended June 30, 2005 and 2004

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Report of Independent Auditors

The Board of Trustees
The University of Toledo Foundation and Subsidiary

We have audited the accompanying consolidated statements of financial position of The University of Toledo Foundation and Subsidiary as of June 30, 2005 and 2004, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audits included consideration of internal controls 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 controls 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, and 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 The University of Toledo Foundation and Subsidiary as of June 30, 2005 and 2004, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

September 1, 2005

The University of Toledo Foundation and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2005	2004
Assets		
Current assets:		
Cash	\$ 388,694	\$ 1,041,546
Accounts receivable	148,209	126,865
Notes receivable (<i>Note 9</i>)	64,065	137,097
Contributions receivable, net of allowance for uncollectible contributions (<i>Note 2</i>)	1,581,562	1,656,543
Interest receivable	188,714	168,252
Prepaid expenses	70,849	68,305
Total current assets	<u>2,442,093</u>	<u>3,198,608</u>
Other assets:		
Investments (<i>Notes 1 and 3</i>):		
Pooled	95,352,974	84,547,532
Assets held in charitable remainder trusts	5,435,229	5,352,209
Total investments	<u>100,788,203</u>	<u>89,899,741</u>
Notes receivable (<i>Note 9</i>)	90,989	154,968
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment (<i>Note 2</i>)	1,873,573	1,869,580
Cash value of life insurance and annuities	1,091,731	1,062,470
Contribution receivable from remainder trusts	79,302	125,488
Total other assets	<u>103,923,798</u>	<u>93,112,247</u>
Property and equipment:		
Land	2,587,603	182,468
Rental property	1,096,441	101,093
Office equipment	496,583	515,422
	<u>4,180,627</u>	<u>798,983</u>
Less accumulated depreciation	635,892	520,924
Net property and equipment	<u>3,544,735</u>	<u>278,059</u>
Total assets	<u><u>\$ 109,910,626</u></u>	<u><u>\$ 96,588,914</u></u>

	June 30	
	2005	2004
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 791,322	\$ 950,779
Accrued liabilities	45,588	40,862
Notes payable (<i>Note 9</i>)	64,065	137,097
Total current liabilities	<u>900,975</u>	1,128,738
Noncurrent liabilities:		
Notes payable (<i>Note 9</i>)	1,760,780	154,968
Annuities payable	3,799,097	3,869,420
Total noncurrent liabilities	<u>5,559,877</u>	4,024,388
Total liabilities	<u>6,460,852</u>	5,153,126
Net assets (<i>Notes 1, 6, and 7</i>):		
Unrestricted:		
Operating funds		
Undesignated	1,232,445	361,449
Designated – real estate	1,922,872	1,998,997
Designated – board	1,125,807	1,186,741
Quasi-endowment	5,808,607	4,995,496
Total unrestricted	<u>10,089,731</u>	8,542,683
Temporarily restricted:		
Operating funds	8,323,447	8,019,013
Quasi-endowment	37,910,615	28,280,797
Total temporarily restricted	<u>46,234,062</u>	36,299,810
Permanently restricted	47,125,981	46,593,295
Total net assets	<u>103,449,774</u>	91,435,788
Total liabilities and net assets	<u><u>\$ 109,910,626</u></u>	<u><u>\$ 96,588,914</u></u>

See accompanying notes.

The University of Toledo Foundation and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total
Support, revenue, and gains (losses)				
Contributions	\$ 628,679	\$ 8,693,123	\$ 840,090	\$ 10,161,892
Administrative fees	1,400,362	(884,558)	(7,688)	508,116
Return on investments:				
Interest and dividends	285,385	1,329,542	210,662	1,825,589
Net unrealized and realized gain on investments (<i>Note 3</i>)	1,319,026	5,565,341	305,113	7,189,480
Investment fees	(78,582)	(338,023)	(31,676)	(448,281)
Net return on investments	1,525,829	6,556,860	484,099	8,566,788
Other	20,993	567,504	12,813	601,310
Real estate rental income	83,745	-	-	83,745
Net assets released from restrictions and total investments:				
Satisfaction of program and donor restrictions	5,436,730	(5,435,873)	(857)	-
Expiration of time restrictions	38,273	(890,353)	852,080	-
Other transfers (<i>Note 1</i>)	16,157	1,327,549	(1,343,706)	-
Total support, revenue, and gains (losses)	9,150,768	9,934,252	836,831	19,921,851
Expenses				
Program services:				
Academics	2,536,488	-	-	2,536,488
Student aid	1,519,227	-	-	1,519,227
Capital projects	1,063,643	-	-	1,063,643
Athletic programs	599,275	-	-	599,275
Research	119,220	-	-	119,220
Fund raising	597,035	-	-	597,035
Management and general	1,168,832	-	-	1,168,832
Actuarial adjustment on annuity obligations	-	-	304,145	304,145
Total expenses	7,603,720	-	304,145	7,907,865
Change in net assets	1,547,048	9,934,252	532,686	12,013,986
Net assets at beginning of year	8,542,683	36,299,810	46,593,295	91,435,788
Net assets at end of year	<u>\$ 10,089,731</u>	<u>\$ 46,234,062</u>	<u>\$ 47,125,981</u>	<u>\$ 103,449,774</u>

See accompanying notes.

The University of Toledo Foundation and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total
Support, revenue, and gains (losses)				
Contributions	\$ 206,797	\$ 5,931,427	\$ 1,601,288	\$ 7,739,512
Administrative fees	1,227,596	(801,308)	(6,115)	420,173
Return on investments:				
Interest and dividends	253,377	1,278,715	148,333	1,680,425
Net unrealized and realized gain on investments <i>(Note 3)</i>	1,922,048	9,090,376	569,357	11,581,781
Investment fees	(62,365)	(270,594)	(29,179)	(362,138)
Net return on investments	2,113,060	10,098,497	688,511	12,900,068
Other	224,384	841,651	22,816	1,088,851
Net assets released from restrictions and total investments:				
Satisfaction of program and donor restrictions	6,389,821	(6,983,628)	593,807	-
Expiration of time restrictions	22,962	(184,605)	161,643	-
Other transfers <i>(Note 1)</i>	598,327	(547,128)	(51,199)	-
Total support, revenue, and gains (losses)	10,782,947	8,354,906	3,010,751	22,148,604
Expenses				
Program services:				
Academics	2,749,778	-	-	2,749,778
Student aid	1,284,438	-	-	1,284,438
Capital projects	1,895,336	-	-	1,895,336
Athletic programs	698,405	-	-	698,405
Research	118,411	-	-	118,411
Fund raising	610,581	-	-	610,581
Management and general	995,652	-	-	995,652
Actuarial adjustment on annuity obligations	-	9,836	425,727	435,563
Total expenses	8,352,601	9,836	425,727	8,788,164
Change in net assets	2,430,346	8,345,070	2,585,024	13,360,440
Net assets at beginning of year	6,112,337	27,954,740	44,008,271	78,075,348
Net assets at end of year	<u>\$ 8,542,683</u>	<u>\$ 36,299,810</u>	<u>\$ 46,593,295</u>	<u>\$ 91,435,788</u>

See accompanying notes.

The University of Toledo Foundation and Subsidiary

Consolidated Statements of Cash Flows

	Years Ended June 30	
	2005	2004
Operating activities		
Change in net assets	\$ 12,013,986	\$ 13,360,440
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized gain on investments	(7,189,480)	(11,581,781)
Contributions of securities	(338,822)	(1,549,687)
Contributions recognized in connection with assets contributed by donors to charitable remainder trusts	(515,000)	(266,961)
Provision for uncollectible contributions, net of actuarial adjustment on annuity obligations	376,967	1,146,383
Gain on disposal of fixed assets	–	(185,158)
Depreciation	138,098	54,503
Changes in operating assets and liabilities:		
Contributions and accounts receivable	(35,254)	(913,828)
Interest receivable	(20,461)	(3,189)
Prepaid expenses	(2,544)	(8,757)
Accounts payable and accrued liabilities	(518,973)	(145,539)
Total adjustments	(8,105,469)	(13,454,014)
Net cash provided by (used in) operating activities	3,908,517	(93,574)
Investing activities		
Net change in investments	(3,312,125)	(937,196)
Purchases of property	(2,889,774)	(41,896)
Proceeds from sale of property	–	535,158
Net change in cash surrender value of life insurance	(29,261)	125,894
Net cash used in investing activities	(6,231,160)	(318,040)
Financing activities		
Proceeds from notes payable	1,750,000	–
Change in note receivable	137,011	166,348
Payments on note payable	(217,220)	(166,348)
Net cash provided by financing activities	1,669,791	–
Decrease in cash	(652,852)	(411,614)
Cash at beginning of year	1,041,546	1,453,160
Cash at end of year	\$ 388,694	\$ 1,041,546

See accompanying notes.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2005

1. Organization and Significant Accounting Policies

The consolidated financial statements include accounts of the University of Toledo Foundation (the Foundation) and its subsidiary, the U.T. Foundation Real Estate Corporation (the Corporation). Significant intercompany accounts and transactions have been eliminated.

The Foundation is a not-for-profit Ohio corporation organized to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University of Toledo.

The Corporation was formed in September 2001 as a wholly owned subsidiary of the Foundation. The Corporation was organized to acquire, hold title to and collect income from real property for the benefit of the Foundation and the University of Toledo.

The Foundation's significant accounting policies follow:

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to the Foundation, accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purpose. In the financial statements, funds that have similar characteristics have been combined into the net asset categories of permanently restricted, temporarily restricted and unrestricted.

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The unexpended income from these donated assets are classified as temporarily restricted quasi-endowment funds.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Income from investments in quasi-endowment funds is temporarily restricted until the board decides to spend this income.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

- Unrestricted net assets are not restricted by donors, or donor-imposed restrictions have expired. Unrestricted funds endowed by the governing board for the same purposes as permanently restricted funds are classified as restricted quasi-endowment funds. The governing board has the right to decide at any time to expend the quasi-endowment funds.

As of June 30, 2004, the net asset value of certain endowment funds were below the initial contributed value because of market performance. The Foundation transferred approximately \$189,000 from unrestricted funds to temporarily restricted quasi-endowment funds to return the reduction in value of the temporary restricted quasi-endowment funds. At June 30, 2005, as a result of improved investment performance, the Foundation transferred approximately \$120,000 from the temporarily restricted quasi-endowment funds back into unrestricted funds.

The Foundation follows the Uniform Management of Institutional Funds Act (UMIFA), which provides for spending from funds only when the fair market value of a fund exceeds its historical value, unless the agreement states otherwise. The Foundation has modified certain existing fund agreements for UMIFA, as agreed upon by the donor, and intends on incorporating such changes into future agreements.

Contributions Receivable

Unconditional promises to give are recognized as temporarily restricted revenue when amounts are pledged. The Foundation is an income beneficiary of trust funds held by others. In accordance with Financial Accounting Standards Board Statement No. 116, *Accounting for Contributions Received and Contributions Made* (FASB 116), the Foundation has recorded as an asset the net present value of the income to be received from the outside trusts.

Investments

Investments are carried at fair market value. Investment income and related administrative, investment and fiduciary expenses are allocated to the funds on a basis which reflects the ratio of the related funds invested in the pooled portfolio to total market value.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Contributions of long-lived assets, such as property, are recognized as an increase in unrestricted net assets in the year the asset is received.

Annuities Payable

Annuities payable represent the cumulative present value of the liabilities to donors of irrevocable charitable remainder trusts based on the life expectancy of each annuitant or based upon the fixed term of the annuity. The liability to each annuitant is computed annually with the actuarial gain or loss credited or charged to net assets.

Administrative Fees

In 2005 and 2004, the Foundation charged a 1.35% fee based on permanently restricted and quasi-endowed asset balances for managing and administering the investments under its control, including those investments belonging to the University of Toledo and the University of Toledo Alumni Association. The amount charged to the University of Toledo and the University of Toledo Alumni Association for the years ended June 30, 2005 and 2004, was \$508,000 and \$420,000, respectively. Administrative fees charged to restricted funds of the Foundation are included in unrestricted revenue.

Income Tax Status

The Foundation and the Corporation are incorporated under the laws of the State of Ohio as nonprofit corporations and are exempt from state and local income taxes. The Internal Revenue Service has determined that the Foundation and the Corporation are tax-exempt organizations as defined under Section 501(c)(3) and Section 501(c)(25)(C) of the Internal Revenue Code, respectively.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Contributions Receivable

As of June 30, 2005 and 2004, contributors to the Foundation have made written unconditional promises to give, for which management has established an allowance for uncollectible pledges. Contributions due greater than one year reflect a discount to net present value. Write-offs of uncollectible pledges for the years ended June 30, 2005 and 2004, amounted to \$201,000 and \$212,000, respectively.

Contributions receivable at June 30 are due as follows:

	<u>2005</u>	<u>2004</u>
Within one year	\$ 1,853,314	\$ 1,882,477
One to five years	1,909,449	1,941,394
More than five years	379,865	304,847
	4,142,628	4,128,718
Less allowance	(508,108)	(460,763)
Present value discount	(179,385)	(141,832)
Total	<u>\$ 3,455,135</u>	<u>\$ 3,526,123</u>

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

3. Investments

Investments of the University of Toledo and the University of Toledo Alumni Association are pooled with investments of the Foundation. The investments, held in trust at Northern Trust, are managed by the Foundation and consist of the following:

	Cost	Market	Net Gain
June 30, 2005			
Cash equivalents	\$ 4,529,079	\$ 4,529,079	\$ –
Common stocks	87,001,084	105,030,449	18,029,365
Corporate bonds	14,375,926	15,218,286	842,360
U.S. government and agency issues	6,365,629	6,576,927	211,298
Other	4,353,598	4,329,409	(24,598)
Total pooled investments	116,625,316	135,684,150	19,058,425
Less University's and Alumni Association's share at June 30, 2005	34,084,170	40,331,176	6,247,006
The Foundation's share at June 30, 2005	\$ 82,541,146	\$ 95,352,974	12,811,419
The Foundation's share at June 30, 2004	\$ 74,853,635	\$ 84,547,532	9,693,897
Unrealized net gain for the year			3,117,522
Realized net gain for the year			3,815,396
Total net gain for the year ended June 30, 2005			\$ 6,932,918
June 30, 2004			
Cash equivalents	\$ 4,593,241	\$ 4,593,241	\$ –
Common stocks	76,143,447	89,151,450	13,008,003
Corporate bonds	14,475,344	15,198,317	722,973
U.S. government and agency issues	5,904,581	6,136,469	231,888
Other	3,353,460	3,880,303	526,843
Total pooled investments	104,470,073	118,959,780	14,489,707
Less University's and Alumni Association's share at June 30, 2004	29,616,438	34,412,248	4,795,810
The Foundation's share at June 30, 2004	\$ 74,853,635	\$ 84,547,532	9,693,897
The Foundation's share at June 30, 2003	\$ 68,718,771	\$ 70,757,472	2,038,701
Unrealized net gain for the year			7,655,196
Realized net gain for the year			3,414,781
Total net gain for the year ended June 30, 2004			\$ 11,069,977

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

3. Investments (continued)

Assets held in charitable remainder trusts are principally comprised of equity securities and U. S. government and agency issues. Unrealized (losses) gains amounted to (\$23,000) and \$425,000 at June 30, 2005 and 2004, respectively, and realized gains of \$281,000 and \$86,000 were recognized for the years ended 2005 and 2004, respectively.

Investment and fiduciary fees of \$448,000 and \$362,000 relating to the Foundation's investments were incurred for the years ended June 30, 2005 and 2004, respectively.

In December 2004, \$1,104,000 was removed from the Northern Trust pool and deposited with Morgan Stanley at the donor's request. The assets are principally comprised of equity securities, U.S. government and agency issues and cash equivalents. At June 30, 2005, unrealized gains in this account totaled \$14,000 and realized losses totaled (\$4,000).

4. Lease Commitments

Lease Expense

The Foundation's operations are conducted in facilities leased from the University of Toledo. The lease expires January, 2012 and provides for two additional ten year renewal options. Rental expense charged to operations under the lease was \$35,000 for the years ended June 30, 2005 and 2004.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2005:

	<u>Amount</u>
2006	\$ 34,762
2007	34,762
2008	34,762
2009	34,762
2010	34,762
Thereafter	52,143
	<u>\$ 225,953</u>

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

4. Lease Commitments (continued)

Lease Revenue

On July 21, 2004, the Corporation entered into an agreement to lease property for 24 months with an option to extend 12 additional months. The monthly lease payments are variable and the rate is calculated by adding 150 basis points to the lesser of either the current prime rate or to LIBOR plus 125 basis points. Monthly lease rates for the current fiscal year have ranged from 4.17% to 6.065%. Rent revenue as of June 30, 2004 is \$84,000.

On November 19, 2004, the Corporation entered into an agreement to lease property to the University of Toledo. The lease is triple net for one year and renews automatically. Annual rent is \$1.00 per year.

5. Pension Plans

The Foundation has noncontributory defined contribution retirement plans covering all permanent employees who have at least 1,000 hours of services in a twelve consecutive month period. Contributions are based on a percentage of gross wages. Total pension expense for the years ended June 30, 2005 and 2004, was \$41,000 and \$40,000, respectively.

6. Temporarily Restricted Net Assets

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

	<u>2005</u>	<u>2004</u>
Academics	\$ 17,299,322	\$ 15,556,975
Student aid	21,930,871	14,368,548
Capital projects	4,213,979	3,926,851
Athletic programs	393,678	360,471
Research	1,105,440	1,019,603
General support	1,290,772	1,067,362
	<u>\$ 46,234,062</u>	<u>\$ 36,299,810</u>

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

7. Permanently Restricted Net Assets

Permanently restricted net assets, reflected below at June 30, are restricted to investment in perpetuity. The income from these assets is expendable to support the activities within each category and is reclassified to temporarily restricted net assets.

	<u>2005</u>	<u>2004</u>
Academics	\$ 15,545,840	\$ 14,667,522
Student aid	23,636,958	24,296,105
Capital projects	3,381,890	3,193,462
Athletic programs	89,575	81,425
Research	1,364,916	1,364,566
General support	3,106,802	2,990,215
Total	<u>\$ 47,125,981</u>	<u>\$ 46,593,295</u>

8. Reclassification of Net Assets

Net assets which were released from temporarily restricted net assets and transferred from permanently restricted net assets upon satisfaction of donor restrictions were expended as follows for the years ended June 30:

	<u>2005</u>	<u>2004</u>
Academics	\$ 2,098,787	\$ 2,448,757
Student aid	1,555,922	1,228,912
Capital projects	1,063,526	1,895,336
Athletic programs	119,220	118,411
Research	599,275	698,405
	<u>\$ 5,436,730</u>	<u>\$ 6,389,821</u>

Other transfers relate mainly to transfers of spendable earnings from quasi-endowment to operating funds, as well as reclassifications of endowments determined to be permanently restricted.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

9. Related-Party Transactions

In December 1999, the Foundation executed a \$490,000 five-year loan for the purchase of a new scoreboard for the Glass Bowl with monthly payments of \$9,758, including annual interest at 7.50%. This loan was paid in full in March 2005. In September 2002, the Foundation executed a \$175,000 five-year loan for the purchase of baseball training facilities for the Athletic Department with quarterly payments of \$9,697, including annual interest at 200 basis points above LIBOR, adjusted September 19 annually (3.3125% at June 30, 2005). The balance outstanding on this note as of June 30, 2005 and 2004 was \$82,000 and \$116,000 respectively. In November 2002, the Foundation executed a \$144,000 five-year loan for the purchase of video equipment for the Athletic Department with quarterly payments of \$7,863, including annual interest at 5.35%. The balance outstanding on this note as of June 30, 2005 and 2004 was \$73,000 and \$100,000 respectively.

At the time that the notes were executed, the University signed term notes payable to the Foundation with the same terms as the Foundation's loans. The Foundation has recorded notes receivable from the University and notes payable on its statement of financial position.

10. Line of Credit

The Foundation also has an unsecured, revolving line of credit agreement with a bank which provides for borrowings up to \$10,000,000, with interest at the bank's prime rate less one half-percent (6.25% at June 30, 2005). This line of credit is to be utilized in real-estate transactions entered into by the Foundation on behalf of the Corporation. There were no borrowings on the line of credit in the current year.

11. Real Estate Corporation

At June 30, 2005, the Corporation had purchased the two properties with a total cost of approximately \$2.5 million. An additional purchase offer for \$335,000 had been accepted and subsequently closed on August 11, 2005.

In June 2005, title to three properties owned by the Foundation was transferred to the Corporation. The historical cost of the transferred properties was \$1.18 million. Total cost of real estate owned by the Corporation at June 30, 2005, net of depreciation, is \$3.5 million.

In July 2004, the Corporation executed a \$1,750,000 three-year loan with a bank for the purchase of a building. Monthly interest payments are variable at 125 basis points above LIBOR (4.5625% at June 30, 2005) with maturity on July 14, 2007. Principal payments are made in equal monthly installments of \$7,000 over the next 20 years. The principal balance at June 30, 2005, is \$1,670,000 and interest expense is \$57,000.

Other Financial Information

Report of Independent Auditors
on Other Financial Information

The Board of Trustees
The University of Toledo Foundation and Subsidiary

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of University of Toledo Foundation and its subsidiary taken as a whole. The following financial information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst + Young LLP

September 1, 2005

The University of Toledo Foundation and Subsidiary

Consolidating Statements of Financial Position

June 30, 2005

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp	Consolidated University of Toledo Foundation
Assets			
Current assets:			
Cash	\$ 290,670	\$ 98,024	\$ 388,694
Accounts receivable	146,766	1,443	148,209
Notes receivable	64,065	-	64,065
Contributions receivable, net of allowance for uncollectible contributions	1,581,562	-	1,581,562
Interest receivable	188,714	-	188,714
Prepaid expenses	65,849	5,000	70,849
Total current assets	<u>2,337,626</u>	<u>104,467</u>	<u>2,442,093</u>
Other assets:			
Investments:			
Pooled	95,352,974	-	95,352,974
Assets held in charitable remainder trusts	5,435,229	-	5,435,229
Total investments	<u>100,788,203</u>	<u>-</u>	<u>100,788,203</u>
Notes receivable	90,989	-	90,989
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment	1,873,573	-	1,873,573
Cash value of life insurance and annuities	1,091,731	-	1,091,731
Contribution receivable from remainder trusts	79,302	-	79,302
Total other assets	<u>103,923,798</u>	<u>-</u>	<u>103,923,798</u>
Property and equipment:			
Land	11,970	2,575,633	2,587,603
Rental property	-	1,096,441	1,096,441
Office equipment	496,583	-	496,583
	<u>508,553</u>	<u>3,672,074</u>	<u>4,180,627</u>
Less accumulated depreciation	452,014	183,878	635,892
Net property and equipment	<u>56,539</u>	<u>3,488,196</u>	<u>3,544,735</u>
Total assets	<u>\$106,317,963</u>	<u>\$ 3,592,663</u>	<u>\$ 109,910,626</u>

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp	Consolidated University of Toledo Foundation
Liabilities and net assets			
Current liabilities:			
Accrued liabilities	\$ 45,588	\$ –	\$ 45,588
Accounts payable	791,322	–	791,322
Notes payable	64,065	–	64,065
Total current liabilities	<u>900,975</u>	<u>–</u>	<u>900,975</u>
Noncurrent liabilities:			
Notes payable	90,989	1,669,791	1,760,780
Annuities payable	3,799,097	–	3,799,097
Total noncurrent liabilities	<u>3,890,086</u>	<u>1,669,791</u>	<u>5,559,877</u>
Total liabilities	<u>4,791,061</u>	<u>1,669,791</u>	<u>6,460,852</u>
Net assets:			
Unrestricted:			
Operating funds:			
Undesignated	1,232,445	–	1,232,445
Designated – real estate	–	1,922,872	1,922,872
Designated – board	1,125,807	–	1,125,807
Quasi-endowment	5,808,607	–	5,808,607
Total unrestricted	<u>8,166,859</u>	<u>1,922,872</u>	<u>10,089,731</u>
Temporarily restricted:			
Operating funds	8,323,447	–	8,323,447
Quasi-endowment	37,910,615	–	37,910,615
Total temporarily restricted	<u>46,234,062</u>	<u>–</u>	<u>46,234,062</u>
Permanently restricted			
	47,125,981	–	47,125,981
Total net assets	<u>101,526,902</u>	<u>1,922,872</u>	<u>103,449,774</u>
Total liabilities and net assets	<u>\$106,317,963</u>	<u>\$ 3,592,663</u>	<u>\$ 109,910,626</u>

See accompanying notes.

The University of Toledo Foundation and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2005

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp	Consolidated University of Toledo Foundation
Support, revenue, and gains (losses)			
Contributions	\$ 10,161,892	\$ -	\$ 10,161,892
Administrative fees	508,116	-	508,116
Return on investments:			
Interest and dividends	1,825,589	-	1,825,589
Net unrealized and realized gain on investments	7,189,480	-	7,189,480
Investment fees	(448,281)	-	(448,281)
Net return on investments	8,566,788	-	8,566,788
Other	601,310	-	601,310
Real estate rental income	-	83,745	83,745
Net assets released from restrictions and total investments:			
Satisfaction of program and donor restrictions	-	-	-
Expiration of time restrictions	-	-	-
Other transfers (<i>Note 1</i>)	-	-	-
Total support, revenue, and gains (losses)	19,838,106	83,745	19,921,851
Expenses			
Program services:			
Academics	2,536,488	-	2,536,488
Student aid	1,519,227	-	1,519,227
Capital projects	1,063,643	-	1,063,643
Athletic programs	599,275	-	599,275
Research	119,220	-	119,220
Fund raising	597,035	-	597,035
Management and general	1,005,927	162,905	1,168,832
Actuarial adjustment on annuity obligations	304,145	-	304,145
Total expenses	7,744,960	162,905	7,907,865
Excess of revenues of expenses	12,093,146	(79,160)	12,013,986
Other changes in net assets:			
Other transfers	(2,003,035)	2,003,035	-
Change in net assets	10,090,111	1,923,875	12,013,986
Net assets at beginning of year	91,436,791	(1,003)	91,435,788
Net assets at end of year	\$101,526,902	\$ 1,922,872	\$ 103,449,774

See accompanying notes.