



THE UNIVERSITY OF
TOLEDO
1872

AUDITED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2009

Independent Auditor's Report

To the Board of Trustees
University of Toledo

We have audited the accompanying basic financial statements of University of Toledo and its discretely presented component units as of and for the year ended June 30, 2009 and 2008, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component units of the University for 2009 and 2008, with the exception of The University of Toledo Foundation in which we did audit. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the component units, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of University of Toledo and its discretely presented component units as of June 30, 2009 and 2008 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 15, 2009 on our consideration of University of Toledo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2009. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
University of Toledo

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis presented on pages 4 through 13 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 15, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Toledo for the year ended June 30, 2009 with comparative information for the years ended June 30, 2008 and 2007. The MD&A should be read in conjunction with the accompanying audited financial statements and footnotes.

ABOUT THE UNIVERSITY OF TOLEDO

The University is a leading research institution in the state of Ohio with over 22,000 students, 1,700 instructional faculty, and 4,300 staff members. The University is comprised of eleven colleges: Arts and Science, Business Administration, Education, Engineering, Graduate Studies, Health Science & Human Services, Law, Medicine, Nursing, Pharmacy, and University College. The University offers more than 250 undergraduate, graduate, and professional programs leading to degrees in over 60 instructional departments. The University operates the University of Toledo Medical Center (UTMC) which includes 319 registered beds and provides services to more than 12,000 inpatients and approximately 180,000 outpatients including 30,000 emergency visits. UTMC specializes in kidney transplantation, cardiology, neurology, trauma care, orthopedic surgery, and cancer.

The University is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The University is currently governed by an 11-voting member board of trustees created through the combination of the previous existing boards of the University of Toledo and Medical University of Ohio. The board will eventually be reduced to nine members; as current members' terms expire only one new trustee will be appointed for every two that depart. The trustees are appointed to by the Governor with the advice and consent of the State Senate for staggered nine-year terms. Two student non-voting members, who are appointed for two-year terms, also serve on the Board.

The following financial statements reflect all assets, liabilities, and net assets of the University and discretely present its legally separate entities including the University of Toledo Foundation (Foundation) and the University of Toledo Clinical Faculty, Inc (UTCF). The Foundation's primary function is fund-raising to supplement the resources that are available to the University in support of its programs. The Foundation is governed by a separate board of trustees which is self-perpetuating and consists of graduates and friends of the University. Nearly all the assets of the Foundation are restricted by donors to activities of the University. The University does not control the timing or amount of receipts from the Foundation. UTCF provides administrative support, billing, and collection services for physician services at the University.

ABOUT THE FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. In addition to this MD&A section, the audited financial statements include a Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and the Notes to the Financial Statements. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB Statement No. 14, the Foundation and UTCF are discretely presented as component units of the University.

FINANCIAL HIGHLIGHTS AND KEY TRENDS

The University’s overall financial position declined in 2009 due primarily to the drastic declines in the financial markets. There was solid growth in operating revenues and state support which was offset by similar increases in operating expenses. Total unrestricted and restricted net assets decreased \$50.6 million, to \$205.9 million at June 30, 2009, mostly as a result of the declines in the financial markets which resulted in a \$32 million net loss on University investments. Student enrollment trends reflected continued demand, 22,336 students were enrolled in Fall 2008, up 5.8% from Fall 2007 total enrollment of 21,121.

The following sections provide additional details on the University’s 2009 financial results and a look ahead at significant economic conditions that are expected to affect the University in the future.

Statements of Net Assets

The **Statement of Net Assets** is the University’s balance sheet. It reports all financial and capital resources and presents the difference between assets and liabilities as net assets. Liabilities whose maturities are less than one year and assets available to pay those liabilities are classified as current. Other assets and liabilities with maturities greater than one year are classified as non-current. Net assets are displayed in the following categories:

- Invested in capital assets, net of related debt (presents the University’s equity in capital assets)
- Restricted – non-expendable (net assets available for investment purpose only and can not be expended)
- Restricted – expendable (net assets available for use based on externally imposed restrictions)
- Unrestricted (net assets available to the University for any lawful purpose of the institution)

Summary of Statements of Net Assets

(in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Cash and temporary investments	\$ 64,379	\$ 26,007	\$ 22,007
Current receivables, inventories, and prepaid expenses	132,204	157,630	152,329
Total current assets	196,583	183,637	174,336
Endowment and loan investments	39,486	46,719	53,258
Long-term investments	63,274	142,875	157,493
Capital assets, net of accumulated depreciation	572,650	535,302	510,948
Other non-current assets	48,253	39,163	28,339
Total non-current assets	723,663	764,059	750,038
Total assets	920,246	947,696	924,374
Liabilities			
Accounts payable and accrued expenses	66,291	65,697	49,925
Other current liabilities	67,008	60,501	47,183
Total current liabilities	133,299	126,198	97,108
Bonds, notes, and leases	245,825	251,777	262,558
Other long-term liabilities	15,604	15,202	14,507
Total non-current liabilities	261,429	266,979	277,065
Total liabilities	394,728	393,177	374,173
Net assets			
Invested in capital assets, net of related debt	319,575	298,013	289,132
Restricted - nonexpendable net assets	13,661	10,070	11,039
Restricted - expendable net assets	87,001	81,037	79,297
Unrestricted net assets	105,281	165,399	170,733
Total net assets	\$ 525,518	\$ 554,519	\$ 550,201

2008-2009 Results

Current Assets

Currents Assets increased in 2009 by \$13 million to \$197 million as a result of converting \$52 million of auction rate securities which had been classified as long-term investments to cash in January 2009, offset by a \$28 million reduction in deposits with bond trustees as the University completed and spent funds on capital projects.

Non-current Assets

Total non-current assets declined from \$764 million in 2008 to \$724 million in 2009, a decrease in assets of \$40 million, due primarily to the overall decline in the investment markets, which saw a large decline in the University's investment portfolio. **Capital assets** increased by \$37 million, financed primarily by bond proceeds as previously discussed. Major capital projects completed or underway include:

- **Pharmacy Building:** A \$26-million state of art facility for the College of Pharmacy is planned to be open for fall 2010 to be located on the Health Science Campus. The facility will include laboratories, lecture halls and offices to provide more space for the College of Pharmacy and offer students hands-on experience in an integrated medical community. The two-story building will feature modern professional development amenities and high-tech laboratory space. The modular design with movable laboratory elements will enhance efficiency and flexibility in the new building, making it one of the most complete and clinically advanced facilities in the region.
- **Indoor Practice Facility:** In conjunction with the "Building Champions Campaign", the University is constructing an indoor practice facility adjacent to the newly renovated Savage Hall with an estimated cost of \$11 million. The facility will include a football practice field, a basketball and volleyball practice court, and an indoor track designed to improve the competitive environment for the University's student-athletes. The facility will support all 16 varsity sports as well as other campus groups.
- **Memorial Field House Renovations:** The Field House has undergone a \$27 million, 145,000 square foot renovation. The Field House includes 54 state-of-the-art classrooms, 70 faculty offices, a three-story central atrium, a 250-seat auditorium, and an educational incubator to develop innovative teaching methods. The departments of English and Foreign Languages are located in the Field House.
- **John F. Savage Hall Renovations:** The Savage Hall athletics facility renovation was completed during the year, undergoing a \$30 million renovation as part of the University's "Building Champions" campaign. The renovations include three tiers of luxury suites and loges, 3000-square foot training room, 6000-square foot weight room, and renovated playing area.
- **Savage & Associates Complex for Business Learning and Engagement:** The \$15 million complex will provide the College of Business Administration faculty, staff, and students a cutting-edge learning environment with the latest educational technology and efficiency. The facility will be the home to the College's academic programs and various outreach programs. The complex will feature ten state of the art classrooms, five action learning labs, offices, lounges, breakout rooms, conference rooms, a board room, and provide wireless technology, video conferencing, latest technology in visual equipment and distance learning.

Liabilities

Current liabilities increased by \$7.1 million in 2009 related to higher deferred revenues due to larger enrollments in summer 2009 and timing of the summer semester.

Non-current liabilities decreased by just under \$6 million in 2009 related to principal payments on outstanding obligations.

2007-2008 Results

In 2008, net assets increased slightly by \$4 million over 2007.

Current assets increased to \$184 million from \$174 million due to increases in accounts receivable related to higher student and grant activity. Non-current assets increased by \$14 million to \$764 million, due to increases in capital assets from large construction projects and a \$4 million increase in the assets of the University's Medical Assurance Company related to the generation of income.

Current liabilities increased by \$29 million in 2008, related to higher vendor and contractor payments to be made, as well as increases in deferred revenues related to summer over the previous year. Non-current liabilities decreased by \$10 million in 2008 related to payment of the principal portion of the long term debt.

Statements of Revenues, Expenses, and Changes in Net Assets

The **Statement of Revenues, Expenses and Changes in Net Assets** is the University's income statement. It reports the detailed revenues and expenses presented in a net revenue (expense) format. Revenues and expenses are classified as operating, non-operating, and other changes, and subtotals are presented for net operating income (loss), income (loss) before other changes, and increase (decrease) in net assets. Tuition revenue is shown net of financial aid, and depreciation is provided for capital assets.

In accordance with GASB Statement No. 35, appropriations received from the State of Ohio and certain federal and state grants and contracts are presented as non-operating revenue; therefore, the University will typically reflect a net operating loss. However, the University and other public institutions have traditionally relied on these funds to support functional operations of the institution.

Summary of Revenues, Expenses, and Changes in Fund Balance

(in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Hospital	\$ 246,917	\$ 239,983	\$ 216,212
Tuition and fees, net	188,983	182,444	173,724
Grants and contracts	64,037	68,126	60,982
Auxiliary	70,543	62,870	57,620
Other operating revenues	34,216	33,782	28,829
Total operating revenue	604,696	587,205	537,367
Operating expenses:			
Salaries, wages, and benefits	458,609	426,148	406,205
Supplies	94,472	86,926	70,846
Outside purchased services	72,744	68,173	69,241
Depreciation	43,256	39,286	37,598
Other operating expenses	106,687	110,043	84,296
Total operating expenses	775,768	730,576	668,186
Operating Loss	(171,072)	(143,371)	(130,819)
Non-operating revenues (expenses):			
State share of instruction and grants & contracts	152,743	136,948	134,451
Investment income	(31,959)	3,430	25,488
Interest on debt	(14,470)	(13,055)	(10,511)
Other non-operating revenues (expenses)	9,429	2,166	(1,255)
Total non-operating revenues (expenses)	115,743	129,489	148,173
Other changes			
Capital appropriations	21,044	17,955	13,401
Other changes	5,284	245	(813)
Total other changes	26,328	18,200	12,588
Increase (decrease) in net assets	(29,001)	4,318	29,942
Net assets - beginning of the year	554,519	550,201	520,259
Net assets - end of the year	\$ 525,518	\$ 554,519	\$ 550,201

2008-2009 Results

In 2009, the University had operating revenues of \$605 million and operating expenses of \$776 million resulting in an operating loss of \$171 million.. Comparatively, the University had operating revenues of \$587 million and operating expenses of \$731 million resulting in operating loss of \$144 million for the period ending June 30, 2008.

Operating Revenues

Operating revenues increased by \$17.5 million in 2009. **Net tuition and fees** increased by \$6.5 million driven by enrollment growth and rate increases in graduate and professional programs. The University did not increase undergraduate tuition rates in fiscal 2009. The University's credit hour FTE enrollment by term was as follows:

Term	FY 2009	FY 2008	FY 2007
Fall	19,130	17,727	17,269
Spring	17,670	16,421	15,958
Summer	3,998	4,283	3,948

Hospital revenue increased by \$6.9 in 2009. The increase in hospital revenue is due primarily to increased outpatient services. **Grant Revenue classified as operating** decreased by \$4 million related to a decrease in sponsored programs from federal sources Revenue from **auxiliary enterprises** increased by \$7.7 million in 2009, primarily in residence life and food services as a result of the increased enrollment.

Operating Expenses

Total operating expenses increased by \$45.2 million to \$776 million in 2009. **Salaries & benefits** increased by \$32.5 million in 2009 reflecting salary adjustments, rising benefit costs, and higher volumes in both students and patients. Other increases in expenses in 2009 included **supplies** increase of \$7.5 million related to a more expensive mix in patient services, and **depreciation**, which increased \$4 million related to the newly completed capital projects.

Non-operating Revenue and Expense

Total non-operating revenues and expenses were a net revenue of \$116 million, a net decrease of \$13.7 million from 2008. **Investment loss** for 2009 was \$32 million compared to **income** of \$3.4 million in 2008, and State Share of Instruction and other Grants was \$153 million, a \$16 million increase over 2008.

Other Changes

Other changes netted to an increase in assets of \$26 million during 2009, an increase of \$8 million over the comparable amount in 2008. \$5 million of the net change for the year was related to a transfer of assets from the Foundation to the Science, Technology and Innovation Enterprises unit of the University. The remaining increase in fund balance is due to higher capital appropriations.

2007-2008 Results

Net operating loss in 2008 was \$143 million, worsening by \$13 million from 2007.

Operating revenue was \$587 million in 2008, an increase of \$50 million over 2007. Revenue increased in all areas, most notably a \$24 million increase in hospital revenue due to increased acute care admissions and higher emergency room visits, and up \$9 million in net tuition related to higher enrollment.

Operating expense was \$731 million in 2008, an increase of \$62 million over 2007, reflecting the increased volumes in both hospital and academic areas. Additionally, there was a \$20 million increase in salaries and benefits related to cost of living increases and higher benefits, and a \$7 million increase in occupancy related to higher utility costs.

Non-operating revenue was \$129 million in 2008, a \$19 million decrease from 2007. The primary component of revenue classified as non-operating income is state share of instruction, which was \$106 million, an increase of \$5 million from 2007. The overall decline in non-operating revenue was related to a \$22 million decrease in investment income as the capital markets began their large decline before the end of fiscal 2008.

Statements of Cash Flows

The **Statement of Cash Flows** presents the sources and uses of cash in the following categories:

- Operating activities
- Non-capital financing activities
- Capital and related financing activities
- Investing activities

Cash flows associated with the University's expendable net assets appear in the operating and non-capital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

Summary of Cash Flows			
<i>(in thousands)</i>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net cash flows from operating activities	\$ (97,828)	\$ (105,017)	\$ (105,737)
Net cash flows from non-capital financing activities	164,072	147,752	134,801
Net cash flows from capital and related financing activities	(83,263)	(66,753)	4,257
Net cash flows from investing activities	60,694	26,956	(33,157)
Net increase in cash	<u>\$ 43,675</u>	<u>\$ 2,938</u>	<u>\$ 164</u>

2008-2009 Results

Total University cash and cash equivalents increased by \$44 million in 2009. The University had net cash used in operating activities of \$98 million before adding in state share of instruction and gifts grants and contracts of \$164 million, included in non-capital financing activity, which resulted in a net increase of cash related to traditional operations of \$66 million. Total net cash flows from capital and related financing activities was \$83 million including funds expended on capital assets which netted to a \$56 million outflow during 2009, a \$7 million increase over 2008, related to the large capital projects completed and begun in 2009. There was also net cash outflow of \$27 million on debt and related interest in 2009, a \$10 million increase over 2008. Net cash inflow from investments contributed \$61 million in 2009, an increase of \$31 million. This was driven by the conversion of the failed auction rate securities to cash in January 2009.

2007-2008 Results

Net cash flow was \$3 million in 2008, an increase from the essentially zero flow in 2007. Net cash flow from operating activities and other non-capital financing was an inflow of \$43 million in 2007, up from \$29 million in 2007. Increases in state share of instruction and positive timing of student direct lending receipts drove that increase. Net use of funds for capital assets was \$50 million in 2008, up \$16 million from 2007, driven by increased large capital projects. Cash outflow related to debt was \$17 million in 2008 as compared to inflow of \$34 million in 2007 related to timing issuance of debt. Cash provided by investing was a net inflow of \$27 million in 2008 as compared to a net outflow of \$33 million in 2007, as the University generated cash from selling a number of long-term investments in 2008.

ECONOMIC FACTORS

Higher Education

Most higher education institutions including the University are faced with significant issues that are causing financial pressures. These issues include increases in energy costs, rising health care costs, the aging of university facilities, high cost of capital to develop high tech facilities, and insuring compliance with governmental regulations including environmental issues.

In conjunction with these national economic issues, higher education in Ohio is faced with its own issues and challenges. When compared with other states, Ohio relies much more heavily on student tuition to financially support its educational institutions. The Ohio Board of Regents estimates that approximately 42% of expenses of an Ohio four-year institution are covered by student tuition. Ohio universities have also been more reliant on issuing debt to finance capital initiatives and improvements. These conditions have restricted Ohio universities' uses of tuition revenue.

The Ohio Board of Regents identified ten significant challenges in its *Report on the Condition of Higher Education in Ohio: Meeting the State's Future Needs*. Those challenges included:

- Projected declines in the State's youth and working age population.
- Enrolling and graduating more adults.
- Improving college-going rates directly from high school.
- Improving participation and degrees awarded in educationally underserved countries.
- Improving college and university retention, graduation, two-year to four-year transfer rates and P-12 linkages.
- Increasing the number of students taking more rigorous high school courses.
- Making higher education more affordable.
- Achieving equitable financial access to 2-year colleges in all geographic regions.
- Increasing state, federal, and private investments for education and research.
- Increasing degree attainment while maintaining high quality.

To address these challenges, the Ohio Board of Regents has issued a 10-year Strategic Plan for Higher Education: 2008-2017 with a goal of raising the educational attainment in Ohio and increasing competitiveness with other states and nations.

Healthcare

The healthcare industry in general is subject to regulation by a number of governmental agencies, including those which administer the Medicare and Medicaid programs, federal, state, and local agencies responsible for administration of health planning programs and the license of health care providers, and payors and other federal, state, and local agencies.

Hospitals continually face increasing competition from other hospitals and healthcare providers for both patients and qualified physicians, nurses, or other healthcare professionals. Competition for patient services comes from: alternative health care delivery services; in-state and out-of-state hospitals; other institutions providing medical and health science education; nursing homes; physician practitioners; non-physician practitioners; ambulatory care facilities; and other health care providers. The ability of a hospital to generate revenue could be adversely affected should it be unable to attract a sufficient number of qualified physicians, registered nurses, or other health care professionals.

Hospitals engage in contractual arrangements with preferred provider organizations (PPO's), health maintenance organizations (HMO's), and other similar managed care organizations (MCO's), whereby they agree to provide or arrange to provide certain health care services for these organizations' eligible enrollees. Revenue received under such contracts is expected to cover the cost of services provided. However, no assurance can be made that the revenue will be able to sufficiently cover all costs of services provided.

In recent years the number of malpractice suits and settlements have been increasing nationwide, resulting in substantial increases in malpractice insurance premiums. To the extent that insurance coverage maintained by hospitals, either through insurance policies or self-insurance programs, is inadequate to cover judgments made against it, such claims must be discharged by payments from funds of the hospital.

Health care providers are subject to a wide variety of federal, state, and local environmental and occupational health and safety laws and regulations. Among the types of regulatory requirements faced by health care providers are air and water quality control requirements applicable to asbestos, polychlorinated biphenyls, and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at a health care facility; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

In the future, the following factors, among others, may affect the operations and financial performance of health care providers:

- Decreased usage of inpatient facilities from future medical and scientific advances, changes in third-party reimbursement programs, preventive medicine, improved occupational health and safety; and improved outpatient care.
- State legislation or other requirements could establish a rate-setting agency with statutory control over hospitals, hospital costs, and rates.
- An inflationary economy and difficulties in increasing room charges and other fees, while at the same time maintaining the amount of quality of health services.
- Demand for services of hospital could be reduced if population residing in the service area of the health care provider decreases.

- Increased unemployment or other adverse economic conditions in the service area could increase the proportion of patients unable to pay fully for the cost of their care.
- The number of nurses and other qualified health care technicians and personnel available may not be sufficient to support a hospital's operations. Shortages in nursing or other health care professionals may result in the need for increased compensation expenses to obtain or retain such personnel.
- The inability to obtain future governmental approvals to undertake projects which the hospital deems necessary to remain competitive as to rates and charges and the quality and scope of care.

UNIVERSITY INITIATIVES

Looking ahead, the University is committed to identifying opportunities to expand investments in facilities and programs to strengthen the institution in its efforts to accomplish its mission of improving the human condition, advancing knowledge through excellence in learning, discovery, and engagement; and to serve as a diverse, student-centered public metropolitan research university. Future initiatives include:

- ❑ Science, Technology & Innovation Enterprises, Inc – perform the following kinds of economic development activities: develop a Research Institute to conduct applied research, continue investment and support of UT's incubation and commercialization efforts through foundation and grant support, use prudent investment in UT spin-offs and other economic development opportunities to generate funds with which to sustain the broad range of UT's economic development efforts and recruit and attract innovation enterprises to Toledo.
- ❑ School of Solar and Advanced Renewable Energy – As the renewable energy field is changing rapidly the University will be educating students for jobs not created yet and preparing them for a changing economy. The new school will consist of faculty members from multiple disciplines, including physics, chemistry, engineering and business. A group of deans and faculty members are working out the details, including the types of degrees the school will offer and the number of students it will accept.
- ❑ Minority Business Incubator - The University of Toledo, already instrumental in assisting the transformation of ideas into commercial businesses in the alternative energy and technology fields, is extending its expertise to other businesses with the establishment of a Minority Business Incubator. UT's business incubators nurture entrepreneurial and economic development by providing office space and conference rooms, furniture, utilities, data package/broadband Internet, security, a mentoring program and a network of professional advisors.

- The Scott Park Campus of Energy and Innovation – The redesign of the Scott Park Campus will serve as a hands-on alternative energy laboratory used for teaching, research and demonstration, as well as to generate energy and reduce the University’s carbon footprint. In addition to the many educational opportunities, the Scott Park Campus of Energy and Innovation is expected to foster regional economic development through commercialization and business incubation efforts.

THE UNIVERSITY OF TOLEDO
Statements of Net Assets
June 30, 2009
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$64,379	\$1,084	\$2,347
Short-term Investments			
Accounts Receivable, net	118,486	618	11,280
Contributions Receivable, net		4,594	
Loans Receivable, net			
Inventories	7,069		
Investments Held by Bond Trustee	438		
Notes Receivable, net	2,524	57	
Other Assets	3,687	1,303	268
Total Current Assets	<u>196,583</u>	<u>7,656</u>	<u>13,895</u>
Non-Current Assets:			
Endowment and Loan Investments	39,486		
Notes Receivable, net	18,738	158	
Long-term Investments	63,274	120,852	3,264
Contributions Receivable, net		21,346	
Deferred Bond Issuance Costs	4,372		
Capital Assets, net	572,650	5,242	396
Science, Technology & Innovation Enterprises, Inc.	5,071		
UT Medical Assurance Company Assets	20,072		
Charitable Remainder Trusts and Annuity Contracts		4,800	
Prepaid Rent		419	
Asset Held for Sale		1,200	
Cash Surrender Value of Life Insurance Policies		1,382	
Total Non-Current Assets	<u>723,663</u>	<u>155,399</u>	<u>3,660</u>
Total Assets	<u><u>\$920,246</u></u>	<u><u>\$163,055</u></u>	<u><u>\$17,555</u></u>

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Net Assets
June 30, 2009
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Accounts Payable	\$33,706	\$1,617	\$3,119
Accrued Liabilities	32,585	1,271	8,127
Contribution Payable		110	
Deferred Revenue	35,413	172	
Medical Professional Liability – Current Portion	1,000		
Deposits	478		
Compensated Absences - Current Portion	23,018		
Long-term Liabilities - Current Portion	7,099	1,320	
Total Current Liabilities	<u>133,299</u>	<u>4,490</u>	<u>11,246</u>
Non-Current Liabilities:			
Compensated Absences	5,777		
Medical Professional Liability – Long-Term Portion	1,428		
UT Medical Assurance Company Liabilities	8,399		
Long-term Liabilities	245,825	3,949	
Total Non-Current Liabilities	<u>261,429</u>	<u>3,949</u>	<u>0</u>
Total Liabilities	<u>394,728</u>	<u>8,439</u>	<u>11,246</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	319,575	5,242	
Restricted for:			
Nonexpendable	13,661	65,486	
Expendable	87,001	86,102	
Unrestricted	105,281	(2,214)	6,309
Total Net Assets	<u>\$525,518</u>	<u>\$154,616</u>	<u>\$6,309</u>

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Net Assets
June 30, 2008
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 20,704	\$ 1,605	\$ 1,310
Short-term Investments	5,303		3,979
Accounts Receivable, net	116,923	413	12,352
Contributions Receivable, net		3,275	
Loans Receivable, net			
Inventories	6,859		
Investments Held by Bond Trustee	28,403		
Notes Receivable, net	2,769	54	
Other Assets	2,676	192	134
Total Current Assets	183,637	5,539	17,775
Non-Current Assets:			
Endowment and Loan Investments	46,719		
Notes Receivable, net	18,150	215	
Long-term Investments	142,875	156,832	566
Contributions Receivable, net		21,050	
Deferred Bond Issuance Costs	4,150		
Capital Assets, net	535,302	4,260	267
UT Medical Assurance Company Assets	16,863		
Charitable Remainder Trusts and Annuity Contracts		6,629	
Asset Held for Sale		1,369	
Cash Surrender Value of Life Insurance Policies		1,391	
Total Non-Current Assets	764,059	191,746	833
Total Assets	\$ 947,696	\$ 197,285	\$ 18,608

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Net Assets – Continued
June 30, 2008
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 37,216	\$ 722	\$ 1,358
Accrued Liabilities	28,481	113	8,822
Contribution Payable		159	
Deferred Revenue	25,053		
Medical Professional Liability – Current Portion	200		
Deposits	463		
Compensated Absences - Current Portion	21,153		
Long-term Liabilities - Current Portion	13,632	1,407	
Total Current Liabilities	<u>126,198</u>	<u>2,401</u>	<u>10,180</u>
Non-Current Liabilities:			
Compensated Absences	5,791		
Medical Professional Liability – Long-Term Portion	1,828		
UT Medical Assurance Company Liabilities	7,583		
Long-term Liabilities	251,777	4,346	
Total Non-Current Liabilities	<u>266,979</u>	<u>4,346</u>	
Total Liabilities	<u>393,177</u>	<u>6,747</u>	<u>10,180</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	298,013	4,260	
Restricted for:			
Nonexpendable	10,070	66,914	
Expendable	81,037	111,182	
Unrestricted	165,399	8,182	8,428
Total Net Assets	<u>\$ 554,519</u>	<u>\$ 190,538</u>	<u>\$ 8,428</u>

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2009
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Revenues			
Operating Revenues:			
Hospital	\$246,917		
Student Tuition and Fees, net of Student Aid of \$46,491	188,983		
Federal Grants and Contracts	32,221		
State Grants and Contracts	12,595		
Local Grants and Contracts	922		
Private Grants and Contracts	18,299		
Sales and Services	7,336		
Auxiliary Enterprises , net of Student Aid of \$4,014	70,543		
Other Patient Services Revenue			61,675
Contributions and Support		16,434	
Residency Reimbursement	4,574		
UT Medical Assurance Company Net Revenue	2,393		
Other Operating Revenues	19,913	1,544	7,022
Total Operating Revenues	<u>604,696</u>	<u>17,978</u>	<u>68,697</u>
Expenses			
Operating Expenses:			
Salaries and Wages	342,933		40,802
Benefits	115,676		6,371
Supplies	94,472		1,175
Travel and Entertainment	11,106		745
Information and Communication	18,703		776
Occupancy	26,342		475
Scholarship	23,348		
Outside Purchased Services	72,744		11,533
Provision for Doubtful Accounts	14,008		3,900
Support to University		17,008	215
Fund Raising and Development		609	
Management		2,331	8
Depreciation	43,256	100	88
Other	13,180	112	3,910
Total Operating Expenses	<u>775,768</u>	<u>20,160</u>	<u>69,998</u>
Operating Loss	<u>(\$171,072)</u>	<u>(\$2,182)</u>	<u>(\$1,301)</u>

THE UNIVERSITY OF TOLEDO
Statements of Revenues, Expenses, and Changes in Net Assets – Continued
Year Ended June 30, 2009
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Operating Loss	(\$171,072)	(\$2,182)	(\$1,301)
Non-operating Revenues (Expenses)			
State Share of Instruction	114,497		
Federal Grants and Contracts	17,216		
State Grants and Contracts	21,030		
Gifts	10,367		
Investment Income	(31,959)	(30,748)	(811)
Interest on Debt	(14,470)		(7)
Other Non-operating (Expense) Revenues	(938)	(2,993)	
Total Non-operating Revenues	<u>115,743</u>	<u>(33,741)</u>	<u>(818)</u>
Income (Loss) before Other Changes	(55,329)	(35,923)	(2,119)
Other Changes			
Capital Appropriations	21,044		
Capital Grants, Gifts, and Contracts	2,667		
Addition to Permanent Endowment	3,506		
Contributed Capital			
Asset Disposal	(889)		
Total Other Changes	<u>26,328</u>	<u>0</u>	<u>0</u>
Decrease in Net Assets	(29,001)	(35,923)	(2,119)
Net Assets			
Net Assets at Beginning of Year	<u>554,519</u>	<u>190,538</u>	<u>8,428</u>
Net Assets at End of Year	<u>\$525,518</u>	<u>\$154,615</u>	<u>\$6,309</u>

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2008
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Revenues			
Operating Revenues:			
Hospital	\$ 239,983		
Student Tuition and Fees, net of Student Aid of \$38,044	182,444		
Federal Grants and Contracts	35,253		
State Grants and Contracts	15,982		
Local Grants and Contracts	1,137		
Private Grants and Contracts	15,754		
Sales and Services	6,884		
Auxiliary Enterprises , net of Student Aid of \$3,847	62,870		
Gifts			
Other Patient Services Revenue			52,947
Contributions and Support		27,046	
Residency Reimbursement	4,435		
UT Medical Assurance Company Net Revenue	3,830		
Other Operating Revenues	18,633	2,066	6,041
Total Operating Revenues	587,205	29,112	58,988
Expenses			
Operating Expenses:			
Salaries and Wages	325,388		34,100
Benefits	100,760		8,688
Supplies	86,926		9,225
Travel and Entertainment	10,704		536
Information and Communication	18,820		44
Occupancy	21,719		381
Scholarship	22,088		
Outside Purchased Services	68,173		1,452
Provision for Doubtful Accounts	11,622		
Support to University		12,559	2,155
Fund Raising and Development		761	
Management		2,553	
Depreciation	39,286	224	50
Other	25,090	355	530
Total Operating Expenses	730,576	16,452	57,161
Operating (Loss) Income	\$(143,371)	\$ 12,660	\$ 1,827

THE UNIVERSITY OF TOLEDO
Statements of Revenues, Expenses, and Changes in Net Assets – Continued
Year Ended June 30, 2008
(Dollars in thousands)

	University	UT Foundation	UT Clinical Faculty, Inc
Operating (Loss) Income	\$(143,371)	\$ 12,660	\$ 1,827
Non-operating Revenues (Expenses)			
State Share of Instruction	106,348		
Federal Grants and Contracts	14,472		
State Grants and Contracts	16,128		
Gifts	3,253		
Investment Income	3,430	(7,295)	294
Interest on Debt	(13,055)		(1)
Other Non-operating (Expense) Revenues	(1,087)	4,242	
Total Non-operating Revenues	<u>129,489</u>	<u>(3,053)</u>	<u>293</u>
Income (Loss) before Other Changes	(13,882)	9,607	2,120
Other Changes			
Capital Appropriations	17,955		
Additional Funding for Plant Facilities			
Capital Grants, Gifts, and Contracts	352		
Addition to Permanent Endowment	4		
Contributed Capital			
Asset Disposal	(111)		(18)
Total Other Changes	<u>18,200</u>		<u>(18)</u>
Increase in Net Assets	4,318	9,607	2,102
Net Assets			
Net Assets at Beginning of Year	550,201	180,931	6,326
Net Assets at End of Year	<u>\$ 554,519</u>	<u>\$ 190,538</u>	<u>\$ 8,428</u>

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Cash Flows
Year Ended June 30, 2009
(Dollars in thousands)

	2009	2008
Cash Flows from Operating Activities		
Tuition and Fees	\$ 191,571	\$ 177,717
Grants and Contracts	59,062	48,648
Hospital Revenues	249,444	233,607
Sales and Services of Educational Activities	12,266	14,808
Payments to Suppliers and Outside Purchased Services	(274,728)	(261,982)
Payments to Employees	(433,906)	(404,159)
Loans Issued to Students	(2,726)	(3,663)
Collection of Loans from Students	1,904	3,928
Auxiliary Enterprise Charges	69,303	63,111
Other	29,982	22,968
Net Cash Used in Operating Activities	(97,828)	(105,017)
Cash Flows from Non-capital Financing Activities		
State Share of Instruction	114,497	106,348
Student Direct Lending Receipts	144,373	117,389
Student Direct Lending Disbursements	(146,894)	(109,672)
Gifts, Grants, and Contracts	52,119	33,858
Agency Transactions	(23)	(171)
Net Cash Provided by Non-Capital Financing Activities	164,072	147,752
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(80,802)	(63,540)
Principal Paid on Capital Debt	(106,468)	(98,855)
Capital Appropriations	23,367	13,408
Proceeds from Debt Issuance	93,983	94,710
Capital Grants and Gifts	1,477	352
Interest Paid on Capital Debt	(14,820)	(12,828)
Net Cash Used In Capital and Related Financing Activities	(83,263)	(66,753)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	118,467	324,460
Interest on Investments	2,730	9,503
Purchase of Investments	(60,503)	(307,007)
Net Cash Provided by Investing Activities	60,694	26,956

THE UNIVERSITY OF TOLEDO
Statements of Cash Flows – Continued
Year Ended June 30, 2009
(Dollars in thousands)

	2009	2008
Net Increase in Cash	43,675	2,938
Cash and Cash Equivalents – Beginning of Year	20,704	17,766
Cash and Cash Equivalents – End of Year	\$ 64,379	\$ 20,704

	2009	2008
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$ (171,072)	\$ (143,371)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	43,256	39,286
Provision for Patient Bad Debt	14,008	11,622
(Increase) Decrease in Assets:		
Accounts Receivable, net	(2,727)	(29,145)
Inventories	(210)	276
Other Current Assets	352	949
Notes Receivable, net	(343)	(1,210)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	6,297	10,286
Deferred Revenue	10,360	6,682
Compensated Absences	1,851	(83)
Medical Professional Liability Accrual	400	(309)
Net cash used in operating activities	\$ (97,828)	\$ (105,017)

See notes to financial statements

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

On December 6, 2005, the Boards of Trustees of both the former University of Toledo (UT) and the former Medical University of Ohio (MUO) adopted resolutions in favor of a proposed combination of UT and MUO. On December 17, 2005, the Ohio Board of Regents adopted a resolution in support of the proposed combination. House Bill 478, signed on March 31, 2006 by then Governor Bob Taft, combined UT and MUO as one state university, effective July 1, 2006, and named the resulting entity the University of Toledo (the University). The University is one of several state-supported universities in Ohio. The University is a component unit of the State of Ohio and is discretely presented in the State of Ohio's Comprehensive Annual Financial Report.

The University is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501 (c) (3), and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 through 514.

The University is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The University is currently governed by a 11-voting member board of trustees created through the combination of the previous existing boards of the two universities. The Board will eventually be reduced to nine members, as current members' terms expire, only one new trustee will be appointed for every two that depart. The trustees are appointed to by the Governor with the advice and consent of the State Senate for overlapping nine-year terms. The Board includes two student non-voting members that are appointed for two-year terms.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States as prescribed by the GASB. The University is a public institution engaged in Business-type Activities. In accordance with GASB Statement No. 35 – *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*, the University presents Management's Discussion and Analysis; Statements of Net Assets; Statements of Revenue, Expenses, and Changes in Net Assets; Statements of Cash Flow; and Notes to the Financial Statements.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The University follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

In the determination of whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the University's practice to use restricted first.

Governmental Accounting Standards Board (GASB) Statement No. 39 *Determining Whether Certain Organizations are Component Units*, requires the University to reflect the Foundation and the University of Toledo Clinical Faculty, Inc. (UTCF) as discretely presented component units in the financial statements based on the significance of the relationships with the University. The Foundation and UTCF are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' or UTCF financial information in the University's financial reporting entity for these differences.

The Foundation is a legally separate, tax-exempt entity that acts primarily as a fund-raising organization to supplement the resources available to the University in support of its programs. The Foundation transferred approximately \$17,000 and \$12,600, during fiscal year 2009 and 2008, respectively, to the University for both restricted and unrestricted purposes in support of its programs. Certain marketable investments of the University are pooled with marketable investments of the Foundation. The Foundation manages these funds and charges the University a management fee equal to 1.25% of the fair market value of the University's share of the pooled investments.

SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits with banks. All investments with maturities less than 90 days are considered cash and cash equivalents.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on an average cost basis.

Patient Revenue and Accounts Receivable

Patient accounts receivable and revenue are recorded at net realizable value when patient services are performed. The University has agreements with third-party payors that provide for payments to the University at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare and Medicaid: The University is a provider of services under the Medicare and Medicaid programs. The University is paid a prospectively determined fixed price for each Medicare and Medicaid inpatient. The price varies depending on the type of illness or the patient's diagnostic related group classification. Capital costs, certain Medicare outpatient services, and Medicaid outpatient services are also reimbursed on prospectively determined fixed price. Graduate medical education is reimbursed on a per diem basis under the Medicare program. The University receives payment for other Medicare outpatient services and certain inpatient costs on a reasonable cost basis.
- Other Payors: The University has also entered into payments agreements with certain commercial carriers to provide health care services. Payment to the University under these agreements is based on prospectively determined fixed prices, fee screens, or on a percentage of billed charges.

Provision is made in the financial statements for the differences between the University's standard rate charged for services rendered and third-party reimbursements and for estimated settlements based on third-party reimbursement contracts. Retroactive settlements resulting from third-party audits of filed cost reports are reflected in the financial statements in the year of settlement. These provisions and settlements are included in deductions from patient service revenue. There is at least a reasonable possibility that recorded estimates will change in the near-term. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The University believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charity care includes services provided to persons who cannot afford healthcare because of inadequate resources or who are uninsured or underinsured. In addition to charity care, services are provided under Medicaid and other Welfare programs. Certain payments received under these programs are less than the cost of providing the service.

Patient Revenue and Accounts Receivable (continued)

A summary of charity and uncompensated care, at cost, is as follows:

	Year Ended 6/30/2009	Year Ended 6/30/2008
Traditional charity care	\$ 7,141	\$ 7,272
Unpaid costs of traditional Medicaid programs	7,431	5,457
Unpaid costs of other welfare programs	358	401
Total charity and uncompensated care	\$ 14,930	\$ 13,130

Capital Assets

Capital assets are stated at historical cost or fair value at date of donation in the case of gifts. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation. Depreciation has been recorded in accordance with GASB. The University has a rare book collection and manuscript collection in the library that is not capitalized since it represents historical works of art that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

Deferred Issuance Cost

Deferred bond issuance costs for the General Receipts Bonds have been capitalized and are included on the Statements of Net Assets, and are being amortized over the life of the bonds on the straight-line method, which approximates the interest method.

Deferred Revenue

Summer term tuition and fees, and corresponding expenses relating to various sessions falling in the fiscal year are recognized in the fiscal year they occur. The portion of sessions falling into the next fiscal year are recorded as deferred revenue and prepaid expenses in the Statements of Net Assets and will be recognized in the following year.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets are classified into the three following categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement in those assets.

Restricted: Nets assets subject to externally imposed constraints that they may be maintained permanently by the University, or net assets whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time. Restricted net assets are classified further as nonexpendable and expendable. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets.

Unrestricted: Net assets available to the University for any lawful purpose of the institution. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. The University has committed unrestricted net assets to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and post employment benefits.

Compensatory Time

Compensatory time may be given in lieu of overtime pay to classified employees who work in excess of the regular schedule. Management estimates that the future cost associated with the payment of compensatory time earned as of June 30, 2009 is not significant to the financial statements as a whole and will not have a material impact on the future operations when paid.

Compensated Absences

University employees earn vacation and sick leave based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitation are forfeited. The liability and expense incurred are recorded at year-

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

end as long-term and short-term liabilities in the Statements of Net Assets, and as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Assets.

Grants and Contracts

The University receives grants and contracts from Federal, State, and private agencies to fund research and other activities. Grants and contracts generally provide for the recovery of direct and indirect costs. The University recognizes revenues associated with grants and contracts as the related costs are incurred. Indirect cost recovery is recorded as a percentage of direct costs at negotiated fixed rates. Revenues received under grants and contracts are subject to the examination and retroactive adjustments by the awarding agency. Federal funds are subject to an annual OMB Circular A-133 audit.

State Subsidies

The University receives student-based subsidy and other subsidies from the State. These subsidies are determined biennially and released annually based upon allocations determined by the Ohio General Assembly and the Ohio Board of Regents.

In addition to subsidies, the State provides capital appropriations for construction of major plant facilities on the campus. The financing of construction is obtained by the State through issuance of State revenue bonds. State funds are pledged for the repayment of the revenue bonds. In the event these funds are insufficient to retire the revenue bonds, a pledge exists to assess a special student fee to students of State assisted institutions of higher education. As a result of this financing arrangement, the outstanding debt relating to the revenue bonds is not included in the University's Statement of Net Assets. State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.

Capitalized Interest

Interest on construction projects is capitalized until substantial completion of the project.

Endowments

The University's and the Foundation's Board of Trustees established an investment policy for the endowment and quasi endowments with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of the University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, (established at 4.9% for Fiscal Year

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2009) of the three year market average, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

Interest Rate Swap Agreements

The University has entered into various interest rate swap agreements in order to manage and hedge risks associated with interest. Currently, GASB does not require the University to record the fair value or changes in the fair value of interest rate swaps in its financial statements. See Note 6 for relevant disclosures.

Investments Held By Bond Trustee

Investments held by bond trustee represent funds held by a third party to pay for capital additions and improvements.

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.

Upcoming Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the University's 2010 fiscal year end. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the University's 2010 fiscal year end. This Statement requires derivative instruments (such as interest rate swap agreements) to be reported at fair value. In addition, for derivative instruments that qualify as effective hedges, changes in fair

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

value will be reported as deferrals in the statement of net assets, while changes in the fair value of the derivative instruments that do not qualify as effective hedges including investment derivative instruments, will be reported as investment income. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2009, the carrying amount of the University's cash and cash equivalents for all funds is \$64,379 as compared to bank balances of \$63,393. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$250 is covered by federal deposit insurance. This reflects a temporary increase in the basic limit on federal deposit insurance coverage from \$100 to \$250 per depositor originally set to expire December 31, 2009 and since extended through June 30, 2010. The remaining balances of cash and cash equivalents are collateralized the depository institution per Ohio Revised Code 135.181B which requires that the total market value of the securities so pledged is at least equal to one hundred five percent of the total amount of all public deposits.

NOTE 3 – INVESTMENTS

University investments are categorized by the following: short-term investments, restricted investments, and long-term investments. Short-term investments are funds available for current operating expenses and capital projects with the vast majority of assets invested in fixed income instruments. Restricted investments include gifted endowment funds of the University held in an investment pool with gifted endowment funds of the Foundation. Long-term investments are considered institutional reserves emphasizing both capital preservation and long-term appreciation. The long-term investments consist of a mix of fixed income instruments and equities.

The Board approved revisions to the University's investment policy effective May 2009. The policy establishes investment objectives, strategies and measures for evaluation. The University's policy complies with the State of Ohio regulations provided by legislation.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 3 – INVESTMENTS (continued)

The University's investment policy authorizes the investment of non-endowed funds in the following investments:

- Obligation of the US Treasury and other federal agencies
- Municipal and state bonds
- Certificate of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds
- Commercial paper
- Bankers acceptances
- Corporate bonds and stock
- Asset backed securities
- Mortgage pools and mortgage related securities
- Guaranteed investment contract

The University's investment policy authorizes the investment of endowed funds in the following investments:

- Obligation of the US Treasury and other federal agencies
- Municipal and state bonds
- Certificate of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds
- Corporate bonds and stocks
- Mortgages and collateralized mortgage obligations
- Alternative investments

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 3 – INVESTMENTS (continued)

The cost and fair values, exclusive of accrued interest, of investments at June 30, consisted of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 62,382	\$ 62,382	\$ 61,368	\$ 61,368
Corporate bonds and mortgage-backed	352	366	5,165	5,125
Corporate stock	96,915	82,342	110,823	111,117
Mutual funds – fixed income	7,208	7,136	5,186	5,209
Mutual funds – equity	1,428	1,212	1,698	1,696
Partnerships and hedge funds	7,005	6,221	4,294	4,437
Municipal bonds			45,013	51,946
U.S. Government	304	326	152	161
U.S. Government agency	517	534	7,042	7,106
Real estate	1,107	1,107	1,328	1,328
Total Investments	177,218	161,626	242,069	249,493
Less: Investments considered cash equivalents	58,866	58,866	26,193	26,193
Total investments less cash equivalents	\$ 118,352	\$ 102,760	\$ 215,876	\$ 223,300

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires certain additional disclosures related to the interest rate, credit, foreign currency and custodial risks associated with interest-bearing investments as of June 30, 2009. At the present time, the University does not have formal policies addressing these types of risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of June 30, 2009, the University had the following interest-bearing investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)			
		< 1	1 - 5	6 - 10	> 10
US Government	\$ 326	\$	\$ 64	\$ 194	\$ 68
US Government Agencies	534	25	26	100	383
Corporate Bonds	366		171	146	49
Municipal Bonds					
Total	\$ 1,226	\$ 25	\$ 261	\$ 440	\$ 500

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 3 – INVESTMENTS (continued)

As of June 30, 2008, the University had the following interest-bearing investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)			
		< 1	1 - 5	6 - 10	> 10
US Government	\$ 161	\$	\$ 51	\$ 103	\$ 7
US Government Agencies	7,106	6,637	41	78	350
Corporate Bonds	5,125	4,388	106	315	316
Municipal Bonds	51,946				51,946
Total	\$ 64,338	\$ 11,025	\$ 198	\$ 496	\$ 52,619

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by the nationally recognized statistical rating organizations (NRSRO's) such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2009 are as follows:

Credit Rating (Moody's)	Total	US Government	US Agencies	Corporate Bonds	Municipal Bonds
Aaa	\$ 860	\$ 326	\$ 534	\$	\$
Aa	97			97	
A	269			269	
Total	\$ 1,226	\$ 326	\$ 534	\$ 366	\$

The credit ratings of the University's interest-bearing investments at June 30, 2008 are as follows:

Credit Rating (Moody's)	Total	US Government	US Agencies	Corporate Bonds	Municipal Bonds
Aaa	\$ 43,481	\$ 161	\$ 7,106	\$ 2,873	\$ 33,341
Aa	20,677			2,072	18,605
A	136			136	
Ca	44			44	
Total	\$ 64,338	\$ 161	\$ 7,106	\$ 5,125	\$ 51,946

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 3 – INVESTMENTS (continued)

Concentration Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's cash investment policy provides that investment pool direct placements are to be sufficiently diversified and provides that no more than 10 percent of its assets can be in any particular issue. The foregoing restrictions do not apply to securities that are issued or fully guaranteed by the United States government. The University did not have investments in any single issuer that equaled 5 percent or more in 2009.

The University had the following investments in a single issuer exceeding 5 percent as of June 30, 2008

Issuer	2008	
	Fair Value	%
Access Group Inc.	\$ 15,992	8.86%
Iowa Student Ln Liquidity Corp	\$ 9,266	5.13%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2009, the University had no exposure to foreign currency risk as it holds no securities denominated in foreign currencies.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment of \$1,107 in real estate is not evidenced by securities that exist in physical or book entry form. The remaining investments are uninsured and unregistered with securities held by the counter party's trust department or agent in the University's name.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 4 – ACCOUNTS AND NOTES RECEIVABLE

The accounts and notes receivable, shown net of allowances for uncollectible accounts at June 30, 2009 and 2008 respectively, are summarized as follows:

	2009	2008
Accounts receivable:		
Tuition and fees	\$ 10,151	\$ 10,805
Patient services	47,542	53,157
Sales and services	5,585	2,999
Auxiliary services	3,455	2,034
Grants and contracts	47,375	42,399
Interest receivable	205	203
Interest receivable – endowments	38	58
Plant fund	4,135	5,268
Total accounts receivable - net of allowances	118,486	116,923
Notes receivable:		
Current	2,524	2,769
Non current	18,738	18,150
Total notes receivable - net of allowances	21,262	20,919
Total accounts and notes receivables - net of allowances	\$ 139,748	\$ 137,842

Accounts receivable are for transactions relating to tuition and fees, patient services, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts totaling \$12,429 and \$8,849 for fiscal years 2009 and 2008, respectively. Student notes receivable are recorded net of allowance for uncollectible accounts of \$760 as of June 30, 2009 and 2008, respectively.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or if acquired by gift at the fair market value as of the date of donation. Capital assets consist of the following as of June 30, 2009:

	Balance 2008	Additions	Reallocation/ Reductions	Balance 2009
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,363			\$ 22,363
Construction in progress	51,230	\$ 68,087	\$ (90,371)	28,946
Total capital assets, not being depreciated	73,593	68,087	(90,371)	51,309
Capital assets, being depreciated:				
Land improvements	6,479	21	5,094	11,594
Infrastructure	132,605	356	578	133,539
Buildings	718,666	93	78,520	797,279
Equipment	166,851	12,962	(4,048)	175,765
Total capital assets, being depreciated	1,024,601	13,432	80,144	1,118,177
Less accumulated depreciation:	562,892	43,157	(9,213)	596,836
Total capital assets, being depreciated, net	461,709	(29,725)	89,357	521,341
Capital Assets, net	\$ 535,302	\$ 38,362	\$ (1,014)	\$ 572,650

Capital assets consist of the following as of June 30, 2008:

	Balance 2007	Additions	Reallocation/ Reductions	Balance 2008
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,363			\$ 22,363
Construction in progress	36,668	\$ 53,795	\$ (39,233)	51,230
Total capital assets, not being depreciated	59,031	53,795	(39,233)	73,593
Capital assets, being depreciated:				
Land improvements	5,850		629	6,479
Infrastructure	96,330	386	35,889	132,605
Buildings	690,607	258	27,801	718,666
Equipment	185,454	9,151	(27,754)	166,851
Total capital assets, being depreciated	978,241	9,795	36,565	1,024,601
Less accumulated depreciation:	526,324	39,238	(2,670)	562,892
Total capital assets, being depreciated, net	451,917	(29,443)	39,235	461,709
Capital Assets, net	\$ 510,948	\$ 24,352	\$ 2	\$ 535,302

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 5 – CAPITAL ASSETS (continued)

Assets are capitalized on Main Campus with a cost of \$100 or greater with the exception of equipment, which is capitalized at a cost of \$5 or greater. Main Campus depreciation and amortization on capital leases are recognized on a straight-line basis over the estimated useful life of the asset, as follows:

<u>Classification</u>	<u>Life</u>
Infrastructure	15 to 25 years
Buildings	40 years
Building Additions	15 to 40 years
Equipment	5 years

Assets are capitalized on Health Science Campus (HSC) with a cost of \$5 or greater for equipment and judgmentally for building and building additions based on increase of capacity, life, or operating efficiency of a capital asset. HSC depreciation and amortization on capital leases are recognized on a straight-line basis over the estimated useful life of the asset, as follows:

<u>Classification</u>	<u>Life</u>
Infrastructure	2 to 40 years
Buildings	5 to 40 years
Building Additions	5 to 40 years
Equipment	3 to 20 years

NOTE 6 – DEBT

On July 21, 2008 the University issued \$58,450 in General Receipts Bonds, Series 2008B (Series 2008B) and \$35,480 in General Receipts Bonds, Series 2008A (Series 2008A), to refund the General Receipts Notes, Series 2008. Additional proceeds were used to pay for related issuance cost. Series 2008B bears interest at a daily rate determined by the Remarketing Agent as the lowest rate of interest, which in the judgment of the Remarketing Agent would cause the Series 2008B Bonds to have a market value as of the date of determination equal to the principal amount thereof. The remarketing agent takes many factors into account when setting the rate including but not limited to market conditions, rates on comparable securities being traded and other financial market rates and indexes.

In conjunction with Series 2008B, JPMorgan Chase issued an irrevocable direct pay letter of credit scheduled to expire on July 17, 2009. In May of 2009, the University and JPMorgan Chase signed an amendment to the original agreement extending it until January 17, 2011. The Series 2008B incorporated a partial optional redemption in the amount of \$4.680 which was

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 6 – DEBT (continued)

exercised by the University in June 2009 with the remaining balance of \$53,770 scheduled to be paid in full at maturity in 2032.

Series 2008A Bonds bear a fixed rate of interest with coupons ranging from 3% to 5% over the scheduled redemption period from June 1, 2009 through the final maturity of June 1, 2027. A financial guarantee insurance policy was issued concurrently with the delivery of the bonds by Assured Guaranty Corp. Bonds maturing on or after June 1, 2019 are subject to redemption at the option of the University prior to their stated maturities, on any date on or after June 1, 2018, in whole or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date.

The interest rate derivative agreements associated with the Series 2002 General Receipts Bonds remain in effect. In order to comply with State Law, the hedged amount over and above the value of the 2008B Variable Rate Bonds were matched with the un-hedged portions of the Series 2005 (\$16,535) and Series 2007B (\$16,750) Variable Rate Bonds. As a result the University has \$152,810 in outstanding variable rate debt and \$150,500 in outstanding interest rate swaps. Of this amount, \$66,155 is considered fully integrated for tax purposes.

On May 20, 2008, the University issued \$92,795 in General Receipts Notes, Series 2008 (Series 2008) to refund the General Receipt Bonds, Series 2002. The Series 2008 General Receipts Notes were issued in anticipation of an issuance of General Receipts Bonds in fiscal year 2009. On May 20, 2008, the University and JPMorgan Chase (Chase) entered into a Note Purchase Agreement whereas Chase purchased all of Series 2008, which bore interest at one week Adjusted London Interbank Offered Rate (LIBOR) and had an expiration date of November 13, 2008. The 2008 BAN was replaced by Series 2008A and 2008B Bonds as noted above.

On April 26, 2007, the University issued \$49,900 in General Receipts Bonds, Series 2007B, (Series 2007B) to finance the rehabilitation and improvement of a facility to provide classrooms for undergraduates; the rehabilitation and improvement of the main library; and improvements to athletic facilities. Series 2007B bears interest based on the Auction Period Rate (APR) for each 35-day auction period.

On April 17, 2007, the University entered into an interest rate swap agreement with JP Morgan Chase, with an effective date of April 26, 2007, in the notional amount of \$33,250, to hedge a portion of the exposure against interest rate fluctuations arising from the variable interest rates on the Series 2007B. Based on the swap agreement, the University owes interest calculated at a fixed rate of 3.66% to the swap counterparty. In return, the counterparty owes the University interest at a variable rate based on 68% of one month LIBOR. Only the net difference in interest payments is actually exchanged with the counterparty. The University pays interest to the bondholders at the variable rate provided by the bonds. The swap agreement expires on June 1, 2036, the same maturity as the Series 2007B. The swap agreement may be terminated prior to its

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

stated termination date under certain circumstances. Upon termination, a payment may be owed by the University to the swap counterparty or by the swap counterparty to the University, depending on the prevailing economic circumstances at the time of the termination.

The mark to market valuation of the swap agreement as of June 30, 2009 is a liability of \$4,206. The swap agreement's fair value is estimated using the zero-coupon method, whereby the future net settlement payment as required by the swap is calculated, then discounted using the spot rates implied by the current yield curve.

On January 23, 2007 the University issued \$46,595 in General Receipts Bonds, Series 2007A, with an average interest rate of 4.43%, to advance refund the General Receipts Bonds Series 2001, with an average interest rate of 5.1% and current refund the General Receipt Bond Anticipation Notes Series 2006, with an interest rate of 4.25%. Proceeds of \$32,900 were deposited into an escrow fund with Bank of New York Trust Company, N.A. to satisfy scheduled payments of principal and interest of Series 2001. The Series 2001 outstanding obligation of \$31,900 is considered defeased and the liability from those bonds has been removed. The University has a cash flow savings of \$1,300 and an economic gain of \$1,300 from the advance refunding of Series 2001. Proceeds of \$13,655 were used to extinguish Series 2006 outstanding obligations of \$13,100 plus accrued interest.

On January 24, 2006, the University issued \$13,100 in General Receipts Bond Anticipation Notes, Series 2006 to extinguish the General Receipt Bond Anticipation Notes, Series 2005A.

On March 29, 2005, the University issued \$50,000 in General Receipts Bonds, Series 2005 (Series 2005), at a variable rate of interest, for the construction and equipping of certain major expansions, renovations, and improvements at HSC. These projects included but were not limited to an ambulatory care center, an orthopedics center, an outpatient surgical center, an upgrade to HSC clinical information system to provide for a fully digital environment, and miscellaneous routine capital expenditures.

On March 29, 2005, the University entered into an interest rate swap agreement with Lehman Brothers Special Financing, Inc., with an effective date of April 1, 2005, in the notional amount of \$33,465, to hedge a portion of the exposure against interest rate fluctuations arising from the variable interest rates on the Series 2005.

On October 3, 2008 Lehman Brothers Special Financing (LBSF), Inc. the University's counterparty on the swap agreement associated with the Series 2005 General Receipts Bonds issued by the Medical College of Ohio (Medical University of Ohio) filed for Chapter 11 Bankruptcy. Under the International Swaps and Derivatives Association (ISDA), Inc. Master Agreement, this filing qualified as a terminable event. The University terminated the agreement with LBSF effective November 8, 2008 and concurrently entered into a replacement agreement with Wells Fargo Bank as counterparty under the same terms as the original LBSF agreement.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

Based on the swap agreement, the University owes interest calculated at an average fixed rate of 3.564% to the swap counterparty. In return, the counterparty owes the University interest at a variable rate based on 67% of one month LIBOR. Only the net difference in interest payments is actually exchanged with the counterparty. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The swap agreement expires on July 1, 2030, the same maturity as the Series 2005. The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed by the University to the swap counterparty or by the swap counterparty to the University, depending on the prevailing economic circumstances at the time of the termination.

The mark to market valuation of the swap agreement as of June 30, 2009 is a liability of \$3,240. The swap agreement's fair value is estimated using the zero-coupon method, whereby the future net settlement payment as required by the swap is calculated, then discounted using the spot rates implied by the current yield curve.

On March 1, 2004, the University issued \$14,110 General Receipts Bonds, Series 2004 to refund and redeem the General Receipt Bonds, Series 1994 in the amount of \$13,200 with the remainder of the issue being used to fund the bond issuance cost and the call premium.

On November 19, 2002, the University issued \$104,535 General Receipt Bonds, Series 2002, with a variable interest rate, to finance the construction of a residence hall, improve dining facilities and currently refund and redeem the General Receipts Bonds, Series 1992A in the amount of \$46,050. A total of \$46,971 of the proceeds was utilized to pay the call premium of \$921 and redeem all of the outstanding 1992 bonds on December 1, 2002.

On December 1, 2002, the University entered into two different interest rate swap agreements with Bear Stearns & Co., Inc. and one with JPMorgan Chase (formerly Bank One N.A.) in the total notional amount of \$104,535 to hedge the exposure against interest rate fluctuations arising from the variable interest rates on the Series 2002 Bonds. Based on the swap agreements, the University owes interest calculated at an average fixed rate of 4.35% to the counterparties to the swap agreements. In return, the counterparties owe the University interest at a variable rate based on two indices: (1) 67% of LIBOR rate on 42% of the notional amount; and (2) 71% of LIBOR on 58% of the notional amount. Only the net difference in interest payments is actually exchanged with the counterparties. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. In March of 2008 Bear Stearns was purchased by JPMorgan Chase on all stock transaction, as a result JPMorgan Chase is now the counterparty on the two former Bear Stearns swap agreements. However, the agreements remain governed by the original ISDA and CSA's entered into with Bear Stearns.

The swap agreements expire on June 20, 2020 and June 1, 2032 respectively but may be terminated prior to the stated termination date under certain circumstances. Upon termination, a

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

payment may be owed by the University to the swap counterparty or by the swap counterparty to the University, depending on the prevailing economic circumstances at the time of the termination.

The combined mark to market valuation of the three swap agreements as of June 30, 2009 is a liability of \$12,794. The swap agreements' fair value is estimated using the zero-coupon method, whereby the future net settlement payment as required by the swap is calculated, then discounted using the spot rates implied by the current yield curve.

On February 1, 2001, the University issued \$35,000 General Receipts Bonds, Series 2001 to finance construction of a residence hall.

On October 1, 1998, the University issued \$13,485 General Receipts Bonds, Series 1998. Of this amount, \$10,400, with an average interest rate of 4.8%, were used to advance-refund \$9,500 of outstanding Series 1992B Bonds with an average interest rate of 5.8%. The net proceeds of \$1,200 (after payment of issuance costs of \$146) were deposited with an escrow trustee for all future debt service payments on the Series 1992B Bonds. As a result, the Series 1992B Bonds are considered defeased and the liability for those bonds has been removed from bonds outstanding as of June 30, 2004.

In previous years, the University defeased various bonds by placing the proceeds of new bonds into irrevocable trusts to provide for all further debt service payments of the defeased bonds. Neither the outstanding indebtedness nor the related trust account assets are included in the University's financial statements. The outstanding balance on the defeased bonds as of June 30, 2009 is \$54,230.

The principal and interest payments of all of the General Receipts Bonds are collateralized by the pledge of the general receipts of the University. The bond indentures have various covenants relating to reporting with which the University management believes they have complied.

The University entered into two debt agreements during fiscal 2003. In November 2002, the University entered into two debt agreements for the purchase of video equipment and land, which bear interest rates of 5.35% and 4.75% respectively. These agreements are classified as notes payable with an outstanding balance of \$417.

The University has master lease obligations with financial institutions and other lease obligations relating to a linear accelerator, a building, fiber optic network, athletic turf, and other equipment

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 – DEBT (continued)

at interest rates ranging from 2.98% to 5.5%. An asset of \$8,061 representing the cost of the building and equipment, and a corresponding liability for the lease obligation are recorded in the financial statements.

Interest expense, net of interest income, related to the borrowing is capitalized as part of the cost of construction. Capitalized Interest was approximately \$1,623 and \$1,622 for 2009 and 2008, respectively. Interest expense paid on indebtedness was \$14,470 and \$13,055 for the years ended June 30, 2009 and 2008, respectively.

Long-term liabilities consist of the following as of June 30, 2009:

	Due Dates	Interest Rate	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Current
General Receipts, series 1998, serial and term bonds: Advance refund General Receipts Bonds, Series 1992A; Student Union Renovations	1999-2020	3.6% to 5.0%	\$ 8,675	\$ -	\$ 580	\$ 8,095	\$ 600
General Receipts series 2004, serial and term bonds: Advance refund General Receipts Bonds, Series 1994	2005-2025	2.0% to 4.125%	12,530	-	550	11,980	555
General Receipts series 2005, term bonds: HSC expansion and renovations	2030	Variable	50,000	-	860	49,140	1,610
General Receipts series 2007A, serial and term bonds: Advance refund General Receipts Bonds, Series 2001 and Current refund Bond Anticipation Notes Series 2006	2008-2036	4.0% to 5.0%	45,820	-	990	44,830	1,300
General Receipts series 2007B, term bonds: Renovations for athletic facilities, classrooms, and Library.	2036	Variable	49,900	-	-	49,900	825
General Receipts series 2008, Anticipation Notes: Current refund of Series 2002.	2009	Variable	92,795		92,795	-	-
General Receipts series 2008A, term bonds: Current refund of Series 2008 Bond Anticipation Note	2009 - 2027	3.0% to 5.0%		35,480	3,025	32,455	1,130
General Receipts series 2008B, serial and term bonds: Current refund of Series 2008 Bond Anticipation Note	2009 - 2032	Variable		58,450	4,680	53,770	-
Capital lease obligation	1996-2017	Various	5,201	53	2,918	2,336	1006
Notes payable	1999-2018	Various	488		70	418	73
Compensated absences			26,944	18,236	16,385	28,795	23,018
			<u>\$ 292,353</u>	<u>\$ 112,219</u>	<u>\$ 122,853</u>	<u>281,719</u>	<u>\$ 30,117</u>
Less current portion long-term liabilities						<u>30,117</u>	
Long-term liabilities						<u>\$ 251,602</u>	

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NOTE 6 – DEBT (continued)

Long-term liabilities consist of the following as of June 30, 2008:

	Due Dates	Interest Rate	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Current
General Receipts, series 1998, serial and term bonds: Advance refund General Receipts Bonds, Series 1992A; Student Union Renovations	1999-2020	3.6% to 5.0%	\$ 9,230	\$ -	\$ 555	\$ 8,675	\$ 580
General Receipts series 2002, serial and term bonds: Student housing and advance refund General Receipts Bonds, Series 1992B	2003-2032	Variable	93,920	-	93,920	-	-
General Receipts series 2004, serial and term bonds: Advance refund General Receipts Bonds, Series 1994	2005-2025	2.0% to 4.125%	13,060	-	530	12,530	550
General Receipts series 2005, term bonds: HSC expansion and renovations	2030	Variable	50,000	-	-	50,000	860
General Receipts series 2007A, serial and term bonds: Advance refund General Receipts Bonds, Series 2001 and Current refund Bond Anticipation Notes, Series 2006.	2008-2036	4.0% to 5.0%	46,595	-	775	45,820	990
General Receipts series 2007B, term bonds: Renovations for athletic facilities, classrooms, and Library.	2036	Variable	49,900	-	-	49,900	-
General Receipts series 2008, Anticipation Notes: Current refund of Series 2002.	2009	Variable		92,795	-	92,795	7,705
Capital lease obligation	1996-2017	Various	6,605	1,620	3,024	5,201	2,877
Notes payable	1999-2018	Various	244	295	51	488	70
Compensated absences			27,027	5,363	5,446	26,944	21,153
			<u>\$ 296,581</u>	<u>\$ 100,073</u>	<u>\$ 104,301</u>	<u>292,353</u>	<u>\$ 34,785</u>
Less current portion long-term liabilities						<u>34,785</u>	
Long-term liabilities						<u>\$ 257,568</u>	

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 6 – DEBT (continued)

Principal and interest on long-term debt are payable from general receipts. The obligations are generally callable. The future amounts of principal and interest payments required by the bond agreements are as follows:

	Principal	Interest	Total
2010	\$ 6,020	\$ 9,078	\$ 15,098
2011	6,230	10,031	16,261
2012	6,455	10,019	16,474
2013	6,700	9,548	16,248
2014	6,965	9,468	16,433
2015-2019	39,210	42,310	81,520
2020-2024	47,740	33,608	81,348
2025-2029	47,535	23,701	71,236
2030-2034	75,700	11,302	87,002
2035-2036	7,615	482	8,097
Total	\$ 250,170	\$ 159,547	\$ 409,717

The future amounts of principal and interest payments required by the lease agreements are as follows:

	Principal	Interest	Total
2010	\$ 1,006	\$ 83	\$ 1,089
2011	720	45	765
2012	117	27	144
2013	120	22	142
2014-2017	373	32	405
Total	\$ 2,336	\$ 209	\$ 2,545

The future amounts of principal and interest payments required by the notes payable are as follows:

	Principal	Interest	Total
2010	\$ 73	\$ 24	\$ 97
2011	231	11	242
2012	63	5	68
2013	51	2	53
Total	\$ 418	\$ 42	\$ 460

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

Contracts have been entered into for capital construction projects in an amount approximating \$93,207. The estimated cost to complete construction in progress at June 30, 2009 is \$62,112.

The University leases certain facilities and data processing, patient care, and other equipment under various non-cancelable operating lease agreements. Total operating lease expense was \$1,161 and \$486 in 2009 and 2008, respectively. At June 30, 2009, the University is committed to future minimum operating lease payments of \$936 in 2010; \$744 in 2011; \$744 in 2012; \$670 in 2013 and \$174 in 2014.

At the expiration of various patient care equipment leases, the University has the option to make a termination payment, purchase the equipment at fair market value, or extend the lease term. Future minimum operating lease payments include \$41 in termination payments related to these lease agreements.

NOTE 7 – RETIREMENT BENEFITS

University employees are covered by one of three retirement systems. The University faculty is covered by the State Teachers Retirement System of Ohio (STRS). Other employees are covered by the Public Employees Retirement System of Ohio (PERS). Employees may opt out of STRS or PERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

A retiree of STRS or PERS is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Public Employees Retirement System of Ohio

PERS administers three separate pension plans as described below:

Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.

Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 7 – RETIREMENT BENEFITS (continued)

Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by PERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulated retirement assets in a manner similar to the Member-Directed Plan.

PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC).

The ORC provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plan, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2008 member contribution rates were 10% for members in state and local classifications. Public safety members and members in law enforcement classification contributed 10.1%. The 2008 employer contribution rate for state employees was 14% of covered payroll. For local government employer units, the rate was 14% of covered payroll. For both law enforcement and public safety divisions, the employer contribution rate for 2008 was 17.4%. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

The University's total employer contributions to PERS for the years ended June 30, 2009 and 2008, were \$23,593 and \$24,134, respectively.

State Teachers Retirement System of Ohio

STRS is a statewide retirement plan for licensed teachers and other faculty members and provides a choice of three retirement plan options.

Defined Benefit Plan (DB Plan) – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 7 – RETIREMENT BENEFITS (continued)

Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service is multiplied by 2.5% , and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32nd year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance. Since the plan is tax-qualified, benefits are subject to limits established by Section 415 of the Internal Revenue Code. Benefits are increased annually by 3% of the original based amount.

Defined Contribution Plan (DC Plan) – Benefits are established under Sections 3307.80 to 3307.89 of the ORC. For members who select the DC Plan all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. The remaining 3.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity.

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1 is payable to the beneficiary of each deceased retire member who participated in the DB Plan. Death benefit coverage up to \$2 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 7 – RETIREMENT BENEFITS (continued)

The ORC provides statutory authority for employee and employer contributions. During 2009 and 2008, STRS employees contributed 10% of their salary to the plan and the University contributed 14% of covered payrolls to the plan. The University's total employer contributions to STRS for the years ended June 30, 2009 and 2008 were \$14,056 and \$13,473, respectively.

Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement plan (ARP) for academic and administrative university employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The University of Toledo board of trustees adopted such a plan effective April 1999.

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS or PERS and who elect to participate in the alternate retirement plan must contribute their share of retirement contributions (10% STRS or 9% PERS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 3.5%. The employer contribution is the lower of a rate determined by independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. PERS does not require an employer contribution for employees electing an ARP. The University plan provides these employees with immediate plan vesting.

ARP is a defined contribution plan under IRS section 401(a). The University's total employer contribution to ARP for the years ended June 30, 2009 and 2008 were \$5,816 and \$4,845, respectively.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in note 7, the Ohio Revised Code provides the statutory authority requiring the University to fund post-retirement health care through employer contributions to PERS and STRS.

PERS provides post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (continued)

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Health care coverage provided by PERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2008, state employers contributed at a rate of 14% of covered payroll, local government employer units contributed at 14% of covered payroll, and public safety and law enforcement employer units contributed at 17.4%. The portion of employer contributions, for all employers, allocated to health care was 7% from January 1 through December 31, 2008.

OPEB's are advance-funded on an actuarially determined basis. Summary of assumptions are as follows:

Actuarial Review – The assumptions and calculations were based on the latest actuarial review performed as of December 31, 2007.

Funding Method – The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assess Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2007 was 6.5%.

Active Employee Total Payroll – An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4% base increase, were assumed to range from .5% to 6.3%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (continued)

The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in December 31, 2007, actuarial valuation was 364,076.

The amount of \$12.8 billion represents the actuarial value of PERS' net assets available for OPEB at December 31, 2007. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007, reported the actuarial accrued liability and the unfunded actuarial liability for OPEB at \$29.8 billion and \$17 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the PERS Board of Trustees on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

STRS provides access to health care coverage to eligible retirees who participated in the DB or Combined Plans and their eligible family members. Coverage under the current plan includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the Retirement Board has discretionary authority over how much, if any, of the associate health care costs will be absorbed by the plan. Under Ohio law, the funds to pay the health care costs may be deducted from the employer contributions. The STRS board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund, from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$4 billion at June 30, 2008.

For the years ended June 30, 2008 and 2007, the net health care costs paid by STRS were \$325,793 and \$301,870, respectively. There were 126,506 and 122,934 eligible benefit recipients in 2008 and 2007, respectively.

NOTE 9 – TERMINATION BENEFITS

The University offered a voluntary early retirement incentive program for certain faculty members over a three-year period beginning June 30, 2006 with an annual effective election end date of June 30. There were twenty-three and fifteen faculty members electing early retirement with effective election dates of June 30, 2009 and 2008, respectively. The incentive consisted of

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 9 – TERMINATION BENEFITS (continued)

a one-time payout based on years of service and current annual salary, and a continuation of health care benefits over the next two years. The University recorded a liability in accordance with GASB Statement No. 47, *Accounting for Termination Benefits* of approximately \$1,566 and \$853 for its obligation related to the early retirement incentive program as of June 30, 2009 and 2008, respectively.

NOTE 10 – CONTINGENCIES AND COMMITMENTS

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University carries commercial insurance to cover various general liability risks, property loss, and blanket business interruption and liability coverage through the Inter-University Council Insurance Consortium (IUCIC). Through this group, the University maintains a \$100 deductible and a pre-funded group deductible of \$350 per occurrence, with an annual group aggregate stop loss of \$700. In fiscal 2009, there is a pending claim for flooding that resulted in approximately \$140 damages to parking lots and underground steam pipe insulation. In fiscal year 2008, there was approximately \$1,000 incurred in material losses due to water pipe breakage in Stranahan Hall.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate the preceding 5-year experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the worker's compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the worker's compensation claims of participating State agencies and universities.

The University is also self-insured for unemployment compensation and substantially all employee health benefits. Liabilities for estimates of losses retained by the University for outstanding claims and claims incurred but not reported under self-insurance programs have been based on the University's experience and actuarial valuation. Settlements have not exceeded insurance coverage in each of the past three years.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 11 – MEDICAL PROFESSIONAL LIABILITY

In August 2005, the University created a captive insurance company, The University of Toledo Medical Assurance Company (SPC), through a trust that is controlled by the Board of Trustees of UT. SPC was incorporated in the Cayman Islands and operates subject to the provisions of the Companies Law of the Cayman Islands. Under current Cayman Islands law, SPC is not obligated to pay taxes in the Cayman Islands on either income or capital gains. SPC provides an insurance vehicle for the insurance needs of the University, its staff, and affiliated physicians. SPC is blended in the University results.

SPC provides general and professional liability coverage to the University. The limit of liability is \$12,000 per occurrence and \$14,500 in aggregate for the policy period July 1, 2008 to July 1, 2009. The University has purchased reinsurance through SPC for its liabilities in excess of \$2,000 per occurrence and \$4,500 in aggregate.

SPC also provides professional liability coverage to University of Toledo Clinical Faculty, Inc (UTCF), which is an affiliated nonprofit, multi-specialty physician practice of UTMC. The primary professional liability limit of liability to each physician is \$1,000 per occurrence and \$3,000 in aggregate, with a group aggregate of \$10,000, for the policy period July 1, 2008 to July 1, 2009. SPC provides excess professional liability coverage for a group of physicians with limits of \$1,000 per occurrence with a shared \$3,000 aggregate. SPC also provides tail coverage to those physicians that require the coverage. SPC has purchased reinsurance for its physician liabilities in excess of \$500 per occurrence.

At June 30, 2009 and 2008, the University has accrued \$9,874 discounted at 4% and \$9,576 discounted at 4%, respectively, for asserted and unasserted claims based on the University's experience and studies performed by a consulting actuary. With respect to pending malpractice claims and legal action where the University is a defendant, it is the opinion of management that any potential liability in such actions will not materially affect the financial position of the University. Settlements have not exceeded insurance coverage in each of the past three years.

	2009	2008
Medical Professional Liability :		
Beginning balance	\$ 9,576	\$ 9,004
Provision for incurred claims	1,503	720
Payments for claims	(405)	(148)
Ending balance	<u>\$ 10,674</u>	<u>\$ 9,576</u>

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2009

(Dollars in Thousands)

NOTE 11 – MEDICAL PROFESSIONAL LIABILITY (continued)

The above liability includes insurance coverage for UTCF and has been funded by premiums paid by UTCF to UTMAC. The UT Medical Assurance Company Liabilities presented in the Statement of Net Assets include other trade liabilities in the amount of \$153 and \$35 for 2009 and 2008, respectively.

NOTE 12 – JOINT VENTURE

In February 2009, the University formed a nonprofit corporation called Science, Technology, and Innovation Enterprises (the Corporation). The University is the sole member of the Corporation which has been organized for charitable, educational, and scientific purposes within the scope of Section 501 (c) (3) of the Internal Revenue Code.

The Corporation will support the University through investment in public and private economic development projects and promote the interests of the University. At June 30, 2009 the Corporation consists of investments in common stock valued at approx \$5,000. In addition, the University has committed to provide \$10,000 in cash to help fund future investments. The Corporation is blended with University results.

NOTE 13 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the year ended June 30 are summarized as follows:

	2009	2008
Patient Services	\$ 234,309	\$ 224,557
Instruction	195,076	181,192
Research	51,577	48,411
Public Service	6,497	8,861
Academic Support	32,821	31,021
Student Services	21,721	21,509
Institutional Support	48,260	38,856
Student Aid	25,037	20,519
Operation and Maintenance of Plant	33,752	43,839
Depreciation	43,256	39,286
Provision for Bad Debt	14,008	11,622
Auxiliary Enterprises	69,454	60,903
Total operating expenses	<u>\$ 775,768</u>	<u>\$ 730,576</u>

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009
(Dollars in Thousands)

NOTE 14 - SUBSEQUENT EVENTS

On July 15, 2009 the University issued \$22,390 in General Receipts Bonds, Series 2009A (Tax-Exempt) (Series 2009A) and \$37,430 in General Receipts Bonds, Series 2009B (Federally Taxable – Build America Bonds) (Series 2009B). Proceeds of the series 2009A Bonds will be used to pay a portion of the costs of certain improvements to University facilities and the cost of refunding the University's Series 1998 General Receipts Bonds. Proceeds of the Series 2009B Bonds will be used to pay a portion of the costs of certain improvements to University facilities as well as the cost of issuance related to both series.

Effective July 1, 2009, the Foundation transferred ownership and control of MCOF Enterprises, Ltd., to the Science, Technology and Innovation Enterprises MCOFE Holding Inc., an Ohio corporation and wholly-owned subsidiary of the Science, Technology and Innovation Enterprises Ltd. MCOF Enterprises, Ltd. had assets of \$346, liabilities of \$292 and equity of \$54 as of June 30, 2009.

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
University of Toledo

We have audited the financial statements of the University of Toledo as of and for the year ended June 30, 2009 and have issued our report thereon dated October 15, 2009. Our report was modified to include reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of UT Clinical Faculty, Inc., as described in our report on the University of Toledo's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of UT Clinical Faculty, Inc. and the University of Toledo Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of Toledo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Board of Trustees
University of Toledo

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2009

Report on Compliance with Requirements Applicable to Each Major Program and
on Internal Control Over Compliance with OMB Circular A-133

To the Board of Trustees
University of Toledo

Compliance

We have audited the compliance of the University of Toledo with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The major federal programs of the University of Toledo are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University of Toledo's management. Our responsibility is to express an opinion on the University of Toledo's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University of Toledo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University of Toledo's compliance with those requirements.

In our opinion, the University of Toledo complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

To the Board of Trustees
University of Toledo

Internal Control Over Compliance

The management of the University of Toledo is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University of Toledo's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2009

University of Toledo

Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
STUDENT FINANCIAL AID CLUSTER			
Federal Workstudy FY09	84.003	P033A023313	\$ 734,155
Job Location Development Grant	84.003	P033A023313	45,001
US Department of Education Pell FY09	84.063	P033A023313	17,215,859
Federal Supplemental Educational Opportunity Grant (FSEOG) FY 09	84.007	P033A023313	892,988
Smart Grant	84.376	P033A023313	189,604
Academic Competitiveness Grant	84.375	P033A023313	689,155
Carl D. Perkins Grant FY09	84.038	P033A023313	83,514
Federal Teach Grant	84.379	P033A023313	47,000
Total Student Financial Aid Cluster			19,897,276

RESEARCH AND DEVELOPMENT CLUSTER

Department of Agriculture:

Determine Natural Product Induction in Legumes and the Pharmacologic Consequences in Human Model Systems	10.001		(253,090)
Fate of Agrochemicals in the Greenhouse	10.001		38,292
USDA SCA environmental Effects of Virus Infection on Bedding Plants	10.001		206,061
Support of Agricultural Research of Mutual Interest	10.001		1,623
Support of Agricultural Research of Mutual Interest	10.001		18,233
Biomonitoring of Nutritional and Environmental Stress in Plants	10.001		108,797
Determine Natural Product Induction in Legumes and the Pharmacologic Consequences in Human Model Systems	10.001		264,327
Fate of Agrochemicals in the Greenhouse	10.001		1,133
Determine Natural Product Induction in Legumes and the Pharmacologic Consequences in Human Model Systems	10.001		365,060
Investigating Potential Human Health Impacts of Sewage Sludge Applied to Agricultural Fields	10.200		302,821
Plant Phytoremediation Research	10.200		310,376
Investigating Potential Human Health Impacts of Sewage Sludge Applied to Agricultural Fields	10.200		444,164
Dietary and Genetic Risk Factors in Obesity and Diabetes	10.200		32,309
Monitoring Agricultural Sewage Sludge Application, OH	10.200		1,329
Dietary and Genetic Risk Factors in Obesity and Diabetes	10.200		221,125
Monitoring Agricultural Sewage Sludge	10.200		75,702
Phytoremediation Plant Research, OH	10.200		61,710
Genetic Detection and Geographic Analysis of Great Lakes Fish Infection by Viral Hemorrhagic Septicemia	10.200		80,555
Phytoremediation Plant Research	10.200		286,355
Dietary and Genetic Risk Factors in Obesity and Diabetes	10.200		118,867
Monitoring Agricultural Sewage Sludge	10.200		42,953
Potential Environmental and Health Impacts of Sewage Sludge Applications	10.200		11,686

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Department of Agriculture - continued:			
Dietary and Genetic Risk Factors in Obesity and Diabetes	10.200		\$ (18,200)
Phytoremediation	10.200		(23,959)
Monitoring Agricultural Sewer Sludge	10.200		249,339
Enhancing the Economic Competitiveness of Ohio's Greenhouse Industry	10.200		(7,695)
Dietary Intervention	10.200		21,806
Dietary Intervention	10.200		125,226
Greenhouse Nurseries	10.200		398,028
Greenhouse Nurseries	10.203		110,366
Interacting Microbial x Chemical x Nitrogen Controls on Litter-to-Human Transformation	10.206		3,426
A Partnership for Pharmaceutical and Economic Development of Wild Lebanese Plants	10.206		20,705
Evaluating the Economic Costs and Benefits of Slowing the Spread of the Emerald Ash Borer in Ohio and Michigan	10.250		147,390
Biodiesel from Algae: A Pilot Study on the Feasibility of Lake Erie Algae	10.500		69,913
Climate On Carb PH2	10.652		(28,824)
Coupling the Effects of Management	10.652		28,908
Stream Gauge Installation - Maumee	10.921		40,593
Maumee River Watershed GIS and Remote Sensing	10.921		<u>96,022</u>
Total Department of Agriculture			3,973,432
Department of Commerce:			
Assessing the Role of Turbid River Plumes in the Development of Microcystis Blooms in Lake Erie with Molecular Techniques	11.417		26,709
Temporal and Spatial Analyses of Walleye and Yellow Perch Genetic Stock Structure: A High-Resolution Data Base for Fishery Management (Part II)	11.417		49,448
What are the Causes, Consequences and Correctives of Fish Contamination in the Detroit River AOC that Cause Health Consumption Advisories?	11.417		26,269
Ultrahigh Rate Fabrication of Thin-Film Silicon Solar Cells Using Roll-to-roll Hybrid CVD Technologies with RTSE Monitoring and Control	11.612		<u>45,918</u>
Total Department of Commerce			148,344
Department of Defense:			
Highly Efficient Thin Film Photovoltaics for High Altitude Airships	12.000		23,331
Develop New Process for Collecting Information on Piers, Wharves, Docks and Facilities	12.100		22,184
2008 Great Lake Navigation System: Transportation Rate Update for Great Lakes Waterway Movement	12.107		11,709
Remote Sensing of Submerged Algae Beds	12.114		29
Integrating Uncertainty Analysis in the Risk Characterization of In-Place Remedial Strategies for Contaminated Sediments	12.114		2,628
Ultrasound Imaging of Breast Cancer	12.420		9
Functional Analysis of the Beclin-1 Tumor Suppressor Interaction with hVps34 (Type-III PI 3'-Kinase) in Breast Cancer Cells	12.420		3,306
Risk and Resilience Factors for Combat-Related Posttraumatic Psychopathology and Post Combat Adjustment	12.420		430,983
Diaphanous-Related Formins in Ovarian Cancer Metastasis	12.420		62,920
Novel Sensors for Chemical and Bio-Defense	12.910		55,323
Novel Sensors for Chemical and Bio-Defense	12.910		14,859

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Department of Defense - continued:			
Novel Sensors for Chemical and Bio-Defense	12.910		\$ 6,462
Novel Sensors for Chemical and Bio-Defense	12.910		43,852
Novel Sensors for Chemical and Bio-Defense	12.910		12,035
Novel Sensors for Chemical and Bio-Defense	12.910		1,481
Novel Sensors for Chemical and Bio-Defense	12.910		23
Support of Military Hydraulic Hybrid Vehicle Analysis and Design Activities	12.910		490,963
Forging Advanced Systems & Technologies Program	12.910		93,650
Strategies and Innovative Procedures for Dynamic Partnering for the Forging Supply Chain	12.910		18,729
Energy System for a High Altitude Airship	12.910		<u>35,567</u>
Total Department of Defense			1,330,043
Department of the Navy:			
Intermolecular Interactions in Energetic Materials	12.300		38,549
Enhancement for an AUV Battery Management System	12.300		25,050
Enhancement for an AUV Battery Management System	12.300		5,437
A Lithium Ion Battery Management System for Autonomous Undersea Vehicles (Supplement # 1)	12.300		13,912
A Lithium Ion Battery Management System for Autonomous Undersea Vehicles	12.300		23,079
Actuator Integrated Missile Steering System (AIMSS) For Supersonic Missiles	12.300		33,425
Aerodynamic Maneuvering and Control Actuation System for a Guided Destructive Expendable	12.300		<u>53,740</u>
Total Department of the Navy			193,192
U.S. Army Material Command:			
Development of Clean Sources of Hydrogen for Fuel Cells	12.431		(2,232)
Development of Clean Sources of Hydrogen for Fuel Cells	12.431		(2,061)
Stratospheric Power System Development	12.431		65,551
Low-Cost Miniature Control Actuation System (MCAS) for Gun-Fired Munitions	12.431		51,279
Monolithic Silicon Microbolometer Materials for Uncooled Infrared Detectors	12.431		18,322
Density-Matrix Theory of Saturation and Optical Pumping in Zeeman-Degenerate Atomic Systems	12.431		<u>16,905</u>
Total U.S. Army Material Command			147,764
Department of the Air Force:			
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		2,215,306
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		22
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		36,396
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		1,811
Flexible and Lightweight Thin-Film Solar Cells Based on a Si and CdTe	12.800		2,071

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Department of the Air Force - continued:			
Zooming Methodologies for Gas Turbine Engine Simulations	12.800		\$ 77,824
Advanced Design Techniques for MDAO of Turbomachinery with Emphasis on Component Optimization for the Engine System	12.800		4,253
CdSe Top Cells Enabling CdSe/CIGS Tandem Junction Photovoltaics	12.800		107,279
CdSe Top Cells for CdSe/CIGS Tandems	12.800		893
Total Department of the Air Force			2,445,855
Department of the Interior:			
PZP Immunocontraception in Free-Roaming Feral Horses	15.222		78,316
Sustainability Analysis of the Water Infrastructure in Ohio	15.805		13,759
Determining the Origin and Dynamics of Coastal Processes of Sand Point at Pictured Rocks National	15.808		7,466
Research Expertise Catalog of Biological Programs	15.812		(10,699)
Geomorphic and Hydrogeomorphic Maps for Assateague Island National Seashore	15.915		6,553
Total Department of the Interior			95,395
Department of Justice:			
Increase Effective Services for Child Victims of Commercial Sexual Exploitation	16.556		163,813
Batterer Intervention Research	16.738		35,899
Lucas County Juvenile Treatment Court Evaluation	16.745		(655)
Total Department of Justice			199,057
Department of Transportation:			
Magnetic Sensor for Nondestructive Evaluation of Deteriorated Prestressing Strand	20.000		14,823
Analyzing Regional Freight Information Resources	20.000		228,222
Cost Benefit Models to Support PMS Decisions	20.205		80,529
Instrumentation of the Maumee River Crossing	20.205		26,742
Supply Chain Case Study Automotive Supply Chain	20.505		3,922
Biodiesel Study	20.505		129,934
Developing a Global Supply Chain Management/Transportation System Efficiency Graduate Degree Program	20.704		3,653
Reducing Noise and Vibration of Hydraulic Hybrid and Plug-In Hybrid Electric Vehicles	20.760		59,875
ReTransportation for Economic Security and Development gional Freight Information	20.760		8,786
A Novel Image Database Analysis System for Maintenance of Transportation Facility	20.760		3,166
Expanding Regional Freight Information Resources for the Upper Midwest: the Great Lakes Maritime Information Delivery System	20.760		5,685
Expanding Regional Freight Information Resources for the Upper Midwest: the Great Lakes Maritime Information Delivery System	20.760		43,304
Global Supply Chain	20.760		31,096
Economic Security	20.760		293,706
Develop New Process for Collecting Information on Piers, Wharves, Docks, and Facilities	20.760		1,717
Development of a Secondary Level Ed	20.760		10,508

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Department of Transportation - continued:			
Travel Behavior of US Domestic Air	20.760		\$ 19,370
High Speed Transportation Corridor	20.760		5,185
Improving the Energy Density	20.760		24,894
Transportation Informatics	20.760		19,856
Improving the Energy Density	20.760		18,786
Characterization and Speciation	20.760		13,261
A Novel Image Database Analysis System for Maintenance of Transportation Facility	20.760		9,385
Develop a Plan for Cooperative Education in Supply Chain Management at the Undergraduate Level	20.760		4,320
Multipurpose Educational Modules to Teach Hydraulic Hybrid Vehicle Technologies	20.760		17,153
Expanding Regional Freight Information Resources for the Upper Midwest: the Great Lakes Maritime Information Delivery System	20.801		(8,786)
Expanding Regional Freight Information Resources For The Upper Midwest: The Great Lakes Maritime Information Delivery System Phase III	20.801		11,500
Develop New Process for Collecting Information on Piers, Wharves, Docks, and Facilities	20.806		17,248
Expanding Regional Freight Information Resources For The Upper Midwest Phase IV	20.931		483
Total Department of Transportation			1,098,323
National Aeronautics and Space Administration:			
A Database of Young Star Clusters for Five hundred Galaxies	43.001		4,788
Basic Studies for the Production and Upgrading of Fischer-Tropsch Synthesis Products to Fuels	43.002		183,867
Basic Studies for the Production and Upgrading of Fischer-Tropsch Synthesis Products to Fuels	43.002		6,079
Oscillator Strengths for Ultraviolet Atomic and Molecular Transitions	43.002		44,311
Effects of Land Use Change on the Energy and Water Balance of the Semi-Arid Region of Inner Mongolia	43.002		155,635
Interstellar Fluorine Via the Nu Process	43.002		4,714
Effects of Land Use Change on the Energy and Water Balance of the Semi-Arid Region of Inner Mongolia	43.002		36,231
Massive Stars with Dusty Disks: A FUSE Survey of the Most Metal-Poor B[e] Supergiants	43.002		17,461
Small Turbine Institute	43.002		15
Ohio Photovoltaic Materials and Module Test Facility	43.002		75,197
Extreme Temperature Magnetic Bearings	43.002		657
Development of Fuel Cell/Reformers Technology	43.002		6,784
Unsteady CFD Simulations	43.002		201,150
Improved Modeling for Turbine Cooling Analysis	43.002		1,924
Development of Computed Tomography and Digital Radiography for Aerospace Materials and Facilities Operations	43.002		108,357
NASA-GRC Solid Oxide Fuel Cell Technology for High Power Density Aeronautic and Applications	43.002		393,918
Development of Advanced Computational Tools for the Simulation of Multistage Turbomachinery in Support of Aeropropulsion	43.002		183,385
Component Development for Structural Seals	43.002		47
Development of Life Prediction and Probabilistic Analysis Tools for High Temperature Composites	43.002		196,826
Improved Modeling for Turbine Cooling Analysis	43.002		10,551
Microstructural Analysis and Structure-Property Correlation in Advanced High-Temperature Materials Developed for Improved Material Performance	43.002		220,401
A Workplan for Testing Aerospace Components and Advanced Materials	43.002		222,849

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
National Aeronautics and Space Administration - continued:			
Extended Durability of Materials in Advanced Propulsion and Power Systems for Aeronautic and Space Exploration	43.002		\$ 192,897
Advanced Wave Fluid Film Bearing Technology for Geared Transmission Systems	43.002		165,803
Modeling of Advanced High Temperature Composite Behavior	43.002		(18,904)
Turbomachinery Aeroelastic Analysis Tools for Aerospace Propulsion Application	43.002		182,597
Smart Damping for Turbomachinery Blades	43.002		75,755
Quantum Dot Solar Cells	43.002		5,418
Extension of NASA Broadband Aeronautics Stator Simulation (BASS) Code for the Accurate Prediction of Nonlinear Fluid-Structures Interactions	43.002		-
MRI: Acquisition of Instrumentation for Digital Imaging and Fluorescent Detection	43.002		201,251
Developing a Catalytic Aldehyde Olefination Reaction	43.002		16,661
Structural Properties of Star Clusters in M33	43.002		5,072
Tribological Investigations Involving Mechanical and Thermomechanical Systems	43.002		87,576
Tribological Investigations Involving Mechanical and Thermomechanical Systems	43.002		2,772
Evolution of Young Stars in the Large Massive Cluster Cep OB3b	43.002		4,870
Electrical and Mechanical Modeling of Constellation Power Systems	43.002		12,742
Electrical and Mechanical Modeling of Constellation Power Systems	43.002		268,702
A Fresh Look at Distributed vs. Clustered Star Formation: IRAC and MIPS Imaging of the Cep OB3 and Mon R2 Molecular Clouds	43.002		3,925
A Spitzer Legacy Survey of the Cygnus X Complex	43.002		76,380
After the Fall: Dust and PAHs in Post-Starburst Galaxies	43.002		(139)
PAHs, Interacting Galaxies, Nearby AGN, and Massive Stars	43.002		68,794
Mapping the Structure of Dark Filaments in OMC3 with the IRS	43.002		-
Searching for Protostars in a Quiescent Giant Molecular Cloud	43.002		(782)
SAGE Spectroscopy: The Life Cycle of Dust and Gas in the Large Magellanic Cloud	43.002		30,756
An IRS Survey Of Spitzer Identified Protostars In The Orion A Cloud	43.002		79,968
Probing Dust Grain Emission in High Latitude Molecular Clouds	43.002		15,632
Turbomachinery Computational AeroAcoustics (CAA)	43.002		62,347
Advanced Aerospace Seals Research	43.002		272,230
Advanced Aerospace Seals Research	43.002		22,614
EHL Film Thickness Measurements and Fixture Design	43.002		10,928
EHL Film Thickness Measurements and Fixture Design	43.002		321
Turbomachinery Computational AeroAcoustics (CAA)	43.002		51,017
Study of Reaction Chemistry and Thermophysics on Hypersonic Reacting Flows	43.002		2,803
Study of Reaction Chemistry and Thermophysics on Hypersonic Reacting Flows	43.002		74,988
An Archival Study of High Mass X-ray Binaries & Young Star Clusters	43.002		7,346
Cytosolic SULTs and Environmental Xenoestrogen Metabolism: A Zebrafish Model	43.002		17,266
Ohio Space Grant Consortium (OSGC) Scholarships and Fellowships for Fellowships for 2006-2007 to University of Toledo	43.002		27,693
NICMOS Imaging of Protostars in the Orion A Cloud: The Role of Environment in Star Formation	43.002		4,587
Anatomy of the Nuclear Starburst in M83 from Integral Field Spectroscopy	43.002		3,672
Be Stars and Circumstellar Disks in NGC 346	43.002		11,118
Modes of Star Formation and Nuclear Activity in an Early Universe Laboratory	43.002		11,274

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
National Aeronautics and Space Administration - continued:			
Light Element Nucleosynthesis through Measurements of Interstellar Boron	43.002		\$ 53,346
Extending the Heritage: Clusters, Dust, and Star Formation in M51	43.002		43,316
Small Turbine Institute	43.002		68,063
Total National Aeronautics and Space Administration			4,297,822
National Science Foundation:			
CAREER: Investigation of Intron Cellular Roles	47.000		118,724
A New Approach to Regenerate Bone Using Microparticles Seeded with Mesenchymal Stem Cells and Macrophages	47.041		76,367
Development of Bacterial-Sensing Ultrafiltration Membranes with improved Permeability, Selectivity, and Fouling Control	47.041		1,152
Undergraduate Senior Design Projects to Aid Individuals with Disabilities	47.041		19,026
Development of Silver/Copper Coated Membrane Feed Spacers for Biofouling Control	47.041		17,504
A Novel Approach to Antibiotic and Anti-biofouling Activities of Natural Phenols	47.041		2,904
Development of Anti-Biofouling Nanocomposite Polypropylene Fibers for Membrane Feed Spacers	47.041		95,731
SGER: Nanoparticles in Personal Care Products and Their Impact on Digester Energy Production	47.041		35,485
Processing and Evaluation of HA Nanocomposites	47.041		14,973
Toward Negative Poisson's Ratio Composites - Numerical and Experimental Study	47.041		108,583
Development of Silver/Copper Coated Membrane Feed Spacers for Biofouling Control	47.041		503
Evaluation of Novel Bisphosphonate Containing Coated Ti Foams for Osteoporosis Treatment	47.041		81,277
A Novel Approach to Antibiotic and Anti-biofouling Activities of Natural Phenols	47.041		73,955
CAREER: Micromachined Surface Conduction Tuning Gas Sensors Year 4	47.041		219
Development of Anti-Biofouling Nanocomposite Polypropylene Fibers for Membrane Feed Spacers	47.041		1,338
Development of Bacterial-Sensing Ultrafiltration Membranes with improved Permeability, Selectivity, and Fouling Control	47.041		543
CAREER: Micromachined Surface Conduction Tuning Gas Sensors Year 4	47.041		16,576
SGER: Nanoparticles in Personal Care Products and Their Impact on Digester Energy Production	47.041		1,768
CAREER: Micromachined Surface Conduction Tuning Gas Sensors Year 4	47.041		86,881
Processing and Evaluation of HA Nanocomposites	47.041		158,921
Compact, Lightweight Flexible Fuel Reformer for Solid Oxide Fuel Cells	47.041		358
A Simple Desulfurizing Component Enables Fuel Processing of Sulfur-Laden Logistic Fuels for Fuel Cells	47.041		57,666
Creation of Tools for the Study of Reactive Intermediates in DNA and RNA	47.049		3,587
CAREER: Syntheses of Hyaluronan Oligosaccharides as Biological Probes	47.049		6,664
Simulating Extended Time and Length Scales Using Parallel Accelerated Dynamics	47.049		108,536
REU Site: Research Experiences for Undergraduates in Physics and Astronomy	47.049		72,080
CAREER: Task-specific Microextractions Using Ionic Liquids	47.049		119,351
CAREER: Exploration of Negative Thermal Expansion Materials: From Basis Properties to Formation of Composites	47.049		98,558
Semiparametric Statistical Inferences for ROC Curves and Surfaces Under Density Ratio Models	47.049		25,093
Quantum Theory of Two-atom, Few-atom, and Many-atom Systems	47.049		39,507
Collaborative Research: Using Nanoscale Patterning to Reveal the Atomic-scale Effects which Drive Unstable Growth on GaAs (001)	47.049		28,960
Monte Carlo NLTE Radiation Transfer in Circumstellar Disks	47.049		18,722

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
National Science Foundation - continued:			
CAREER: 3-Iminophosphine Palladium Catalysts for Atom-efficient	47.049	\$	29,483
Quantum theory of two-atom, few-atom, and many-atom systems	47.049		16,774
A Research and Training Center for Astronomical Spectroscopy	47.049		29,375
The Smallest Interstellar Grains: Optical/Near-IR Emission from Nanoparticles	47.049		67,325
Integrated Assessment of Physical, Ecological, and Socio-Economic Aspects of a Watershed System	47.050		27,423
Integrated Assessment of Physical, Ecological, and Socio-Economic Aspects of a Watershed System	47.050		(4,277)
Triggered Approach and the Applications to Adaptive Centralized and Ad Hoc Wireless Networks	47.070		2,094
Parallel Data Mining for Nanoscale Kinetic Monte Carlo Simulation Model	47.070		40,011
Genetic Switch Controlled by an Unusual Family of Transcription Activators	47.074		56,732
Solvent Structure and Function in Macromolecular Biological Systems	47.074		74,558
Molecular Systematics, Biogeography, and Invasion Identity of Neogobiin Fishes	47.074		57
Molecular Systematics, Biogeography, and Invasion Identity of Neogobiin Fishes	47.074		5,824
Planning Proposal for the Lake Erie Center	47.074		530
CAREER: Structural Analysis of Branched DNA Recognition	47.074		82,363
Planning Proposal for the Lake Erie Center	47.074		23,174
Subcontract to "TRPGR - The Grass Regulome Initiative: Integrating Control of Gene Expression and Agronomic Traits Across the Grasses"	47.074		197,690
Individual Differences in Risk Perception and Risk Taking: The Role of Handedness and Interhemispheric Interaction	47.075		79,762
International US-Turkey Cooperative Research: Seismic Retrofitting of Reinforced Concrete Structural Members by Composite Materials	47.075		14,471
Mechanical Engineering Technology Online Labs: Improving Lab Accessibility	47.076		1,530
Microbial Winter Survival Physiology: A Driver on Microbial Community Composition and Carbon Cycling	47.078		541
U.S. - Singapore Planning Visit	47.079		15,166
Total National Science Foundation			2,252,118
Environmental Protection Agency:			
Radon Web Site	66.032		11,673
Radon Web Site	66.032		24,844
Design Optimization and Control of the Hydraulic Hybrid Vehicles	66.034		155,797
Dam Removal on the Ottawa River, Lucas County, Ohio	66.456		12,514
The Honey Creek Targeted Watershed Program Proposal	66.480		19,849
Genetics of Lake Erie Fish Stocks	66.511		119,872
University of Toledo Pollution Prevention Incentives for States Grant Proposal	66.708		91,626
Total Environmental Protection Agency			436,175
Department of Energy:			
Novel Nanocrystal-Based Solar Cell to Exploit Multiple Exciton Generations	81.000		15,998
Commercialization of a Pre-Pretreatment Process for Enhanced Biomass Saccharification	81.036		40,653
Novel Interconnection Process for Lightweight Flexible PV Modules	81.036		21,002

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Department of Energy - continued:			
A Novel Simultaneous-Saccharification-Fermentation Strategy for Efficient Co-fermentation of C5 and C6 Sugars Using Native, Non-GMO Yeasts	81.087		\$ 8,023
Production of Hydrogen for Clean and Renewable Sources of Energy for Fuel Cell Vehicles	81.087		(7,614)
High-Rate Fabrication of a-Si-Based Thin-Film Solar Cells Using Large-Area VHF PECVD Technologies	81.087		406,651
An Efficient Approach for Saccharification of Cellulose from Biomass for Fuel/Chemical Production	81.087		60,043
Fabrication and Physics of CdTe Devices by Sputtering	81.087		247,530
Fabrication and Characterization of Advanced Triple-Junction Amorphous Silicon Partnership Program	81.087		14,626
Sputtered II-VI Alloys and Structures for Tandem PV	81.087		20,187
Nanocrystals and Nanocrystal Films	81.089		31,582
Critical Research for Cost-Effective Photoelectrochemical Production of Hydrogen	81.105		60,367
Chemical Separations and Process Research to Enable Biorefinery Systems	81.121		54,160
Improved CdTe PV Modules by APVD	81.122		<u>149,315</u>
Total Department of Energy			1,122,523
U.S. Department of Education:			
Short-Cycle Higher Education (SCHE) in Europe and the United States: Addressing Social and Economic Needs	84.116		13,132
Utah's Improving Teacher Quality Initiative	84.305		26,382
Print Referencing Efficiency	84.305		148,984
Print Referencing Efficacy	84.305		(8,974)
Affects of Parent Mediated Television Viewing Strategies with Preschool Children with Language Delays	84.324		18,064
STAR: ECSE	84.324A		208,002
Midwest Educational Research Consortium/East Toledo Gearup Initiative (Gearup II)	84.334		44,735
NWO TEAMS	84.336		1,408
NWO TEAMS	84.336		<u>53,534</u>
Total U.S. Department of Education			505,267
Health and Human Services:			
The Chemoprevention of Colon Cancer in the Rat AOM Colon Model. Tissues for Surrogate Biomarker Studies and Testing of a Proliferative Index - Work Assignment #6	93.000		450
Testing Various Chemopreventive Agents in a Rat Model of Ovarian Cancer Employing DMBA Sutures (WS #87)	93.000		16,238
Measurement & Analysis of Carcinogen-DNA Adducts	93.000		48,041
Mechanism-Based In Vitro Screening of Chemopreventive Agents for the Inhibition/Reversal of the Tumorigenic Phenotype in ERa-Negative Human Mammary Epithelial Cells - Work Assignment #8	93.000		45,823
Preclinical In Vitro and In Vivo Screening Assays for Cancer Preventative Agent Development Work Assignment #7	93.000		37,865
Preclinical in vitro and in vivo Screening Assays - Work Assignment #1 - Contract Administration and Management	93.000		85,935
Altered Gene Expression in Human Colon Polyp Cells Treated with Selected Chemopreventive Agents-Work Assignment #4	93.000		133,927
Effect of Chemopreventive Agents on the Development of BCC and SCC in the Ptch +/- Hairless Mouse-Work Assignment #5	93.000		4,540
Efficacy Testing of Selected Chemopreventive Agents in a Rodent Ovarian Cancer Model	93.000		193,173
Genetically Engineered PAI-I for Anti-cancer Therapy	93.000		444
Human Melanoma: Early Biomarkers/Targets of Progression and Prevention - Work Assignment #10	93.113		20,397

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Health and Human Services - continued:			
Marinobufagenin as a Target for DIGIBIND in Hypertensive Patients with End-Stage Renal Disease	93.113		\$ 49,207
[Ca ²⁺] _i and Secretory Dynamics in Parotid Acinar Cells	93.121		38,981
Hearing in Bats	93.173		74,336
Developing Techniques for Studying Tinnitus in Animals	93.173		73,701
Central Auditory Plasticity as a Basis of Tinnitus	93.173		16,413
Aerodynamic and Acoustic Models of Phonation	93.173		49,196
Vetebral Displacements and Ligamen	93.213		46,799
Development of a Selective Muscarin	93.242		119,230
Control Methods Effectiveness	93.262		49,087
DCA Role	93.279		82,408
Glutamate Receptor Plasticity	93.279		291,129
Tyrosine in MDMA	93.279		87,587
Methamphetamine Toxicity	93.279		40,178
Neuronal Acetylcholine	93.279		193
Glutamate Receptor Plasticity	93.279		90
Altering Gene Expression	93.279		65,868
Nicotinic Acetylcholine	93.279		(1,601)
BZ Treatment in Rats	93.279		5,199
MDMA Neurotoxicity	93.279		151,252
NIOSH Training Grant	93.283		(1,221)
Regulation of Mismatch Repair	93.393		182,913
Tumor Target/Steroid Receptors	93.393		220,498
Genetic Epidemiology	93.393		37,486
Gene Expression Facility	93.394		2,279
NanoArray PCR	93.394		25,016
Regulation of MLK3 by Merlin	93.395		74,142
Evaluation fo hGBP-I as a Marker fo	93.395		87,472
Role of hGBP-I in the Inhibition	93.395		(1,974)
Role of JAK2-PAK1 Interaction	93.395		91,153
bHLH/Prostate Cancer	93.396		202
Potential of NF-KB82 p100	93.396		(28)
bHLH Prostrate Cancer	93.396		76
Expression of New Tumor Target	93.396		205,009
Signal Transduction	93.396		(3,638)
bHLH/Prostate Cancer	93.396		48,324
Androgen and Soluble Guanylyl Cycla	93.396		155,025
Expression of New Tumor Target	93.396		24,418
Potential of NF-KB82 p100	93.396		(2,087)
Rl-alpha/RIAZ on Cell Growth	93.396		205,607

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Health and Human Services - continued			
GTP Binding Proteins	93.396		\$ 555
Cell Death in Glioblastoma	93.396		311,621
Oncogenic Basis of Bmi-1	93.396		3,945
Potential of NF-kB2	93.396		19,193
Oncogenic Basis Bmi-1	93.396		74,958
Community Clinical Oncology	93.399		445
Toledo Community Clinical Oncology	93.399		1,357
Enhancing the Job Performance of SC	93.630		3,267
Control Mechanisms of Cardiac	93.837		37,911
Bio & Genetics of Hypertension	93.837		617,935
CORAL	93.837		(129,054)
Control Mechanisms of Cardiac	93.837		384,654
Functional Genomic Dissection	93.837		16,422
ROS and NA K ATPase in Uremic	93.837		1,455
Genetics of Hypertension	93.837		131,696
Control Mechanisms of Cardiac	93.837		33
CORAL Study	93.837		2,221,101
Bio & Genetics of Hypertension	93.837		104
Mechanosensory	93.837		82,232
Polyunsaturated Fatty Acid Metaboli	93.837		71,827
Clever Committee	93.837		2,879
FREEDOM	93.837		684
Cardio Outcomes/Renal Lesions	93.837		88,537
Clever Committee	93.837		2,845
LPS Signaling	93.838		67
Prevention of CVD in Diabetes	93.838		318,127
Gfi-1 in the Regulation of p21 Cip	93.839		44,471
Role of Calpains	93.846		135,463
Dynamics of Langerhans Cells	93.846		262,522
T Cell Dependent Cells	93.846		(851)
Development and Validation of Instr	93.846		32,163
TPR Proteins in Signaling	93.847		172,033
Insulin Receptor Endocytosis	93.847		206,268
Seine-Threonine	93.847		126,228
C-JUN Androgen	93.847		36,142
The Roles of Primary Cilia in Cardi	93.847		132,349
Binding of Xenoantigens	93.847		193,517
Entertic Nervous System	93.847		382,702
Na, K-pump Diversity	93.849		24,430
Androgen Signaling	93.849		43,037
Thalamocortical Boundary Mark	93.852		(200)

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Health and Human Services - continued			
UNC-73/Trio Signaling in Axon Guida	93.853		\$ 66,941
Regulation of GABA-A Receptor	93.853		161,282
Sympathetic Neuron Development	93.853		214,962
Placebo Analgesia	93.853		75,161
Canavan Disease	93.853		263,894
Neurosteroid Modulation	93.853		10,050
Muscarinic Agonists	93.853		70,681
Parkinson Collaborative Study	93.853		3,786
IRIS	93.853		299
Multiple Sclerosis-CombiRx	93.853		30,432
PostCEPT	93.853		13
CREST Trial	93.853		3,097
PostCEPT	93.853		1,325
Phase III QE3	93.853		12
Thalamocortical Boundary Mark	93.853		127,326
SAD PD	93.853		770
Thalamocortical Boundary Mark	93.853		114,939
Transcription Activation	93.855		356,448
AAV Rep Protein Function	93.855		39,601
Dendritic Biosensor System	93.855		(176)
AAV Rep Protein Function	93.855		683
Role for IL-10	93.855		294,527
Alphavirus Minus Strand RNA	93.855		310,563
Locomotion in Parasitic Nematodes	93.855		331,080
RNA Virus Evolution	93.855		(8,171)
RNA Virus Evolution	93.855		301,361
Deletion of T & B Cells	93.855		98,783
Role of T Cell Repertoire	93.855		128,446
Dynamics Of MHC	93.855		51,975
Molecular Mediators	93.855		229,878
The SCOT Trial	93.855		2,099
ID of B Pseudomallei/Bmallei	93.855		1,271
Glanders Vaccine	93.855		50,074
Regulon Across Genera	93.856		(2,256)
Chitinases Parasitic	93.856		390
Pharyngela Pumping	93.856		212,479
Na,K-ATPhase as Integrator	93.859		316,753
Cyclic & Linear Antagonists	93.859		182
Na, K-ATPase as Integrator	93.859		40,911

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Health and Human Services - continued			
Cyclic & Linear Antagonists	93.859		\$ 45,821
AAV Helper Virus Host Cell	93.859		596
New Carbohydrate	93.859		476
New Carb REU Supplement	93.859		(689)
Fragility Genes	93.859		26,611
Regulation of Borealin by Mitotic P	93.859		36,419
Response to P53	93.859		20,947
Zebrafish TPSTs and Tyrosine-sulfate	93.859		4,703
RegulationNF-KAPPAB	93.859		81,153
Bone Loss with Aging	93.866		340,771
Increased PPAR-g Activity	93.866		62,336
Elderly Immune Response	93.866		353,364
Total Health and Human Services			14,106,207
Total Research and Development Cluster			32,351,517
TRIO CLUSTER:			
Upward Bound 04	84.047		(54,303)
Upward Bound	84.047		463,618
Trio	84.042		4
UT Student Sup Trio	84.042		220,637
Total TRIO Cluster			629,956
WIA CLUSTER:			
Career Ladder in Green Jobs	17.259		11,000
FY08 Ohio Skills Bank Project	17.258		32,740
Ohio Skills Bank	17.258		86,038
WIA - 1284	17.260		149,257
N.O. WIA - 1285	17.260		26,454
Total WIA Cluster			305,489

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Other Federal Awards			
Department of Commerce:			
Knauss Fellowship - Joshua Brown	11.417		\$ 23,274
Tech Park Roadway	11.300		<u>1,189,605</u>
Total Department of Commerce			1,212,879
Department of Labor:			
Worker's Comp - 12121	17.000		11,662
Workforce Dev - 12104	17.000		<u>5,566</u>
Total Department of Labor			17,228
National Science Foundation:			
Govt Trng - 1246	43.001		47,255
Implementation of Earth System Science	43.001		10,812
Ohio Consortium	47.049		8,397
REU SITE: Engagement of Undergradua	47.070		243
Undergraduate Research and Mentoring	47.074		20,762
The UT3 Noyce Scholarship Program	47.076		127,906
Engineering Alliance	47.076		(4,585)
Engineering Math Ed	47.076		46,616
2008 NSF Partnership for Innovation	47.041		39,040
Graduate Teaching Fellows in STEM H	47.076		<u>434,940</u>
Total National Science Foundation			731,386
Department of Veterans Affairs:			
ACES - 12121	64.120		69,136
ROTC - 12126	64.120		427,815
Coast Guard Group - 12121	64.120		12,750
BGSU USAF ROTC - 1246	64.120		62,405
Vet Voc - 12137	64.120		163,389
Air Force-AFIT - 12121	64.120		319,630
Air Force-Shaw - 12121	64.120		6,500
Army-Ft. Bragg - 12121	64.120		3,000
Army-Ft Snelling - 12121	64.120		43,187
Army Medical - 12121	64.120		224,781
Dayton VA Med - 12137	64.120		3,707
Naval Ed/Trng - 12121	64.120		2,761
Navy Medical - 12121	64.120		<u>191,182</u>
Total Department of Veterans Affairs			1,530,243

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Department of Education:			
Special Funding for Engineering	84.011		\$ 46,807
Lesotho's Difficult Options	84.018		13,588
UT Vision	84.027		9,316
FY 09 Capacity Building Faculty	84.048		76,307
Capacity-Building Faculty Support	84.048		19,595
Inquiry-Based Instruction	84.048		3,879
Tech Prep Open Enrollment	84.048		99
BVR – 12140	84.126		265,694
Enhanced Competitiveness of U.S.	84.153		68,398
Hosp Based Svcs Coordination	84.181		29,631
Javits/Gifted Edu	84.206		498,999
FY09 Federal Tech Prep Grant	84.243		356,411
FY08 Fed Tech Prep	84.243		8,858
Project DIRECT Connections	84.325		195,719
Project EC-NET	84.325		92,384
Project Assure	84.325		15,229
UT - CCampus	84.335		76,005
UT3	84.336		997,637
Rotating Program Director, Geograph	84.336		13,911
SATELLITIES	84.367		82,993
K-5 Algebraic Think	84.367		(151)
UT3 Inquiry Masters Program	84.381		83,518
Total Department of Education			2,954,827
Department of Health and Human Services:			
Regional Child Find	93.000		20,777
Model State Supported AHEC	93.107		560,804
Project EXCITE	93.113		1,627
Ryan White Title IV Program	93.153		410,338
RW IV Supplement	93.153		3,983
LCJFS	93.187		79,155
NIOSH Training Grant	93.283		73,775
P H Workforce Scholarship	93.283		33,416
SEARCH Program	93.288		12,855
Nursing Traineeships	93.358		55,890
Xenogen IVIS	93.389		343,847
Reach Out and Read/ODJFS	93.558		32,427
Provider Training	93.575		5,868
Reach Out and Read/ODJFS	93.667		17,639

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Agency	CFDA #	Agency Number	Fiscal Year 2009
Department of Health and Human Services - continued			
ASV Travel Grant	93.855		\$ 37,000
Geriatric and End-of-Life Care	93.884		(12,444)
First Spending Plan Hospital	93.889		8,539
Ryan White Part C	93.918		102,339
Ryan White Title III	93.918		387,773
Program Income Part C	93.918		1,597
Healthy Relationships	93.940		30
HIV Prevention	93.940		16
Healthy Relationships	93.940		15,500
UTHSC HIV Testing Program	93.940		128
HIV Prevention	93.940		17,577
UTMC HIV Testing Program	93.940		(197)
MUO HIV Testing Program	93.940		27,777
Community Mental Health Services Federal	93.958		896,355
Women's Health Week 2009	93.994		7,315
Genetic Svcs NW OH Prgm	93.994		228,710
University of Toledo Service Learni	94.004		7,687
Disadvantaged Scholarships	93.925		16,000
Reducing High Risk Drinking	93.959		3,769
Healthy Relationships	93.940		116
Total Department of Health and Human Services			3,397,988
Department of Agriculture: Landscape Ecology and Forest Manage	10.900		297
Department of Housing and Urban Development: HUD Neighborhood	14.870		1,460
National Aeronautics and Space Administration:			
Students and Teachers Exploring Loc	43.001		(4,652)
Space Grant Support SATELLITES	43.001		5,415
Total National Aeronautics and Space Administration			763
National Endowment for the Humanities: Jazz Legacy: An American Art Form	45.164		1,000
Small Business Administration:			
MTSBDC - FY08 Federal Funds	59.037		2,235
MTSBDC - FY09 Federal	59.037		52,042
Total Small Business Association			54,277
Total Other Federal Awards			9,902,348
Total Expenditures of Federal Awards			\$ 63,086,586

University of Toledo

Notes to Schedule of Federal Expenditures of Federal Awards Year Ended June 30, 2009

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the University of Toledo (the "University") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Federal Direct Student Loan Program (CFDA No. 84.268)

The University acts as the intermediary for students obtaining direct loans from the U.S. Department of Education. The U.S. Department of Education is responsible for billings and collections of the loans. The University assists the U.S. Department of Education by processing the applications and disbursing the funds from the U.S. Department of Education to the students. Loans advanced to students during the fiscal year ended June 30, 2009 totaled approximately \$139,660,000.

Note 3 - Family Education Loan Program (CFDA No. 84.032)

University of Toledo acts as the intermediary for students obtaining family education loans from lending institutions. The lending institution is responsible for billings and collections of the loans. University of Toledo assists the lending institutions by processing the applications and forwarding checks from the lending institutions to the students. Loans advanced to students during the fiscal year ended June 30, 2009 totaled approximately \$1,528,000.

Note 4 - Family Health Professions Student Loan Program (CFDA No. 93.342)

Revolving loan funds are established to maintain health professions student loans. Repayment of principal and interest is deposited back into the program for new loans. University of Toledo is responsible for administering the program, including the approving, disbursing, and collecting of the loans. Since July 1, 1993, health professions student loan funds have been awarded in the form of primary care loans and loans for disadvantaged students. As of June 30, 2009, outstanding loans under the program totaled approximately \$620,000.

University of Toledo

Notes to Schedule of Federal Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Note 5 - Federal Perkins Loan Program (CFDA No. 84.038)

Revolving loan funds are also established to maintain Perkins loans. Repayments of principal and interest are deposited back into the program for new loans. University of Toledo is responsible for administering the program, including the approving, disbursing, and collecting of the loans. As of June 30, 2009, outstanding Perkins loans totaled approximately \$19,805,000.

Note 6 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

<u>CFDA</u>	<u>Agency</u>	<u>Description</u>	<u>Current Year Transferred to Subrecipient</u>
15.808	Univ of Wisconsin	Determining the Origin and Dynamics	\$ 4,293
10.200	○AI, Youngstown State Univ, Bowling Green State U, Kent State University	Monitoring Agricultural Sewer	371,988
10.203	Indiana State Univer, Bowling Green State U	Greenhouse Nurseries	121,143
10.206	Ohio State University	Partnership Pharmaceutical	20,705
10.250	USDA Forest Service, University of Wyoming, Ohio State University	Economic Costs	107,280
12.800	NASA-NSSC-FMD, Rochester Institute O, Bowling Green State U, University of Illinois, University of Hawaii, Ohio State University, Duquesne University	Rapidly Deployable Solar Electricit	390,082
16.556	Toledo Area Ministrie	Increase Effective Services for Chi	102,265
20.760	Wayne State Univer, Bowling Green State University	Economic Security	113,227
43.002	Denison University	Oscillator Strength	7,793
66.708	EISC, Inc, Techsolve Inc	Pollution Prevention	16,613
81.122	Regents of the Univer	Improved CdTe PV Modules by APVD	3,356
84.206	Miami University	JavitsGifted Edu	251,788
84.305	Utah State University	Utah's Improving Tea	32,932
93.000	Indiana University, The Regents of Univer of CA, Univ of California IR, Columbia University, University of Tenness	Early Biomarkers	483,074
93.107	Neoucom, SAHEC Center, LAHEC Center chgs fr A10704/A10705, BAHEC Center chgs fr A10704/A10705, Ohio University, University of Cincinn, Lima Area/MCO Health, Sandusky Area Health, Bryan Area Health Edu	Model State-Supported AHEC	652,000
93.279	Wright State Univer, Boston University	Glutamate Receptor Plasticity	32,543
93.837	George Washington Uni, Portland State Univer, Rhode Island Hospital, Holy Ce, Baylor Research Inst, Dia Vasc	CORAL Study	556,316
93.846	Medical College of Georgia	Role of Calpains	16,618
93.847	Indiana University	TPR Proteins in Signaling	17,871
93.848	University of Georgia, The University of Melbourne	Binding of Xenoantigens	39,161
93.855	University of Texas	RNA Virus Evolution	66,280
93.866	Vanderbilt University, Arkansas Children's Hospital	Bone Loss with Aging	8,218
93.994	Toledo Hospital, Erie County Health De, Williams County Health, Sandusky Area Health, Lima Area Health Education	Women's Health Week	40,780
		Total	<u>\$ 3,456,326</u>

University of Toledo

Schedule of Findings and Questioned Costs Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.003, 84.007, 84.038, 84.063, 84.375, 84.376, 84.268, 84.032, 93.342	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,892,598

Auditee qualified as low-risk auditee? Yes No

University of Toledo

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None