

CONSOLIDATED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

The University of Toledo Foundation and Subsidiary  
Years Ended June 30, 2006 and 2005  
With Report of Independent Auditors

The University of Toledo Foundation and Subsidiary

Consolidated Financial Statements  
and Other Financial Information

Years Ended June 30, 2006 and 2005

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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, 2006 and 2005, 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, 2006 and 2005, 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 6, 2006

The University of Toledo Foundation and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2006	2005
<b>Assets</b>		
Current assets:		
Cash	\$ 618,989	\$ 388,694
Accounts receivable	167,685	148,209
Notes receivable ( <i>Note 9</i> )	67,098	64,065
Contributions receivable, net of allowance for uncollectible contributions ( <i>Note 2</i> )	1,114,811	1,581,562
Interest receivable	167,102	188,714
Prepaid expenses	59,512	70,849
Total current assets	<u>2,195,197</u>	<u>2,442,093</u>
Other assets:		
Investments ( <i>Notes 1 and 3</i> ):		
Pooled	104,786,051	95,352,974
Assets held in charitable remainder trusts	5,576,169	5,435,229
Total investments	<u>110,362,220</u>	<u>100,788,203</u>
Notes receivable ( <i>Note 9</i> )	25,092	90,989
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment ( <i>Note 2</i> )	9,404,072	1,873,573
Cash value of life insurance and annuities	1,090,685	1,091,731
Contribution receivable from remainder trusts	78,288	79,302
Total other assets	<u>120,960,357</u>	<u>103,923,798</u>
Property and equipment:		
Land	3,177,915	2,587,603
Rental property	1,134,441	1,096,441
Office equipment	453,038	496,583
	<u>4,765,394</u>	<u>4,180,627</u>
Less accumulated depreciation	727,778	635,892
Net property and equipment	<u>4,037,616</u>	<u>3,544,735</u>
Total assets	<u><u>\$ 127,193,170</u></u>	<u><u>\$ 109,910,626</u></u>

	<b>June 30</b>	
	<b>2006</b>	<b>2005</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 881,361	\$ 791,322
Accrued liabilities	50,177	45,588
Notes payable ( <i>Note 9</i> )	67,098	64,065
Total current liabilities	<u>998,636</u>	<u>900,975</u>
Noncurrent liabilities:		
Notes payable ( <i>Notes 9 and 11</i> )	1,607,383	1,760,780
Annuities payable	3,620,283	3,799,097
Total noncurrent liabilities	<u>5,227,666</u>	<u>5,559,877</u>
Total liabilities	<u>6,226,302</u>	<u>6,460,852</u>
Net assets ( <i>Notes 1, 6, and 7</i> ):		
Unrestricted:		
Operating funds:		
Undesignated	121,702	1,232,445
Designated – real estate	2,459,773	1,922,872
Designated – board	2,404,345	1,125,807
Quasi-endowment	6,166,416	5,808,607
Total unrestricted	<u>11,152,236</u>	<u>10,089,731</u>
Temporarily restricted:		
Operating funds	10,336,503	8,323,447
Quasi-endowment	50,826,612	37,910,615
Total temporarily restricted	<u>61,163,115</u>	<u>46,234,062</u>
Permanently restricted	48,651,517	47,125,981
Total net assets	<u>120,966,868</u>	<u>103,449,774</u>
Total liabilities and net assets	<u><u>\$ 127,193,170</u></u>	<u><u>\$ 109,910,626</u></u>

*See accompanying notes.*

The University of Toledo Foundation and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total
<b>Support, revenue, and gains (losses)</b>				
Contributions	\$ 110,853	\$ 13,608,725	\$ 1,149,833	\$ 14,869,411
Administrative fees	1,590,216	(1,025,357)	(7,974)	556,885
Return on investments:				
Interest and dividends	352,100	1,594,217	290,009	2,236,326
Net unrealized and realized gain on investments ( <i>Note 3</i> )	1,470,274	6,929,492	300,401	8,700,167
Investment fees	(89,634)	(372,501)	(36,258)	(498,393)
Net return on investments	1,732,740	8,151,208	554,152	10,438,100
Other	11,669	710,090	20,021	741,780
Real estate rental income	156,612	-	-	156,612
Net assets released from restrictions and total investments:				
Satisfaction of program and donor restrictions	6,591,203	(6,563,861)	(27,342)	-
Expiration of time restrictions	35,009	(268,242)	233,233	-
Other transfers ( <i>Note 1</i> )	(139,378)	390,432	(251,054)	-
Total support, revenue, and gains	10,088,924	15,002,995	1,670,869	26,762,788
<b>Expenses</b>				
Program services:				
Academics	3,375,527	-	-	3,375,527
Student aid	1,893,266	-	-	1,893,266
Capital projects	720,826	-	-	720,826
Athletic programs	1,154,790	-	-	1,154,790
Research	94,917	-	-	94,917
Fund raising	528,437	-	-	528,437
Management and general	1,258,656	-	-	1,258,656
Actuarial adjustment on annuity obligations	-	73,942	145,333	219,275
Total expenses	9,026,419	73,942	145,333	9,245,694
Change in net assets	1,062,505	14,929,053	1,525,536	17,517,094
Net assets at beginning of year	10,089,731	46,234,062	47,125,981	103,449,774
Net assets at end of year	<u>\$ 11,152,236</u>	<u>\$ 61,163,115</u>	<u>\$ 48,651,517</u>	<u>\$ 120,966,868</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
<b>Support, revenue, and gains (losses)</b>				
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
<b>Expenses</b>				
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 Statements of Cash Flows

	<b>Years Ended June 30</b>	
	<b>2006</b>	<b>2005</b>
<b>Operating activities</b>		
Change in net assets	\$ 17,517,094	\$ 12,013,986
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized gain on investments	(8,700,167)	(7,189,480)
Contributions of securities	(772,262)	(338,822)
Contributions recognized in connection with assets contributed by donors to charitable remainder trusts	67,145	(515,000)
Provision for uncollectible contributions, net of actuarial adjustment on annuity obligations	7,962,900	376,967
Depreciation	137,979	138,098
Changes in operating assets and liabilities:		
Contributions and accounts receivable	(14,893,994)	(35,254)
Interest receivable	21,613	(20,461)
Prepaid expenses	11,337	(2,544)
Accounts payable and accrued liabilities	(305,353)	(518,973)
Total adjustments	(16,470,802)	(8,105,469)
Net cash provided by operating activities	1,046,292	3,908,517
<b>Investing activities</b>		
Net change in investments	(98,683)	(3,312,125)
Purchases of property	(630,860)	(2,889,774)
Net change in cash surrender value of life insurance	1,046	(29,261)
Net cash used in investing activities	(728,497)	(6,231,160)
<b>Financing activities</b>		
Proceeds from notes payable	–	1,750,000
Change in note receivable	62,864	137,011
Payments on note payable	(150,364)	(217,220)
Net cash (used in) provided by financing activities	(87,500)	1,669,791
Increase (decrease) in cash	230,295	(652,852)
Cash at beginning of year	388,694	1,041,546
Cash at end of year	\$ 618,989	\$ 388,694
Interest paid	\$ 97,923	\$ 68,619

*See accompanying notes.*

# The University of Toledo Foundation and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2006

### **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 is 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 donor stipulated restrictions are met for spending of such 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, 2005, the net value of certain endowment funds were below the initial contributed value because of market performance. As a result of improved market performance the Foundation transferred \$69,000 and \$120,000 in the years ended June 30, 2006 and 2005, from temporarily restricted quasi-endowment funds back into unrestricted funds. At June 30, 2006, there were no funds with net asset value below the initial contributed value.

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 (FASB) No. 116, *Accounting for Contributions Received and Contributions Made*, 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 which range from 3 to 20 years. 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 2006 and 2005, 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, 2006 and 2005, was \$557,000 and \$508,000, 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, 2006 and 2005, 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, 2006 and 2005, amounted to \$194,000 and \$201,000, respectively.

Contributions receivable at June 30 are due as follows:

	<u>2006</u>	<u>2005</u>
Within one year	\$ 1,270,217	\$ 1,853,314
One to five years	2,259,397	1,909,449
More than five years	15,487,531	379,865
	<u>19,017,145</u>	4,142,628
Less allowance	(438,582)	(508,108)
Present value discount	(8,059,680)	(179,385)
Total	<u>\$ 10,518,883</u>	<u>\$ 3,455,135</u>

In May 2006, the Foundation received a gift of \$15 million to establish three endowed funds to support the University of Toledo College of Education. The timing and amounts of the payments and the amounts allocated to the Funds shall be determined by the Donors. However, the Donors agree to complete the gift within 15 years. The gift has been included in the long term pledges valued at net of present value discount.

# 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
<b>June 30, 2006</b>			
Cash equivalents	\$ 1,845,213	\$ 1,845,213	\$ -
Common stocks	93,675,670	118,613,865	24,938,195
Corporate bonds	13,929,326	13,292,320	(637,006)
U.S. government and agency issues	7,343,296	7,783,795	440,499
Other	5,888,838	6,192,490	303,652
Total pooled investments	<u>122,682,343</u>	<u>147,727,683</u>	<u>25,045,340</u>
Less University's and Alumni Association's share at June 30, 2006	<u>34,898,600</u>	<u>42,941,632</u>	<u>8,043,032</u>
The Foundation's share at June 30, 2006	<u>\$ 87,783,743</u>	<u>\$ 104,786,051</u>	<u>17,002,308</u>
The Foundation's share at June 30, 2005	<u>\$ 82,541,146</u>	<u>\$ 95,352,974</u>	<u>12,811,828</u>
Unrealized net gain for the year			<u>4,190,480</u>
Realized net gain for the year			<u>4,262,892</u>
Total net gain for the year ended June 30, 2006			<u>\$ 8,453,372</u>
<b>June 30, 2005</b>			
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	(24,189)
Total pooled investments	<u>116,625,316</u>	<u>135,684,150</u>	<u>19,058,834</u>
Less University's and Alumni Association's share at June 30, 2005	<u>34,084,170</u>	<u>40,331,176</u>	<u>6,247,006</u>
The Foundation's share at June 30, 2005	<u>\$ 82,541,146</u>	<u>\$ 95,352,974</u>	<u>12,811,828</u>
The Foundation's share at June 30, 2004	<u>\$ 74,853,635</u>	<u>\$ 84,547,532</u>	<u>9,693,897</u>
Unrealized net gain for the year			<u>3,117,931</u>
Realized net gain for the year			<u>3,814,987</u>
Total net gain for the year ended June 30, 2005			<u>\$ 6,932,918</u>

## 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 \$(63,000) and \$(23,000) at June 30, 2006 and 2005, respectively, and realized gains of \$309,000 and \$281,000 were recognized for the years ended 2006 and 2005, respectively.

Investment and fiduciary fees of \$498,000 and \$448,000 relating to the Foundation's investments were incurred for the years ended June 30, 2006 and 2005, 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, 2006, unrealized gains in this account totaled \$105,000 and realized gains totaled \$10,000.

#### 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, 2006 and 2005.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2006:

	<u>Amount</u>
2007	\$ 34,762
2008	34,762
2009	34,762
2010	34,762
2011	34,762
Thereafter	17,381
	<u>\$ 191,191</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. This lease was amended on April 21, 2006 to expire on February 28, 2007, with extensions on a month-to-month basis available until June 30, 2007. 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 6.19% to 8.06%. Rent revenue as of June 30, 2006 is \$123,012.

On October 1, 2005, the Corporation entered into an agreement to lease property on a month-to-month basis for \$2,000 per month. The lease may be terminated by either party at any time with 30 days notice. The lease requires the tenant to pay an additional \$400 per month for real estate taxes on the property. The tax amount was amended to \$467 per month on June 20, 2006. Rent revenue as of June 30, 2006 is \$18,000.

On November 26, 2001, the Foundation entered into a three-year lease with the University with automatic 1-year renewals thereafter. This property and lease were transferred to the Corporation on June 30, 2005. Lease payments are \$1,300 per month. Rent revenue as of June 30, 2006 is \$15,600.

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, 2006 and 2005, was \$44,000 and \$41,000, respectively.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

**6. Temporarily Restricted Net Assets**

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

	<u>2006</u>	<u>2005</u>
Academics	\$ <b>21,680,899</b>	\$ 17,299,322
Student aid	<b>28,711,717</b>	21,930,871
Capital projects	<b>4,991,350</b>	4,213,979
Athletic programs	<b>573,496</b>	393,678
Research	<b>3,870,721</b>	1,105,440
General support	<b>1,334,932</b>	1,290,772
	<u><b>\$ 61,163,115</b></u>	<u>\$ 46,234,062</u>

**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>2006</u>	<u>2005</u>
Academics	\$ <b>15,756,231</b>	\$ 15,545,840
Student aid	<b>24,632,284</b>	23,636,958
Capital projects	<b>3,403,857</b>	3,381,890
Athletic programs	<b>91,469</b>	89,575
Research	<b>1,329,682</b>	1,364,916
General support	<b>3,437,994</b>	3,106,802
Total	<u><b>\$ 48,651,517</b></u>	<u>\$ 47,125,981</u>

## The University of Toledo Foundation and Subsidiary

### Notes to Consolidated Financial Statements (continued)

#### 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>2006</u>	<u>2005</u>
Academics	\$ 2,931,167	\$ 2,098,787
Student aid	1,879,945	1,555,922
Capital projects	530,383	1,063,526
Athletic programs	94,918	119,220
Research	1,154,790	599,275
	<u>\$ 6,591,203</u>	<u>\$ 5,436,730</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.

#### 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 (6.25% at June 30, 2006). The balance outstanding on this note as of June 30, 2006 and 2005, was approximately \$47,000 and \$82,000 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, 2006 and 2005, was approximately \$45,000 and \$73,000 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.

## The University of Toledo Foundation and Subsidiary

### Notes to Consolidated Financial Statements (continued)

#### **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 (7.75% at June 30, 2006). 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, 2006, the Corporation purchased three properties with a total cost of approximately \$600,000. An additional purchase offer for \$140,000 had been accepted and subsequently closed on August 31, 2006.

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, 2006, net of depreciation, is \$4,000,000.

In July 2004, the Corporation executed at \$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 (6.56% at June 30, 2006) 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, 2006, is approximately \$1,600,000 and interest expense is approximately \$91,000.

# 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 6, 2006

The University of Toledo Foundation and Subsidiary

Consolidating Statement of Financial Position

June 30, 2006

	<b>University of Toledo Foundation</b>	<b>University of Toledo Foundation Real Estate Corp</b>	<b>Consolidated University of Toledo Foundation</b>
<b>Assets</b>			
Current assets:			
Cash	\$ 592,247	\$ 26,742	\$ 618,989
Accounts receivable	156,197	11,488	167,685
Notes receivable	67,098	-	67,098
Contributions receivable, net of allowance for uncollectible contributions	1,114,811	-	1,114,811
Interest receivable	167,102	-	167,102
Prepaid expenses	58,512	1,000	59,512
Total current assets	<u>2,155,967</u>	<u>39,230</u>	<u>2,195,197</u>
Other assets:			
Investments:			
Pooled	104,786,051	-	104,786,051
Assets held in charitable remainder trusts	5,576,169	-	5,576,169
Total investments	<u>110,362,220</u>	<u>-</u>	<u>110,362,220</u>
Notes receivable	25,092	-	25,092
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment	9,404,072	-	9,404,072
Cash value of life insurance and annuities	1,090,685	-	1,090,685
Contribution receivable from remainder trusts	78,288	-	78,288
Total other assets	<u>120,960,357</u>	<u>-</u>	<u>120,960,357</u>
Property and equipment:			
Land	11,970	3,165,945	3,177,915
Rental property	-	1,134,441	1,134,441
Office equipment	453,038	-	453,038
	<u>465,008</u>	<u>4,300,386</u>	<u>4,765,394</u>
Less accumulated depreciation	436,365	291,413	727,778
Net property and equipment	<u>28,643</u>	<u>4,008,973</u>	<u>4,037,616</u>
Total assets	<u>\$123,144,967</u>	<u>\$ 4,048,203</u>	<u>\$ 127,193,170</u>

	<b>University of Toledo Foundation</b>	<b>University of Toledo Foundation Real Estate Corp</b>	<b>Consolidated University of Toledo Foundation</b>
<b>Liabilities and net assets</b>			
Current liabilities:			
Accounts payable	\$ 881,361	\$ –	\$ 881,361
Accrued liabilities	44,038	6,139	50,177
Notes payable	67,098	–	67,098
Total current liabilities	<u>992,497</u>	<u>6,139</u>	<u>998,636</u>
Noncurrent liabilities:			
Notes payable	25,092	1,582,291	1,607,383
Annuities payable	3,620,283	–	3,620,283
Total noncurrent liabilities	<u>3,645,375</u>	<u>1,582,291</u>	<u>5,227,666</u>
Total liabilities	<u>4,637,872</u>	<u>1,588,430</u>	<u>6,226,302</u>
Net assets:			
Unrestricted:			
Operating funds:			
Undesignated	121,702	–	121,702
Designated – real estate	–	2,459,773	2,459,773
Designated – board	2,404,345	–	2,404,345
Quasi-endowment	6,166,416	–	6,166,416
Total unrestricted	<u>8,692,463</u>	<u>2,459,773</u>	<u>11,152,236</u>
Temporarily restricted:			
Operating funds	10,336,503	–	10,336,503
Quasi-endowment	50,826,612	–	50,826,612
Total temporarily restricted	<u>61,163,115</u>	<u>–</u>	<u>61,163,115</u>
Permanently restricted			
	48,651,517	–	48,651,517
Total net assets	<u>118,507,095</u>	<u>2,459,773</u>	<u>120,966,868</u>
Total liabilities and net assets	<u>\$123,144,967</u>	<u>\$ 4,048,203</u>	<u>\$ 127,193,170</u>

# The University of Toledo Foundation and Subsidiary

## Consolidating Statement of Activities

Year Ended June 30, 2006

	<b>University of Toledo Foundation</b>	<b>University of Toledo Foundation Real Estate Corp</b>	<b>Consolidated University of Toledo Foundation</b>
<b>Support, revenue, and gains (losses)</b>			
Contributions	\$ 14,869,411	\$ -	\$ 14,869,411
Administrative fees	556,885	-	556,885
Return on investments:			
Interest and dividends	2,236,326	-	2,236,326
Net unrealized and realized gain on investments	8,700,167	-	8,700,167
Investment fees	(498,393)	-	(498,393)
Net return on investments	10,438,100	-	10,438,100
Other	741,780	-	741,780
Real estate rental income	-	156,612	156,612
Net assets released from restrictions and total investments:			
Satisfaction of program and donor restrictions	-	-	-
Expiration of time restrictions	-	-	-
Other transfers	-	-	-
Total support, revenue, and gains (losses)	26,606,176	156,612	26,762,788
<b>Expenses</b>			
Program services:			
Academics	3,375,527	-	3,375,527
Student aid	1,893,266	-	1,893,266
Capital projects	720,826	-	720,826
Athletic programs	1,154,790	-	1,154,790
Research	94,917	-	94,917
Fund raising	528,437	-	528,437
Management and general	1,044,159	214,497	1,258,656
Actuarial adjustment on annuity obligations	219,275	-	219,275
Total expenses	9,031,197	214,497	9,245,694
Excess of revenues of expenses	17,574,979	(57,885)	17,517,094
Other changes in net assets:			
Other transfers	(594,785)	594,785	-
Change in net assets	16,980,194	536,900	17,517,094
Net assets at beginning of year	101,526,902	1,922,872	103,449,774
Net assets at end of year	<u>\$118,507,096</u>	<u>\$ 2,459,772</u>	<u>\$ 120,966,868</u>