

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

The University of Toledo Foundation and Subsidiary
Years Ended June 30, 2007 and 2006
With Report of Independent Auditors

The University of Toledo Foundation and Subsidiary

Consolidated Financial Statements
and Other Financial Information

Years Ended June 30, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, and the 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.

Ernst + Young LLP

September 7, 2007

The University of Toledo Foundation and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2007	2006
Assets		
Current assets:		
Cash	\$ 550,990	\$ 618,989
Accounts receivable	286,843	167,685
Notes receivable (<i>Note 9</i>)	26,194	67,098
Contributions receivable, net of allowance for uncollectible contributions (<i>Note 2</i>)	1,984,448	1,114,811
Interest receivable	151,412	167,102
Prepaid expenses	59,592	59,512
Total current assets	<u>3,059,479</u>	<u>2,195,197</u>
Other assets:		
Investments (<i>Notes 1 and 3</i>):		
Pooled	125,109,536	104,786,051
Assets held in charitable remainder trusts	6,143,054	5,576,169
Total investments	<u>131,252,590</u>	<u>110,362,220</u>
Notes receivable (<i>Note 9</i>)	–	25,092
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment (<i>Note 2</i>)	15,197,320	9,404,072
Cash value of life insurance and annuities	1,100,836	1,090,685
Asset held for sale (<i>Note 11</i>)	1,466,554	–
Contribution receivable from remainder trusts	18,300	78,288
Total other assets	<u>149,035,600</u>	<u>120,960,357</u>
Property and equipment:		
Land	2,419,384	3,177,915
Rental property	329,165	1,134,441
Office equipment	453,038	453,038
	<u>3,201,587</u>	<u>4,765,394</u>
Less accumulated depreciation	565,186	727,778
Net property and equipment	<u>2,636,401</u>	<u>4,037,616</u>
Total assets	<u>\$ 154,731,480</u>	<u>\$ 127,193,170</u>

	June 30	
	2007	2006
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 907,697	\$ 881,361
Accrued liabilities	41,826	50,177
Notes payable (<i>Note 9</i>)	113,694	67,098
Total current liabilities	<u>1,063,217</u>	998,636
Noncurrent liabilities:		
Notes payable (<i>Notes 9 and 11</i>)	1,407,291	1,607,383
Annuities payable	3,749,377	3,620,283
Total noncurrent liabilities	<u>5,156,668</u>	5,227,666
Total liabilities	<u>6,219,885</u>	6,226,302
Net assets (<i>Notes 1, 6, and 7</i>):		
Unrestricted:		
Operating funds:		
Undesignated	2,565,479	121,702
Designated – real estate	2,699,112	2,459,773
Designated – board	1,750,756	2,404,345
Quasi-endowment	6,940,248	6,166,416
Total unrestricted	<u>13,955,595</u>	11,152,236
Temporarily restricted:		
Operating funds	18,191,167	10,336,503
Quasi-endowment	63,798,201	50,826,612
Total temporarily restricted	<u>81,989,368</u>	61,163,115
Permanently restricted	52,566,632	48,651,517
Total net assets	<u>148,511,595</u>	120,966,868
Total liabilities and net assets	<u><u>\$ 154,731,480</u></u>	<u><u>\$ 127,193,170</u></u>

See accompanying notes.

The University of Toledo Foundation and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total
Support, revenue, and gains (losses)				
Contributions	\$ 243,975	\$ 15,508,396	\$ 1,815,903	\$ 17,568,274
Administrative fees	1,780,966	(1,163,273)	(7,336)	610,357
Return on investments:				
Interest and dividends	407,453	1,732,821	298,481	2,438,755
Net unrealized and realized gain on investments (Note 3)	3,278,061	13,354,903	753,312	17,386,276
Investment fees	(101,406)	(397,486)	(37,610)	(536,502)
Net return on investments	3,584,108	14,690,238	1,014,183	19,288,529
Other	3,752	646,423	8,052	658,227
Real estate rental income	133,012	-	-	133,012
Net assets released from restrictions and total investments:				
Satisfaction of program and donor restrictions	7,381,232	(7,295,431)	(85,801)	-
Expiration of time restrictions	30,616	(1,545,501)	1,514,885	-
Other transfers (Note 1)	(161,063)	91,813	69,250	-
Total support, revenue, and gains	12,996,598	20,932,665	4,329,136	38,258,399
Expenses				
Program services:				
Academics	3,127,572	-	-	3,127,572
Student aid	2,163,469	-	-	2,163,469
Capital projects	1,002,703	-	-	1,002,703
Athletic programs	1,468,478	-	-	1,468,478
Research	148,238	-	-	148,238
Fund raising	783,158	-	-	783,158
Management and general	1,210,245	-	-	1,210,245
Management and general – Real Estate Corp.	289,376	-	-	289,376
Actuarial adjustment on annuity obligations	-	106,412	414,021	520,433
Total expenses	10,193,239	106,412	414,021	10,713,672
Change in net assets	2,803,359	20,826,253	3,915,115	27,544,727
Net assets at beginning of year	11,152,236	61,163,115	48,651,517	120,966,868
Net assets at end of year	\$ 13,955,595	\$ 81,989,368	\$ 52,566,632	\$ 148,511,595

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
Support, revenue, and gains (losses)				
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 (losses)	10,088,924	15,002,995	1,670,869	26,762,788
Expenses				
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 Statements of Cash Flows

	Year Ended June 30	
	2007	2006
Operating activities		
Change in net assets	\$ 27,544,727	\$ 17,517,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized gain on investments	(17,386,276)	(8,700,167)
Contributions of securities	(1,804,747)	(772,262)
Contributions recognized in connection with assets contributed by donors to charitable remainder trusts	83,608	67,145
Provision for uncollectible contributions, net of actuarial adjustment on annuity obligations	1,505,861	7,962,900
Depreciation	137,979	137,979
Changes in operating assets and liabilities:		
Contributions and accounts receivable	(7,766,882)	(14,893,994)
Interest receivable	15,690	21,613
Prepaid expenses	(80)	11,337
Accounts payable and accrued liabilities	17,985	94,629
Annuity payable obligation	(475,536)	(399,982)
Total adjustments	(25,672,398)	(16,470,802)
Net cash provided by operating activities	1,872,329	1,046,292
Investing activities		
Net change in investments	(1,639,359)	(98,683)
Purchases of property	(203,318)	(630,860)
Net change in cash surrender value of life insurance	(10,151)	1,046
Net cash used in investing activities	(1,852,828)	(728,497)
Financing activities		
Change in note receivable	65,996	62,864
Payments on note payable	(153,496)	(150,364)
Net cash used in financing activities	(87,500)	(87,500)
(Decrease) increase in cash	(67,999)	230,295
Cash at beginning of year	618,989	388,694
Cash at end of year	\$ 550,990	\$ 618,989
Interest paid	\$ 107,901	\$ 97,923

See accompanying notes.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2007 and 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 University of Toledo 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, 2006, 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 \$0 and \$69,000 in the years ended June 30, 2007 and 2006, from temporarily restricted quasi-endowment funds back into unrestricted funds. At June 30, 2007, 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

Investment securities are stated at fair value, based on quoted market value of the individual securities. Purchases and sales of investment securities are recorded on the trade date. Realized gains or losses from sale of securities are determined using the cost basis of the securities sold. Interest and dividend income is reported when earned. 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)

The Foundation is named as a beneficiary of several irrevocable trusts. The assets of the trusts are held by third parties as co-trustees appointed by the Foundation or by a trustee designated by the donor who manage the assets and distribute the income as defined in each trust. The Foundation's interest in the future income stream of perpetual trusts is recognized based on the present market value of the trust assets. Under a split-interest trust, the donor is paid specified distributions for a future period of time and upon termination of the trust, the Foundation receives all or a portion of the trust. The Foundation's interest in such trusts is based on the estimated value of the assets to be received from each trust.

Property and Equipment

Property and equipment is recorded at cost when purchased. Donated property is recorded at estimated fair value at the date of acquisition. 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 2007 and 2006, 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, 2007 and 2006, was \$610,000 and \$557,000, respectively. Administrative fees charged to restricted funds of the Foundation are included in unrestricted revenue.

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

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.

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.

Reclassification

Certain amounts in 2006 financial statements have been reclassified to conform to 2007 presentation.

2. Contributions Receivable

As of June 30, 2007 and 2006, 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, 2007 and 2006, amounted to \$192,000 and \$194,000, respectively.

Contributions receivable at June 30 are due as follows:

	<u>2007</u>	<u>2006</u>
Within one year	\$ 2,201,477	\$ 1,270,217
One to five years	9,115,373	2,259,397
More than five years	15,348,019	15,487,531
	<u>26,664,869</u>	<u>19,017,145</u>
Less allowance	(800,058)	(438,582)
Present value discount	(8,683,043)	(8,059,680)
Total	<u>\$ 17,181,768</u>	<u>\$ 10,518,883</u>

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

2. Contributions Receivable (continued)

In May 2006, the Foundation received a pledge 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 pledge within 15 years. The pledge has been included in the long term pledges valued at net of present value discount.

3. Investments

Investments of the University of Toledo and the University of Toledo Alumni Association are pooled with investments of the Foundation. The pooled investments are managed by the Foundation and consist of the following:

	Cost	Market	Gain/Loss
June 30, 2007			
Cash equivalents	\$ 4,955,847	\$ 4,955,847	\$ -
Common stocks	94,978,175	135,089,845	40,111,670
Corporate bonds	19,714,903	19,921,020	206,117
U.S. government and agency issues	5,280,027	5,265,957	(14,070)
Other	8,828,486	10,108,317	1,279,831
Total pooled investments	133,757,438	175,340,986	41,583,548
Less University's and Alumni Association's share at June 30, 2007	36,285,872	49,079,302	12,793,430
The Foundation's share at June 30, 2007	\$ 97,471,566	\$ 126,261,684	28,790,118
The Foundation's share at June 30, 2006	\$ 87,783,743	\$ 104,786,051	17,002,308
Unrealized gain for the year			11,787,810
Realized gain for the year net of loss			4,924,958
Total net gain for the year ended June 30, 2007			\$ 16,712,768
 June 30, 2006			
Cash equivalents	\$ 1,845,213	\$ 1,845,213	\$ -
Common stocks	93,675,670	119,996,098	26,320,428
Corporate bonds	13,929,326	13,447,218	(482,108)
U.S. government and agency issues	7,343,296	7,874,501	531,205
Other	5,888,838	6,264,651	375,813
Total pooled investments	122,682,343	149,427,681	26,745,338
Less University's and Alumni Association's share at June 30, 2006	34,898,600	43,435,789	8,537,189
The Foundation's share at June 30, 2006	\$ 87,783,743	\$ 105,991,892	18,208,149
The Foundation's share at June 30, 2005	\$ 82,541,146	\$ 95,352,974	12,811,828
Unrealized gain for the year			5,396,321
Realized gain for the year net of loss			3,057,051
Total net gain for the year ended June 30, 2006			\$ 8,453,372

The University of Toledo Foundation and Subsidiary

Notes to Consolidated Financial Statements (continued)

3. Investments (continued)

As required by FAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, the Foundation has reclassified approximately \$1.2 million of unrealized loss to realized loss as of June 30, 2007 and 2006, respectively.

Assets held in charitable remainder trusts are principally comprised of equity securities and U.S. government and agency issues. Investment income amounted to approximately \$288,600 and \$278,300 at June 30, 2007 and 2006, respectively. Unrealized gains (losses) amounted to \$544,350 and \$(63,000) at June 30, 2007 and 2006, respectively, and realized gains of \$129,690 and \$309,000 were recognized for the years ended 2007 and 2006, respectively. Discount rate used to calculate the future present value was approximately 5.6% and 6.0% at June 30, 2007 and 2006, respectively.

Investment and fiduciary fees of \$536,502 and \$498,000 relating to the Foundation's investments were incurred for the years ended June 30, 2007 and 2006, respectively.

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 \$34,762 for the years ended June 30, 2007 and 2006.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2007:

	<u>Amount</u>
2008	\$ 34,762
2009	34,762
2010	34,762
2011	34,762
2012	17,381
	<u>\$ 156,429</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 and not renewed after the expiration date. The monthly lease payments were variable and the rate was 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 for the years ended June 30, 2007 and 2006, was \$94,660 and \$123,012, respectively.

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 30, 2006. Rent revenue for the years ended June 30, 2007 and 2006, was \$14,000 and \$18,000, respectively.

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 for the years ended June 30, 2007 and 2006, was \$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.

In February 2007, the Corporation entered into agreements to lease two properties. The agreements are for 90 days and automatically renew for additional 90 day period after that. The lease may be terminated by either party at any time with 60 days notice. The base rent for the two leases is approximately \$1,000 per month and \$600 per month. Rent revenue for the years ended June 30, 2007 was \$8,750.

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, 2007 and 2006, was \$45,000 and \$44,000, 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>2007</u>	<u>2006</u>
Academics	\$ 29,024,056	\$ 21,680,899
Student aid	35,342,240	28,711,717
Capital projects	6,084,099	4,991,350
Athletic programs	5,395,253	573,496
Research	4,465,472	3,870,721
General support	1,678,248	1,334,932
	<u>\$ 81,989,368</u>	<u>\$ 61,163,115</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>2007</u>	<u>2006</u>
Academics	\$ 16,104,750	\$ 15,756,231
Student aid	27,757,829	24,632,284
Capital projects	3,430,268	3,403,857
Athletic programs	123,604	91,469
Research	1,329,682	1,329,682
General support	3,820,499	3,437,994
Total	<u>\$ 52,566,632</u>	<u>\$ 48,651,517</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>2007</u>	<u>2006</u>
Academics	\$ 2,797,178	\$ 2,931,167
Student aid	2,035,271	1,879,945
Capital projects	932,065	530,383
Athletic programs	1,468,479	94,918
Research	148,239	1,154,790
	<u>\$ 7,381,232</u>	<u>\$ 6,591,203</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 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, 2007). The balance outstanding on this note as of June 30, 2007 and 2006, was approximately \$10,700 and \$47,000, 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, 2007 and 2006, was approximately \$15,500 and \$45,000, 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 ½% (7.75% at June 30, 2007). 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.

Total cost of real estate owned by the Corporation at June 30, 2007 and 2006, net of depreciation, is \$4,026,000 and \$4,009,000, respectively.

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 (6.625% and 6.56% at June 30, 2007 and 2006, respectively), with maturity on July 14, 2007. This agreement was renegotiated on July 20th, 2007 to extend the terms until July 14th, 2009. The outstanding balance amounting to approximately \$1,407,000 and \$87,500 has been classified as long-term and short-term, note payable as of June 30, 2007, respectively.

In September 2006, the Corporation's board approved the sale of the Kenwood Synagogue property. The Corporation has met all the criteria as required by Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and has consequently classified land and building related to the property of approximately \$1.5 million as held for sale as of June 30, 2007.

12. Merger with Medical University of Ohio at Toledo Foundation (MUO Foundation)

The Foundation entered into an agreement of merger with MUO Foundation effective July 1, 2007. The MUO Foundation will be the surviving corporation and will subsequently be renamed The University of Toledo Foundation.

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 7, 2007

The University of Toledo Foundation and Subsidiary

Consolidating Statement of Financial Position

June 30, 2007

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp	Consolidated University of Toledo Foundation
Assets			
Current assets:			
Cash	\$ 378,363	\$ 172,627	\$ 550,990
Accounts receivable	285,390	1,453	286,843
Notes receivable	26,194	-	26,194
Contributions receivable, net of allowance for uncollectible contributions	1,984,448	-	1,984,448
Interest receivable	151,412	-	151,412
Prepaid expenses	59,592	-	59,592
Total current assets	<u>2,885,399</u>	<u>174,080</u>	<u>3,059,479</u>
Other assets:			
Investments:			
Pooled	125,109,536	-	125,109,536
Assets held in charitable remainder trusts	6,143,054	-	6,143,054
Total investments	<u>131,252,590</u>	<u>-</u>	<u>131,252,590</u>
Notes receivable	-	-	-
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment	15,197,320	-	15,197,320
Cash value of life insurance and annuities	1,100,836	-	1,100,836
Contribution receivable from remainder trusts	18,300	-	18,300
Assets held for sale	-	1,466,554	1,466,554
Total other assets	<u>147,569,046</u>	<u>1,466,554</u>	<u>149,035,600</u>
Property and equipment:			
Land	71,470	2,347,914	2,419,384
Rental property	-	329,165	329,165
Office equipment	453,038	-	453,038
	<u>524,508</u>	<u>2,677,079</u>	<u>3,201,587</u>
Less accumulated depreciation	447,086	118,100	565,186
Net property and equipment	<u>77,422</u>	<u>2,558,979</u>	<u>2,636,401</u>
Total assets	<u>\$150,531,867</u>	<u>\$ 4,199,613</u>	<u>\$ 154,731,480</u>

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp	Consolidated University of Toledo Foundation
Liabilities and net assets			
Current liabilities:			
Accounts payable	\$ 907,697	\$ –	\$ 907,697
Accrued liabilities	36,116	5,710	41,826
Notes payable	26,194	87,500	113,694
Total current liabilities	<u>970,007</u>	<u>93,210</u>	<u>1,063,217</u>
Noncurrent liabilities:			
Notes payable	–	1,407,291	1,407,291
Annuities payable	3,749,377	–	3,749,377
Total noncurrent liabilities	<u>3,749,377</u>	<u>1,407,291</u>	<u>5,156,668</u>
Total liabilities	<u>4,719,384</u>	<u>1,500,501</u>	<u>6,219,885</u>
Net assets:			
Unrestricted:			
Operating funds:			
Undesignated	2,565,479	–	2,565,479
Designated – real estate	–	2,699,112	2,699,112
Designated – board	1,750,756	–	1,750,756
Quasi-endowment	6,940,248	–	6,940,248
Total unrestricted	<u>11,256,483</u>	<u>2,699,112</u>	<u>13,955,595</u>
Temporarily restricted:			
Operating funds	18,191,167	–	18,191,167
Quasi-endowment	63,798,201	–	63,798,201
Total temporarily restricted	<u>81,989,368</u>	<u>–</u>	<u>81,989,368</u>
Permanently restricted			
	52,566,632	–	52,566,632
Total net assets	<u>145,812,483</u>	<u>2,699,112</u>	<u>148,511,595</u>
Total liabilities and net assets	<u>\$150,531,867</u>	<u>\$ 4,199,613</u>	<u>\$ 154,731,480</u>

The University of Toledo Foundation and Subsidiary

Consolidating Statement of Activities

Year Ended June 30, 2007

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp	Consolidated University of Toledo Foundation
Support, revenue, and gains (losses)			
Contributions	\$ 17,568,274	\$ –	\$ 17,568,274
Administrative fees	610,357	–	610,357
Return on investments:			
Interest and dividends	2,438,755	–	2,438,755
Net unrealized and realized gain on investments	17,386,276	–	17,386,276
Investment fees	(536,502)	–	(536,502)
Net return on investments	19,288,529	–	19,288,529
Other	658,227	–	658,227
Real estate rental income	–	133,012	133,012
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)	38,125,387	133,012	38,258,399
Expenses			
Program services:			
Academics	3,127,572	–	3,127,572
Student aid	2,163,469	–	2,163,469
Capital projects	1,002,703	–	1,002,703
Athletic programs	1,468,478	–	1,468,478
Research	148,238	–	148,238
Fund raising	783,158	–	783,158
Management and general	1,210,245	–	1,210,245
Management and general – Real Estate Corp.	–	289,376	289,376
Actuarial adjustment on annuity obligations	520,433	–	520,433
Total expenses	10,424,296	289,376	10,713,672
Excess of revenues of expenses	27,701,091	(156,364)	27,544,727
Other changes in net assets:			
Other transfers	(395,704)	395,704	–
Change in net assets	27,305,387	239,340	27,544,727
Net assets at beginning of year	118,507,096	2,459,772	120,966,868
Net assets at end of year	<u>\$145,812,483</u>	<u>\$ 2,699,112</u>	<u>\$ 148,511,595</u>