



THE UNIVERSITY OF
TOLEDO
1872

AUDITED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2008

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, 2008 and 2007, 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 2008 and 2007, with the exception of The University of Toledo Foundation in 2008 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. In addition, the audits of the University in 2008 and 2007 and the audit of the Foundation in 2008 were conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2008 and 2007 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 3, 2008 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, 2008. 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 13, 2008



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, 2008 with comparative information for the year ended June 30, 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 21,000 students, 1,300 instructional faculty, and 4,400 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 170,000 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 a 15-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.

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)

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.

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.

The **Notes to the Financial Statements** communicate information essential to fair presentation that is not disclosed on the face of the financial statements.

FINANCIAL HIGHLIGHTS AND TRENDS

Statements of Net Assets

Current Assets

Currents Assets have increased by approximately \$9.3 million from \$174.3 million to \$183.6 in 2008. The University's **cash and temporary investments** increased by \$4 million. The University holds the majority of its working capital in securities considered cash equivalents with maturities 90 days or less. The remaining working capital is invested in short-term securities with maturities less than 1 year. **Current receivables, inventories, and prepaid expenses** increased by \$5.3 million from \$152.3 million in 2007 to \$157.6 million in 2008. The net change is due to increases in restricted receivables and student receivables offset by a reduction in deposits with bond trustees.

Non-current Assets

Total non-current assets changed from \$750 million in 2007 to \$764 million in 2008, an increase in assets of \$14 million. **Endowment, loan, and long-term investments**, collectively decreased by approximately \$21.2 million due to market value depreciation of \$11.3 million, distribution of earnings, reclassifications, and transfers to working capital.

The University has a significant holding of auction rate securities (ARS) as of June 30, 2008. The auction rate market experienced a liquidity crisis in February 2008 as a result of failed auctions. Due to the failed auctions, investors, including the University, have been unable to sell back ARS at par value in the current market. UBS, the financial institution that sold the ARS to the University, settled a pending lawsuit with U.S. regulators and has agreed to repurchase the securities at par over a defined period of time. The University intends to hold these securities until they are repurchased by UBS. Based on the UBS settlement and the University's wherewithal to hold the securities until the repurchase date, the University has recorded the ARS at par value. As of June 30, 2008 the University's par value of ARS is \$52 million.

The University's **Medical Assurance Company** assets increased \$4.1 million to \$16.9 million in 2008 from \$12.8 million in 2007. The increase in assets is due primarily to the company realizing a net income of approximately \$3.4 million in 2008, driven by a reduction in underwriting expenses.

Capital assets increased by \$24.4 million during 2008. Major capital projects completed or underway include:

- **UTMC Orthopedic Center:** The University completed the \$10 million project resulting in a world-class university-quality orthopedic facility with state-of-the-art technology. The Center is a “one-stop shop” equipped with the latest imaging and radiology technology, exam and procedure rooms, and physical therapy and patient education areas.
- **Memorial Field House Renovations:** The Field House is undergoing a \$27 million, 145,000 square foot renovation. The Field House will include 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 Field House will house the departments of English and Foreign Languages.
- **John F. Savage Hall Renovations:** The Savage Hall athletics facility is undergoing a \$30 million renovation project 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.

Current Liabilities

Current liabilities increased by \$29.1 million in 2008. **Accounts payable and accrued expenses** increased by \$15.9 million primarily due to vendor and contractor payments. **Deferred revenue** rose by \$6.7 million in 2008 mainly from increases from student tuition & fees (\$1.8 million) relating to the summer term and grant revenue from sponsored programs (\$5.3 million).

Non-current Liabilities

Non-current liabilities decreased by \$10.1 million in 2008. **Bonds, notes, and leases payable** decreased by \$10.8 million due to principal payments on outstanding obligations and the change in the current portion of long-term debt.

Summary of Statements of Net Assets

(in thousands)

	<u>2008</u>	<u>2007</u>
Assets		
Cash and temporary investments	\$ 26,007	\$ 22,007
Current receivables, inventories, and prepaid expenses	157,630	152,329
Total current assets	183,637	174,336
Endowment and loan investments	46,719	53,258
Long-term investments	142,875	157,493
Capital assets, net of accumulated depreciation	535,302	510,948
Other non-current assets	39,163	28,339
Total non-current assets	764,059	750,038
Total assets	947,696	924,374
Liabilities		
Accounts payable and accrued expenses	65,697	49,925
Other current liabilities	60,501	47,183
Total current liabilities	126,198	97,108
Bonds, notes, and leases	251,777	262,558
Other long-term liabilities	15,202	14,507
Total non-current liabilities	266,979	277,065
Total liabilities	393,177	374,173
Net assets		
Invested in capital assets, net of related debt	298,013	289,132
Restricted - nonexpendable net assets	10,070	11,039
Restricted - expendable net assets	81,037	79,297
Unrestricted net assets	165,399	170,733
Total net assets	\$ 554,519	\$ 550,201

Statements of Revenues, Expenses, and Changes in Net Assets

The University has operating revenues of \$587.2 million and operating expenses of \$730.6 million resulting in an operating loss of \$143.4 million for the period ending June 30, 2008. Comparatively, the University had operating revenues of \$537.4 million and operating expenses of \$668.2 million resulting in operating loss of \$130.8 million for the period ending June 30, 2007. Again, state appropriations and certain federal and state contracts and grants are presented as non-operating revenue, which results in the reporting of a large operating loss for financial reporting purposes.

Operating Revenues

Operating revenues increased by \$49.8 million in 2008. **Net tuition and fees** increased by \$8.7 million driven by enrollment growth and rate increases in graduate and professional programs. The University did not increase undergraduate tuition rates in fiscal 2008. The University's credit hour FTE enrollment by term was as follows:

Term	FY 2008	FY 2007
Fall	16,602	16,150
Spring	15,376	14,904
Summer	3,780	3,454

Hospital revenue increased by \$23.8 million in 2008. Acute care admissions and emergency visits were both up 3.7% in 2008. **Grant Revenue** increased by \$7.1 million as revenue for sponsored programs from federal sources decreased by \$1.4 million, state sources increased by \$5.2 million, and private & local sources increased by \$3.3 million. Revenue from **auxiliary enterprises** increased by \$5.2 million in 2008, primarily in residence life and food services as a result of the increased enrollment.

Operating Expenses

Operating expenses increased by \$62.4 million to \$730.6 million in 2008. **Salaries & benefits** increased by \$19.9 million reflecting salary adjustments for cost of living and rising health care costs. Other increases in expenses included **supplies** (\$16 million) significantly impacted by the new Orthopedic Center and the increase in patient services; **scholarships** (\$4.9 million) rose due to education benefits offered to Health Science Campus employees in 2008; **occupancy costs** (\$7 million) increased as a result of higher utility costs; and **information and communication** (\$5.1 million) increased as a result of additional advertising and telecommunication expenses.

Non-operating Revenue and Expense

Total non-operating revenues and expenses resulted in a net decrease of \$18.7 million in 2008. **Investment income** for 2008 was \$3.4 million compared to \$25.5 million in 2007, a decrease of \$22.1 million. The decrease in investment income is directly associated with the financial market turmoil in 2008 as the University experienced a significant depreciation in market value of its investment holdings.

Interest on debt increased by \$2.5 million due to higher rates on the University's variable rate and auction rate bond obligations. The University's variable rate bonds, Series 2002, were guaranteed through a bond insurer. Bond insurers were financially stressed due to their exposure to the subprime mortgage loans. Bond insurers were downgraded by rating agencies pushing up rates on variable rate obligations. The University refinanced its Series 2002 bonds on May 20, 2008. The University's auction rate securities, Series 2005 and 2007 B, experienced failed auctions as the auction rate securities market evaporated in 2008. Based on the terms of the auction rate bond agreement, the bonds pay a default rate when investors are unable to liquidate the securities.

State share of instruction and non-operating grants revenue remained stable showing a modest increase of \$2.5 million for 2008.

Other Changes

Other changes increased by \$5.6 million in 2008. The majority of the increase is related to **state capital appropriations** that increased from \$13.4 million in 2007 to \$18 million in 2008. Some of the significant state-funded projects included: Gillham Hall rehabilitation; Field House renovations; Complex for Business Learning; and various academic and classroom improvements.

Summary of Revenues, Expenses, and Changes in Fund Balance		
<i>(in thousands)</i>	<u>2008</u>	<u>2007</u>
Operating revenues:		
Hospital	\$ 239,983	\$ 216,212
Tuition and fees, net	182,444	173,724
Grants and contracts	68,126	60,982
Auxiliary	62,870	57,620
Other operating revenues	33,782	28,829
Total operating revenue	587,205	537,367
Operating expenses:		
Salaries, wages, and benefits	426,148	406,205
Supplies	86,926	70,846
Outside purchased services	68,173	69,241
Depreciation	39,286	37,598
Other operating expenses	110,043	84,296
Total operating expenses	730,576	668,186
Operating Loss	(143,371)	(130,819)
Non-operating revenues (expenses):		
State share of instruction and grants & contracts	136,948	134,451
Investment income	3,430	25,488
Interest on debt	(13,055)	(10,511)
Other non-operating revenues (expenses)	2,166	(1,255)
Total non-operating revenues (expenses)	129,489	148,173
Other changes		
Capital appropriations	17,955	13,401
Other changes	245	(813)
Total other changes	18,200	12,588
Increase in net assets	4,318	29,942
Net assets - beginning of the year	550,201	520,259
Net assets - end of the year	\$ 554,519	\$ 550,201

Statements of Cash Flows

Total University cash and cash equivalents increased by \$2.9 million in 2008. The University had net cash used in operating activities of \$105 million, consistent with prior year. The University had net cash provided from non-capital financing activities of \$147.8 million, an increase of \$13 million due mainly from the net receipts in the student direct lending program. The University had net cash used in capital and financing activities of \$66 million, a \$71 million decrease in cash due to the increase in purchases of capital assets and the increase in principal and interest payments from long-term debt. The University's cash from investing activity was \$27 million in 2008, an increase in cash of \$60 million as a result of increased selling activity of long-term investments.

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

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 investments include:

- Pharmacy Building – A \$25-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, will make 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 planning an indoor practice facility adjacent to the newly renovated Savage Hall with an estimated completion target of fall 2009. 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.

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

	University	UT Foundation	UT Clinical Faculty, Inc
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 Net Assets
June 30, 2007
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>MUO Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 17,572	\$ 551	\$ 1,167	\$1,221
Short-term Investments	4,435		30,100	3,905
Accounts Receivable, net	83,898	438	1,042	13,067
Contributions Receivable, net		1,985		
Loans Receivable, net			6,563	
Inventories	7,135		16	
Investments Held by Bond Trustee	49,126			
Notes Receivable, net	7,914	26		
Other Assets	4,256	60	135	78
Total Current Assets	174,336	3,060	39,023	18,271
Non-Current Assets:				
Restricted Cash and Cash Equivalents	194			
Restricted Investments	53,064	125,110		
Notes Receivable, net	11,795			
Long-term Investments	157,493			515
Contributions Receivable, net		15,215		
Deferred Bond Issuance Costs	3,734			
Capital Assets, net	510,948	2,636	425	80
UT Medical Assurance Company Assets	12,810			
Charitable Remainder Trusts and Annuity Contracts		6,143	86	
Asset Held for Sale		1,467	140	
Cash Surrender Value of Life Insurance Policies		1,101	161	
Total Non-Current Assets	750,038	151,672	812	595
Total Assets	\$ 924,374	\$ 154,732	\$ 39,835	\$ 18,866

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Net Assets – Continued
June 30, 2007
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>MUO Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 21,329	\$ 908	\$ 7,178	\$ 2,130
Accrued Liabilities	28,596	42	102	10,410
Contribution Payable			136	
Deferred Revenue	18,371			
Medical Professional Liability – Current Portion	200			
Deposits	292			
Compensated Absences - Current Portion	21,324			
Long-term Liabilities - Current Portion	6,996	113		
Total Current Liabilities	<u>97,108</u>	<u>1,063</u>	<u>7,416</u>	<u>12,540</u>
Non-Current Liabilities:				
Compensated Absences	5,703			
Medical Professional Liability – Long-Term Portion	2,136			
UT Medical Assurance Company Liabilities	6,668			
Long-term Liabilities	262,558	5,157		
Total Non-Current Liabilities	<u>277,065</u>	<u>5,157</u>		
Total Liabilities	<u>374,173</u>	<u>6,220</u>	<u>7,416</u>	<u>12,540</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	289,132	2,636	425	
Restricted for:				
Nonexpendable	11,039	52,567	12,764	
Expendable	79,297	81,989	18,923	
Unrestricted	170,733	11,320	307	6,326
Total Net Assets	<u>\$ 550,201</u>	<u>\$ 148,512</u>	<u>\$ 32,419</u>	<u>\$ 6,326</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	<u>587,205</u>	<u>29,112</u>	<u>58,988</u>
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	<u>730,576</u>	<u>16,452</u>	<u>57,161</u>
Operating (Loss) Income	<u>\$(143,371)</u>	<u>\$ 12,660</u>	<u>\$ 1,827</u>

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 Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2007
(Dollars in thousands)

	<u>University</u>	<u>UT Foundation</u>	<u>MUO Foundation</u>	<u>UT Clinical Faculty, Inc</u>
Revenues				
Operating Revenues:				
Hospital	\$ 216,212			
Student Tuition and Fees, net of Student Aid of \$ 34,976	173,724			
Federal Grants and Contracts	36,651			
State Grants and Contracts	10,746			
Local Grants and Contracts	830			
Private Grants and Contracts	12,755			
Sales and Services	8,964			
Auxiliary Enterprises , net of Student Aid of \$ 3,370	57,620			
Other Patient Services Revenue				\$ 43,537
Contributions and Support		\$ 15,752	\$ 1,190	
Residency Reimbursement	4,047			
Interest on Student Loans	77		2,164	
Other Operating Revenues	15,741	755	2,133	7,879
Total Operating Revenues	<u>537,367</u>	<u>16,507</u>	<u>5,487</u>	<u>51,416</u>
Expenses				
Operating Expenses:				
Salaries and Wages	308,151			29,404
Benefits	98,054			8,622
Supplies	70,846			7,621
Travel and Entertainment	9,750			546
Information and Communication	13,759			98
Occupancy	14,767			
Scholarship	17,182			
Outside Purchased Services	69,241			1,007
Provision for Doubtful Accounts	13,699			
Support to University		7,773	4,938	928
Fund Raising and Development		783	150	
Management		1,499	1,753	14
Depreciation	37,598	138	27	49
Other	15,139			2,289
Total Operating Expenses	<u>668,186</u>	<u>10,193</u>	<u>6,868</u>	<u>50,578</u>
Operating (Loss) Income	<u>\$(130,819)</u>	<u>\$ 6,314</u>	<u>\$ (1,381)</u>	<u>\$ 838</u>

THE UNIVERSITY OF TOLEDO
Statements of Revenues, Expenses, and Changes in Net Assets – Continued
Year Ended June 30, 2007
(Dollars in thousands)

	University	UT Foundation	MUO Foundation	UT Clinical Faculty, Inc
Operating (Loss) Income	\$(130,819)	\$ 6,314	\$ (1,381)	\$ 838
Non-operating Revenues (Expenses)				
State Share of Instruction	100,944			
Federal Grants and Contracts	12,684			
State Grants and Contracts	20,823			
Excess (Deficiency) of Restricted Receipts	(702)			
Gifts	3,800			
Investment Income	25,488	19,281	4,297	763
Interest on Debt	(10,511)			(2)
Other Non-operating (Expense) Revenues	(4,353)	134		
Total Non-operating Revenues	<u>148,173</u>	<u>19,415</u>	<u>4,297</u>	<u>761</u>
Income (Loss) before Other Changes	17,354	25,729	2,916	1,599
Other Changes				
Capital Appropriations	13,401			
Additional Funding for Plant Facilities	1,140			
Capital Grants, Gifts, and Contracts	3,429			
Addition to Permanent Endowment	36	1,816		
Contributed Capital	(5,238)			
Asset Disposal	(180)			(7)
Total Other Changes	<u>12,588</u>	<u>1,816</u>	<u>-</u>	<u>(7)</u>
Increase in Net Assets	29,942	27,545	2,916	1,592
Net Assets				
Net Assets at Beginning of Year	520,259	120,967	29,503	4,734
Net Assets at End of Year	<u>\$ 550,201</u>	<u>\$ 148,512</u>	<u>\$ 32,419</u>	<u>\$ 6,326</u>

See notes to financial statements

THE UNIVERSITY OF TOLEDO
Statements of Cash Flows
Year Ended June 30, 2008
(Dollars in thousands)

	2008	2007
Cash Flows from Operating Activities		
Tuition and Fees	\$ 177,717	\$ 174,849
Grants and Contracts	48,648	59,300
Hospital Revenues	233,607	209,770
Sales and Services of Educational Activities	14,808	7,033
Payments to Suppliers and Outside Purchased Services	(261,982)	(261,306)
Payments to Employees	(404,159)	(346,184)
Loans Issued to Students	(3,663)	(3,139)
Collection of Loans from Students	3,928	2,899
Auxiliary Enterprise Charges	63,111	61,315
Other	22,968	(10,274)
Net Cash Used in Operating Activities	(105,017)	(105,737)
Cash Flows from Non-capital Financing Activities		
State Share of Instruction	106,348	100,944
Student Direct Lending Receipts	117,389	124,808
Student Direct Lending Disbursements	(109,672)	(127,626)
Gifts, Grants, and Contracts	33,858	36,641
Agency Transactions	(171)	34
Net Cash Provided by Non-Capital Financing Activities	147,752	134,801
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(63,540)	(47,560)
Principal Paid on Capital Debt	(98,855)	(51,899)
Capital Appropriations	13,408	13,270
Proceeds from Debt Issuance	94,710	96,495
Capital Grants and Gifts	352	4,686
Interest Paid on Capital Debt	(12,828)	(10,735)
Net Cash (Used In) Provided by Capital and Related Financing Activities	(66,753)	4,257
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	324,460	123,610
Interest on Investments	9,503	17,019
Purchase of Investments	(307,007)	(173,786)

Net Cash Provided by (Used In) Investing Activities	26,956	(33,157)
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THE UNIVERSITY OF TOLEDO
Statements of Cash Flows – Continued
Year Ended June 30, 2008
(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Net Increase in Cash	2,938	164
Cash and Cash Equivalents – Beginning of Year	17,766	17,602
Cash and Cash Equivalents – End of Year	<u>\$ 20,704</u>	<u>\$ 17,766</u>

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$ (143,371)	\$ (130,819)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	39,286	37,598
Provision for Patient Bad Debt	11,622	11,909
(Increase) Decrease in Assets:		
Accounts Receivable, net	(29,145)	(23,420)
Inventories	276	141
Other Current Assets	949	(828)
Notes Receivable, net	(1,210)	240
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	10,286	(3,646)
Deferred Revenue	6,682	2,625
Compensated Absences	(83)	2,549
Medical Professional Liability Accrual	(309)	(2,086)
Net cash used in operating activities	<u>\$ (105,017)</u>	<u>\$ (105,737)</u>

See notes to 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

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 15-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.

The University of Toledo Foundation merged with the Medical University of Ohio Foundation (MUO Foundation) effective July 1, 2007. The MUO Foundation is the surviving corporation and was renamed the University of Toledo Foundation (the Foundation). The Foundation is a discretely presented component unit of the University

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)

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 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 nets 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 \$12.6 million and \$12.7 million, during fiscal year 2008 and 2007, 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 1.35% of the fair market value of the University’s share of the pooled investments.

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)

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.

Investments

Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income includes realized and unrealized gains and losses on investments, interest income, and dividends.

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.

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)

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.

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 6/30/2008	Year Ended 6/30/2007
Traditional charity care	\$ 7,372	\$ 7,236
Unpaid costs of traditional Medicaid programs	5,457	4,910
Unpaid costs of other welfare programs	401	468
Total charity and uncompensated care	\$ 13,230	\$ 12,614

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.

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)

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.

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: Net 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, 2008 is not significant to the financial statements as a whole and will not have a material impact on the future operations when paid.

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)

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-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.

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)

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, currently established at 5% 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. Recent guidance on GASB Statement No. 34 has resulted in reclassification of Federal Pell Grant revenue from operating to non-operating revenue. Certain state program revenue has been reclassified within non-operating revenue and expense from state share of instruction to state grants and contracts.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2008, the carrying amount of the University's cash and cash equivalents for all funds is \$20.7 million as compared to bank balances of \$27.7 million. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$250 thousand is covered by federal deposit insurance, effective October 3, 2008, with the remaining collateralized by pools of securities pledged by the depository banks and held in the name of the respective financial institution.

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, equities, and alternative investments.

The Board approved revisions to the University's investment policy effective October 2006. 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'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
- Alternative investments

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008
(Dollars in Thousands)

NOTE 3 – INVESTMENTS (continued)

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

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 61,368	\$ 61,368	\$ 43,291	\$ 43,262
Corporate bonds and mortgage-backed	5,165	5,125	32,628	32,055
Corporate stock	110,823	111,117	32,950	45,003
Mutual funds – fixed income	5,186	5,209	33,811	33,722
Mutual funds – equity	1,698	1,696	19,268	25,360
Partnerships and hedge funds	4,294	4,437	9,077	10,367
Municipal bonds	45,013	51,946	19,915	19,915
U.S. Government	152	161	64,425	63,888
U.S. Government agency	7,042	7,106	2,617	2,595
Real estate	1,328	1,328	1,107	1,107
Total Investments	242,069	249,493	259,089	277,274
Less: Investments considered cash equivalents	26,193	26,193	13,156	13,156
Total investments less cash equivalents	\$ 215,876	\$ 223,300	\$ 245,933	\$ 264,118

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, 2008. 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.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(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

As of June 30, 2007, 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	\$ 28,932	\$ 8,160	\$ 6,524	\$ 2,063	\$ 12,185
US Government Agencies	37,551	4,491	19,453	5,367	8,240
Corporate Bonds	32,055	1,973	9,160	6,903	14,019
Municipal Bonds	19,915	19,915			
Total	\$ 118,453	\$ 34,539	\$ 35,137	\$ 14,333	\$ 34,444

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, 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, 2008
(Dollars in Thousands)

NOTE 3 – INVESTMENTS (continued)

The credit ratings of the University's interest-bearing investments at June 30, 2007 are as follows:

Credit Rating (Moody's)	Total	US Government	US Agencies	Corporate Bonds	Municipal Bonds
Aaa	\$ 108,389	\$ 28,932	\$ 37,522	\$ 22,020	\$ 19,915
Aa	3,826		29	3,797	
A	2,264			2,264	
Baa	3,919			3,919	
Ba	50			50	
B	5			5	
Total	\$ 118,453	\$ 28,932	\$ 37,551	\$ 32,055	\$ 19,915

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 has the following investments in a single issuer exceeding 5 percent as of June 30:

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

The University did not have investments in any single issuer that equaled 5 percent or more in 2007.

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, 2008, the University had no exposure to foreign currency risk as it holds no securities denominated in foreign currencies.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008
(Dollars in Thousands)

NOTE 3 – INVESTMENTS (continued)

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 \$1.3 million 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.

NOTE 4 – ACCOUNTS AND NOTES RECEIVABLE

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

	2008	2007
Accounts receivable:		
Tuition and fees	\$ 10,805	\$ 4,248
Patient services	53,157	46,780
Sales and services	2,999	5,691
Auxiliary services	2,034	2,655
Grants and contracts	42,399	22,922
Interest receivable	203	830
Interest receivable – endowments	58	51
Plant fund	5,268	721
Total accounts receivable - net of allowances	116,923	83,898
Notes receivable:		
Current	2,769	7,914
Non current	18,150	11,795
Total notes receivable - net of allowances	20,919	19,709
Total accounts and notes receivables - net of allowances	\$ 137,842	\$ 103,607

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 \$8.8 million and \$8.9 million for fiscal years 2008 and 2007, respectively. Student notes receivable are recorded net of allowance for uncollectible accounts of \$760 thousand as of June 30, 2008 and 2007, respectively.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008
(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, 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

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, 2007:

	Balance 2006	Additions	Reallocation/ Reductions	Balance 2007
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,363			\$ 22,363
Construction in progress	29,353	\$ 40,214	\$ (32,899)	36,668
Total capital assets, not being depreciated	51,716	40,214	(32,899)	59,031
Capital assets, being depreciated:				
Land improvements	5,228	11	611	5,850
Infrastructure	92,188	264	3,878	96,330
Buildings	681,524	1,494	7,589	690,607
Equipment	172,368	9,373	3,713	185,454
Total capital assets, being depreciated	951,308	11,142	15,791	978,241
Less accumulated depreciation:	498,981	37,618	(10,275)	526,324
Total capital assets, being depreciated, net	452,327	(26,476)	26,066	451,917
Capital Assets, net	\$ 504,043	\$ 13,738	\$ (6,833)	\$ 510,948

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 5 – CAPITAL ASSETS (continued)

Assets are capitalized on Main Campus with a cost of \$100 thousand or greater with the exception of equipment, which is capitalized at a cost of \$5 thousand 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 thousand 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

In 2007 the University determined the Convocation Center, 401 Jefferson Avenue, Toledo, Ohio 43604, was no longer a necessary component of its academic and educational mission and purpose. Therefore, it was deemed in the University's best interest to transfer fee simple title to the Toledo-Lucas County Convention and Visitors Bureau, Inc. (CVB), an Ohio non-profit corporation. The Convocation Center had a net book value of \$5.2 million at the time of the title transfer and the transaction resulted in a reduction of capital assets on the Statement of Net Assets and contributed capital in other changes in net assets on the Statement of Revenues, Expenses, and Changes in Net Assets.

NOTE 6 – DEBT

On May 20, 2008, the University issued \$92.8 million in General Receipts Notes, Series 2008 (Series 2008) to refund the General Receipt Bonds, Series 2002. Series 2008 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 bears interest at one week Adjusted London Interbank Offered Rate (LIBOR) and has an expiration date of November 13, 2008.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

On April 26, 2007, the University issued \$49.9 million 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 Chase, with an effective date of April 26, 2007, in the notional amount of \$32.25 million, to hedge 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 an average 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 the 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 June 1, 2036, the same maturity as the Series 2007B. 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, 2008 is a liability of \$3.89 million. 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 \$47.1 million 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 \$32.9 million 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 \$31.9 million is considered defeased and the liability from those bonds has been removed. The University has a cash flow savings of \$1.34 million and an economic gain of \$1.3 million from the advance refunding of Series 2001. Proceeds of \$13.66 million were used to extinguish Series 2006 outstanding obligations of \$13.1 million plus accrued interest.

On January 24, 2006, the University issued \$13.1 million in General Receipts Bond Anticipation Notes, Series 2006 to extinguish the General Receipt Bond Anticipation Notes, Series 2005A.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

On March 29, 2005, the University issued \$50 million 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 \$33.5 million, to hedge the exposure against interest rate fluctuations arising from the variable interest rates on the Series 2005. 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 the 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, 2008 is a liability of \$1.4 million. 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 \$14.1 million General Receipts Bonds, Series 2004 to refund and redeem the General Receipt Bonds, Series 1994 in the amount of \$13.2 million 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 \$104.5 million 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 \$46.1 million. A total of \$47 million of the proceeds was utilized to pay the call premium of \$921 and redeem all of the outstanding 1992 bonds on December 1, 2002.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

On December 1, 2002, the University entered into interest rate swap agreements with Bear Stearns & Co., Inc. and Chase (formerly Bank One N.A.) for \$104.5 million 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.

The swap agreements expire on June 20, 2020 (\$47.5 million) and June 1, 2032 (\$57 million). The swap agreements 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 agreements as of June 30, 2008 is a liability of \$5.1 million. 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 February 1, 2001, the University issued \$35 million General Receipts Bonds, Series 2001 to finance construction of a residence hall.

On October 1, 1998, the University issued \$13.5 million General Receipts Bonds, Series 1998. Of this amount, \$10.4 million, with an average interest rate of 4.8%, were used to advance-refund \$9.5 million of outstanding Series 1992B Bonds with an average interest rate of 5.8%. The net proceeds of \$1.2 million (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, 2008 is \$55.1 million.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

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 restrictive covenants with which the University management believes they have complied.

The University entered into three debt agreements and a refinancing agreement during fiscal 2003. In September 2002, the University entered into a debt agreement to complete funding for the athletic training facility on the Scott Park campus, which bears an interest rate of 200 basis points over LIBOR for an estimated 3.96%. 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. In April 2003, existing debt and lease agreements were refinanced at an interest rate of 2.98% for the fiber optic network and equipment purchases. The University entered into an agreement in September 1999 to finance the purchase of a scoreboard, which bears interest at 7.5%. These agreements are classified as notes payable.

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 at interest rates ranging from 2.98% to 5.5%. An asset of \$24.6 million, 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. Interest capitalized during fiscal year 2008 was \$1.6 million. There was no interest capitalized during fiscal year 2007. Interest expense paid on indebtedness was \$13.1 million and \$10.7 million for the years ended June 30, 2008 and 2007, respectively.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008
(Dollars in Thousands)

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, 2008
(Dollars in Thousands)

NOTE 6 – DEBT (continued)

Long-term liabilities consist of the following as of June 30, 2007:

	Due Dates	Interest Rate	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	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%	9,755	-	525	9,230	555
General Receipts series 2001, serial and term bonds: Student housing	2002-2030	4.25 to 5.22%	31,915	-	31,915	-	-
General Receipts series 2002, serial and term bonds: Student housing and advance refund General Receipts Bonds, Series 1992B	2003-2032	Various	96,015	-	2,095	93,920	2,285
General Receipts series 2004, serial and term bonds: Advance refund General Receipts Bonds, Series 1994	2005-2025	2.0 to 4.125%	13,570	-	510	13,060	530
General Receipts series 2005, term bonds: HSC expansion and renovations	2030	Variable	50,000	-	-	50,000	-
General Receipts series 2006, Anticipation Notes: Renovations	2007	4.25%	13,100	-	13,100	-	-
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	-	46,595	775
General Receipts series 2007B, term bonds: Renovations for athletic facilities, classrooms, and library.	2036	Various	-	49,900	-	49,900	-
Main Campus Lease obligations	1996-2017	Various	6,451	-	1,752	4,699	1,611
HSC Lease obligations	2002-2009	Various	3,827	-	1,921	1,906	1,200
Notes payable	1999-2018	Various	328	-	84	244	40
Compensated absences			24,479	21,473	18,925	27,027	21,324
			<u>249,440</u>	<u>117,968</u>	<u>70,827</u>	<u>296,581</u>	<u>28,320</u>
Less current portion long-term liabilities						<u>28,320</u>	
Long-term liabilities						<u>268,261</u>	

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008
(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
2009	\$ 10,685	\$ 11,596	\$ 22,281
2010	6,020	11,941	17,961
2011	6,230	11,486	17,716
2012	6,455	11,433	17,888
2013	6,700	10,921	17,621
2014-2018	29,550	50,039	87,729
2019-2023	44,185	40,407	86,352
2024-2028	51,775	28,883	78,533
2029-2033	84,660	16,214	96,499
2034-2036	14,595	1,208	12,403
Total	\$ 260,855	\$ 194,128	\$ 454,983

Note: The above payment schedule reflects the refinancing of the 2008 Bond Anticipation Notes through the issuance of the General Receipts Bonds, Series 2008 A and Series 2008 B, that occurred in fiscal year 2009. See Footnote 13 – Subsequent Events for more details.

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

	Principal	Interest	Total
2009	\$ 2,877	\$ 170	\$ 3,047
2010	988	84	1,072
2011	704	46	750
2012	117	28	145
2013	122	23	145
2013-2017	393	31	424
Total	\$ 5,201	\$ 382	\$ 5,583

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

	Principal	Interest	Total
2009	\$ 70	\$ 28	\$ 98
2010	74	24	98
2011	231	11	242
2012	63	5	68
2013	50	2	52
Total	\$ 488	\$ 70	\$ 558

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 6 – DEBT (continued)

Contracts have been entered into for capital construction projects in an amount approximating \$121.9 million. The estimated cost to complete construction in progress at June 30, 2008 is \$62.2 million.

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 \$486 thousand and \$404 thousand in 2008 and 2007, respectively. At June 30, 2008, the University is committed to future minimum operating lease payments of \$803 thousand in 2009; \$548 thousand in 2010; and \$446 thousand in 2011, \$446 thousand in 2012, and \$371 thousand in 2013.

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 thousand 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.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 7 – RETIREMENT BENEFITS (continued)

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.

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 2007, 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 2007 member contribution rates were 9.5% for members in state and local classifications. Public safety members contributed 9.75%. Members in law enforcement classification contributed 10.1%. The 2007 employer contribution rate for state employees was 13.77% of covered payroll. For local government employer units, the rate was 13.85% of covered payroll. For both law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%. 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, 2008 and 2007, were \$24.1 million and \$22.56 million, 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.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 7 – RETIREMENT BENEFITS (continued)

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.

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.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 7 – RETIREMENT BENEFITS (continued)

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 thousand is payable to the beneficiary of each deceased retire member who participated in the DB Plan. Death benefit coverage up to \$2 thousand can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

The ORC provides statutory authority for employee and employer contributions. During 2008 and 2007, 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, 2008 and 2007 were \$13.5 million and \$12.3 million, 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, 2008 and 2007 were both \$4.8 million, respectively.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

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.

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 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units contributed at 13.85% of covered payroll, and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions, for all employers, allocated to health care was 5% from January 1 through June 30, 2007 and 6% from July 1 through December 31, 2007.

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, 2006.

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 2006 was 6.5%.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in December 31, 2006, actuarial valuation was 362,130.

The amount of \$12 billion represents the actuarial value of PERS' net assets available for OPEB at December 31, 2006. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarial accrued liability and the unfunded actuarial liability for OPEB at \$30.7 billion and \$18.7 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 \$3.8 billion at June 30, 2008.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (continued)

For the years ended June 30, 2007 and 2006, the net health care costs paid by STRS were \$301 and \$300 thousand, respectively. There were 123 and 119 thousand eligible benefit recipients in 2007 and 2006, 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 fifteen and eighteen faculty members electing early retirement with effective election dates of June 30, 2008 and 2007, respectively. The incentive consisted of 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 \$853 thousand for its obligation related to the early retirement incentive program as of June 30, 2008 and 2007, 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 thousand deductible and a pre-funded group deductible of \$350 thousand per occurrence, with an annual aggregate stop loss of \$700 thousand. In fiscal year 2008, there was approximately \$1 million incurred in material losses due to water pipe breakage in Stranahan Hall. No material losses were reported during 2007.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (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 past 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 OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 10 – CONTINGENCIES AND COMMITMENTS (continued)

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.

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 million per occurrence and \$14.5 million in aggregate for the policy period July 1, 2007 to July 1, 2008. The University has purchased reinsurance through SPC for its liabilities in excess of \$2 million per occurrence and \$4.5 million 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 million per occurrence and \$3 million in aggregate, with a group aggregate of \$10 million, for the policy period July 1, 2007 to July 1, 2008. SPC provides excess professional liability coverage for a group of physicians with limits of \$1 million per occurrence with a shared \$3 million aggregate. SPC also provides tail coverage to those physicians that require the coverage. SPC has purchased reinsurance for its physician liabilities in excess of \$500,000 per occurrence.

At June 30, 2008 and 2007, the University has accrued \$9.6 million discounted at 4% and \$9 million 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.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008
(Dollars in Thousands)

NOTE 11 – MEDICAL PROFESSIONAL LIABILITY (continued)

	2008	2007
Medical Professional Liability :		
Beginning balance	\$ 9,004	\$ 7,097
Provision for incurred claims	720	2,293
Payments for claims	(148)	(386)
Ending balance	<u>\$ 9,576</u>	<u>\$ 9,004</u>

The above liability includes insurance coverage for UTCF and has been funded by premiums paid by UTCF to UTMAC.

NOTE 12 – FUNCTIONAL CLASSIFICATION OF EXPENSES

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

	2008	2007
Patient Services	\$ 224,557	\$ 200,657
Instruction	181,192	169,672
Research	48,411	41,575
Public Service	8,861	5,290
Academic Support	31,021	39,778
Student Services	21,509	21,032
Institutional Support	38,856	33,579
Student Aid	20,519	16,785
Operation and Maintenance of Plant	43,839	30,387
Depreciation	39,286	37,598
Provision for Bad Debt	11,622	13,699
Auxiliary Enterprises	60,903	58,134
Total operating expenses	<u>\$ 730,576</u>	<u>\$ 668,186</u>

NOTE 13: SUBSEQUENT EVENTS

On July 21, 2008 the University issued \$58.45 million in General Receipts Bonds, Series 2008 B (Series 2008 B) and \$35.48 million in General Receipts Bonds, Series 2008 A (Series 2008 A), to refund the General Receipts Notes, Series 2008. Additional proceeds were used to pay for related issuance cost. Series 2008 B bears interest at a daily rate determined by the remarketing agent that would cause the market value as of the date of determination to equal the principal amount. The remarketing agent utilizes the Securities Industry and Financial Market Association (SIFMA) Swap Index as one of the basis of market value determination.

THE UNIVERSITY OF TOLEDO
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2008

(Dollars in Thousands)

NOTE 13 – SUBSEQUENT EVENTS (continued)

In conjunction with Series 2008 B, JPMorgan Chase issued an irrevocable direct pay letter of credit that expires on July 17, 2009. Series 2008 B has partial redemption in 2009 with the remaining balance paid in full at maturity in 2032.

Series 2008 A bear a fixed interest rate 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 prior redemption in whole or in part beginning June 1, 2018 at the option of the University.

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 million) and Series 2007B (\$16.65 million) Variable Rate Bonds. As a result the University has a matched book of variable rate debt to interest rate swaps in the amount of \$158.35 Million. Of this amount, \$125.165 million is fully integrated for tax purposes.

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 filed for Chapter 11 Bankruptcy. Under the International Swaps and Derivatives Association (ISDA), Inc. Master Agreement, this filing qualifies as a terminable event. The University has the right but not the obligation to initiate termination of the swap agreement as governed by the ISDA Master Agreement. The University received approval by the Ohio Attorney General's Office to retain Squire, Sanders & Dempsey, L.L.P., as bond counsel to advise the University on the proper course of action. On the advice of counsel, the University has agreed in principal with the Sound Capital Management, Inc. to act as an advisor in replacing LBSF as the counterparty on this swap.

Subsequent to year-end, the University's investment portfolio has incurred a significant depreciation in market value, consistent with the general decline in the global financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

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 (the "University") as of and for the year ended June 30, 2008 and have issued our report thereon dated October 13, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University'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 University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified the following significant deficiencies.

- **Bank Reconciliations** - Throughout the year the University identified various reconciling differences while performing bank reconciliations that were not investigated and resolved in a timely manner. Plante & Moran, PLLC recommends that bank reconciliations be performed on a monthly basis and any significant unreconciling items are also resolved at that time.

To the Board of Trustees
University of Toledo

- **Contractual Allowances** - During our testing of contractual allowances, we noted that five additional payor classes were created during fiscal year 2008 to better identify and monitor collections for financial classes including after insurance payments, after Medicare payments, and pending insurance. While reviewing the model that determines allowances required against patient accounts receivable (both bad debt allowance and contractual allowance models), we noted that the models did not give sufficient consideration for needed allowances against these newly created payor classes. This resulted in allowances against receivables being understated by approximately \$1.3 million.

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 the 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.

In addition to the comments above, we had additional comments and recommendations that were included in a letter dated October 13, 2008, which was distributed to the audit and finance committee.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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, trustees, 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 13, 2008

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

To the Board of Trustees
University of Toledo

Compliance

We have audited the compliance of the University of Toledo (the "University") 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 its major federal program for the year ended June 30, 2008. The major federal program of the University is 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 its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University'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'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's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

To the Board of Trustees
University of Toledo

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the 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, trustees, 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 13, 2008

University of Toledo

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
STUDENT FINANCIAL AID CLUSTER			
US Department of Education Job Location Development Grant	84.003	P033A023313	\$ 39
Federal Workstudy FY08	84.003	P033A023313	1,130,791
US Department of Education Pell FY08	84.063	P033A023313	13,285,314
Federal Supplemental Educational Opportunity Grant (FSEOG) FY 08	84.007	P033A023313	1,027,800
Smart Grant	84.376	P033A023313	258,321
Academic Competitiveness Grant	84.375	P033A023313	702,089
Carl D. Perkins Grant FY08	84.038	P033A023313	48,354
Total Financial Aid			16,452,708
Research and Development CLUSTER			
Department of Agriculture			
Solvent Screening in Mitigation of the Tomato Lye Peeling Process	10.001		4,871
Defining the role of Caustic in the Tomato Lye Peeling Process	10.001		914
USDA SCA environmental Effects of Virus Infection on Bedding Plants	10.001		226,871
Determine Natural Product Induction in Legumes and the Pharmacologic Consequences in Human Model Systems	10.001		1,089,437
Fate of Agrochemicals in the Greenhouse	10.001		12,292
Enhancing Greenhouse Soilless Culture Production with Improved Disease and Pest Management	10.001		2,328
Biomonitoring of Nutritional and Environmental Stress in Plants	10.001		114,872
Support of Agricultural Research of Mutual Interest	10.001		24,641
Fate of Agrochemicals in the Greenhouse	10.001		598
Determine Natural Product Induction in Legumes and the Pharmacologic Consequences in Human Model Systems	10.001		(867,533)
Support of Agricultural Research of Mutual Interest	10.001		3,597
Partnership for Pharmaceutical & Economic Development of Wild Lebanese Plants	10.001		533,807
Greenhouse Nurseries	10.200		46,613
Phytoremediation Plant Research	10.200		39,659
Monitoring Agricultural Sewer Sludge	10.200		487,844
Monitoring Agricultural Sewage Sludge Application, OH	10.200		47,522
Monitoring Agricultural Sewage Sludge	10.200		170,303
Enhancing the Economic Competitiveness of Ohio's Greenhouse Industry	10.200		(10,032)
Potential Environmental and Health Impacts of Sewage Sludge Applications	10.200		68,372
Monitoring Agricultural Sewage Sludge	10.200		3,989
Dietary and Genetic Risk Factors in Obesity and Diabetes	10.200		128,530
Phytoremediation Plant Research	10.200		441,893
Dietary Intervention	10.200		151,201
Dietary Intervention	10.200		44,668
Phytoremediation	10.200		535,405
Monitoring Agricultural Sewage Sludge	10.200		442,059
Dietary and Genetic Risk Factors in Obesity and Diabetes	10.200		2,045
Greenhouse Nurseries	10.203		334,310
A Partnership for Pharmaceutical and Economic Development of Wild Lebanese Plants	10.206		164,227
Interacting Microbial x Chemical x Nitrogen Controls on Litter-to-Human Transformation	10.206		34,066

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Department of Agriculture (Continued)			
Watershed Modeling for Rock Creek	10.224		\$ 10,977
Evaluating the Economic Costs and Benefits of Slowing the Spread of the Emerald Ash Borer in Ohio and Michigan	10.250		93,052
Biodiesel from Algae: A Pilot Study on the Feasibility of Lake Erie Algae	10.500		42,759
Sponsoring the International Conference on Landscape Ecology: Chengdu, China in 2008	10.652		4,875
Coupling the Effects of Management and Climate on Carbon and Water Fluxes in the Forests of Eastern U.S. and P.R.C.	10.652		84,259
Coupling the Effects of Management and Climate on Carbon and Water Fluxes in the Forests of Eastern U.S. and P.R.C.	10.652		7,275
Maumee River Watershed GIS and Remote Sensing	10.921		86,238
Maumee River Watershed GIS and Remote Sensing	10.921		77,371
Department of Commerce			
Walleye and yellow perch stock structure in the Great Lakes: A high-resolution DNA data base for fishery management	11.417		47,843
What are the Causes, Consequences and Correctives of Fish Contamination in the Detroit River AOC that Cause Health Consumption Advisories?	11.417		20,238
Temporal Resolution of the Maumee River Plume	11.432		993
Hypoxia Inducible Factors: Physiological Indicators of Hypoxia in Lake Erie Fauna	11.460		2,880
NIST-Summer Undergraduate Research Fellowship for Darnell Ray	11.609		595
Department of Defense			
Independent Technical Review of the Great Lakes and St. Lawrence Seaway Transportation Rate Analysis	12.107		9,851
Integrating Uncertainty Analysis in the Risk Characterization of In-Place Remedial Strategies for Contaminated Sediments	12.114		3,690
Novel Actuators for Active Aerodynamic Control	12.114		4,101
Small Turbine Institute	12.118		38,491
Small Turbine Institute	12.118		2,245
Ultrasound Imaging of Breast Cancer	12.420		64,935
Risk and Resilience Factors for Combat-Related Posttraumatic Psychopathology and Post Combat Adjustment	12.420		304,173
Functional Analysis of the Beclin-1 Tumor Suppressor Interaction with hVps34 (Type-III PI 3'-Kinase) in Breast Cancer Cells	12.420		65,770
Development of Clean Sources of Hydrogen for Fuel Cells	12.431		327,552
Design and Manufacturing Process Technology for High Performance Polymer Nano-Composites	12.431		(8,424)
Miniature Control Actuation System (MCAS) for Slender Body Aerodynamic Controls	12.431		13,727
Development of Clean Sources of Hydrogen for Fuel Cells	12.431		55,064
Monolithic Silicon Microbolometer Materials for Uncooled Infrared Detectors	12.431		3,216
PO#2005-IE-VI-001 Hydraulic Hybrid Vehicle Leadership and Management of the Methodst and Analysis Team (HAMMER)	12.630		46,450
Energy System for a High Altitude Airship	12.910		22,388
Novel Sensors for Chemical and Bio-Defense	12.910		89,645

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Novel Sensors for Chemical and Bio-Defense	12.910		\$ 102,234
Novel Sensors for Chemical and Bio-Defense	12.910		26,043
Novel Sensors for Chemical and Bio-Defense	12.910		98,820
Strategies and Innovative Procedures for Dynamic Partnering for the Forging Supply Chain	12.910		51,052
Novel Sensors for Chemical and Bio-Defense	12.910		127,165
Novel Sensors for Chemical and Bio-Defense	12.910		88,085
Novel Sensors for Chemical and Bio-Defense	12.910		81,297
Department of the Navy			
A Lithium Ion Battery Management System for Autonomous Undersea Vehicles (Supplement #1)	12.300		24,739
A Lithium Ion Battery Management System for Autonomous Undersea Vehicles	12.300		54,615
Miniature Control Actuation System (MCAS) for Slender Body Aerodynamic Controls	12.300		26,797
Intermolecular Interactions in Energetic Materials	12.300		85,434
Department of the Air Force			
Highly Efficient Thin Film Photovoltaics for High Altitude Airships	12.800		39
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		845
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		1,225
Flexible and Lightweight Thin-Film Solar Cells Based on a Si and CdTe	12.800		650,515
Coatings for Fully Integrated Solar-Powered Interior Lighting Technology	12.800		53,245
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		118,418
Rapidly Deployable Solar Electricity and Fuel Sources	12.800		11,829
Zooming Methodologies for Gas Turbine Engine Simulations	12.800		102,405
AB Initio Modeling of Slippery Hexagonal Solids	12.800		43,399
CdSe Top Cells for CdSe/CIGS Tandems	12.800		11,320
Department of the Interior			
PZP Immunocontraception in Free-Roaming Feral Horses	15.222		78,215
Desalination Pretreatment Using Controlled-Chain PEGMA-Enhanced Cellulose Acetate Ultrafiltration Membranes	15.506		545
Maumee Bay State Park Shoreline and Wetland Restoration Plan	15.614		12,805
Determining the Origin and Dynamics of Coastal Processes of Sand Point at Pictured Rocks National	15.808		10,491
Surficial Geology of the Oak Openings Region, Whitehouse Quadrangle, Lucas County, Ohio	15.810		6,022
Geomorphic and Hydrogeomorphic Maps for Assateague Island National Seashore	15.915		22,950
Department of Justice			
Problems and Needs of Mothers Who Enter the Criminal Justice System	16.580		10,465
Batterer Intervention Research	16.738		34,346
Lucas County Juvenile Treatment Court Evaluation	16.745		9,577

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Department of Transportation			
Instrumentation of the Maumee River Crossing	20.205		\$ 16,389
Cost Benefit Models to Support PMS Decisions	20.205		9,824
Biodiesel Study	20.505		118,773
Reducing Noise and Vibration of Hydraulic Hybrid and Plug-In Hybrid Electric Vehicles	20.701		6,745
Improving the Energy Density of Hydraulic Hybrid Vehicles (HHVs) and Evaluating Plug-in HHVs	20.701		5,305
A Novel Image Database Analysis System for Maintenance of Transportation Facility	20.701		2,584
Multipurpose Educational Modules to Teach Hydraulic Hybrid Vehicle Technologies	20.704		20,634
Developing a Global Supply Chain Management/Transportation System Efficiency Graduate Degree Program	20.704		6,358
Transportation for Economic Security and Development	20.760		16,145
Transportation for Economic Security and Development	20.760		955
Transportation for Economic Security and Development	20.760		5,666
Transportation for Economic Security and Development	20.760		24,431
Transportation for Economic Security and Development	20.760		167,399
Transportation for Economic Security and Development	20.760		9,685
Multipurpose Educational Modules to Teach Hydraulic Hybrid Vehicle Technologies	20.760		3,136
Expanding Regional Freight Information Resources for the Upper Midwest: the Great Lakes Maritime Information Delivery System	20.801		46,814
Expanding Regional Freight Information Resources For The Upper Midwest: The Great Lakes Maritime Information Delivery System Phase III	20.801		108,397
National Aeronautics and Space Administration			
Extension of NASA Broadband Aeronautics Stator Simulation (BASS) Code for the Accurate Prediction of Nonlinear Fluid-Structures Interactions	43.002		16,583
Development and Investigation of Multiple Phenomena in Turbomachinery and Propeller Aeroelasticity	43.002		57,008
Microstructural Analysis of Advanced Space and Turbine Materials	43.002		2,099
Development of an Information Exchange Mechanism with a Virtual Engine Test	43.002		45,148
Application of the BASS Computational Aeroacoustics Code to 3D Broadband Fan Noise Prediction	43.002		19,513
Investigation of a Heavy Loaded Bearing for Aero Application	43.002		49,963
Development of Foundation Technology for Code Coupling in Integrated Inlet/Fan Simulations	43.002		49,137
Investigation of a Heavy Loaded Bearing for Aero Application	43.002		7,146
Small Turbine Institute	43.002		18,753
Microstructural Analysis of Advanced Space and Turbine Materials	43.002		51,257
Development and Investigation of Multiple Phenomena in Turbomachinery and Propeller Aeroelasticity	43.002		5,533
Application of the BASS Computational Aeroacoustics Code to 3D Broadband Fan Noise Prediction	43.002		6,555
Simulations	43.002		2,595
Development of an Information Exchange Mechanism with a Virtual Engine Test	43.002		2,597
Small Turbine Institute	43.002		(47,303)
Extension of NASA Broadband Aeronautics Stator Simulation (BASS) Code for the Accurate Prediction of Nonlinear Fluid-Structures Interactions	43.002		23,778
Oscillator Strengths for Ultraviolet Atomic and Molecular Transitions	43.002		71,066
Light Element Nucleosynthesis through Measurements of Interstellar Boron	43.002		42,345
CFD Simulations of Turbomachinery	43.002		6,691
Mars Water Ice Clouds	43.002		(11,305)

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Turbomachinery Computational AeroAcoustics (CAA)	43.002		\$ 35,778
Searching for Protostars in a Quiescent Giant Molecular Cloud	43.002		50,348
NASA-GRC Solid Oxide Fuel Cell Technology for Aeronautic Applications	43.002		93,204
CFD Simulations of Turbomachinery	43.002		60,940
Extended Durability of Materials in Advanced Power Systems for Space Explorations	43.002		3,730
Development of Life Prediction and Probabilistic Analysis Tools for High Temperature Composites	43.002		112,459
Computed Tomography and Digital Radiography Based Research for Aerospace Materials	43.002		54,015
Microstructural Analysis and Structure-Property Correlation in Advanced High-Temperature Materials Developed for Improved Material Performance	43.002		158,857
NASA-GRC Solid Oxide Fuel Cell Technology for High Power Density Aeronautic and Applications	43.002		291,954
Extended Durability of Materials in Advanced Power Systems for Space Explorations	43.002		41,812
Particulates Measurements and Measurement-System Development for Aircraft Engines	43.002		2,268
Advanced Structural Seal Development	43.002		6,221
Massive Stars with Dusty Disks: A FUSE Survey of the Most Metal-Poor B[e] Supergiants	43.002		4,579
Evaluation of Several Space Lubricants Using the Spiral Orbit Tribometer	43.002		1,873
Effects of Land Use Change on the Energy and Water Balance of the Semi-Arid Region of Inner Mongolia	43.002		175,702
Unsteady CFD Simulations	43.002		147,413
Research Initiatives Involving Advanced Electro Mechanical Components	43.002		2,960
Development of Fuel Cell/Reformers Technology	43.002		1,929
Technology Validation and Risk Reduction Research for Flywheel Technology	43.002		6,144
SAGE Spectroscopy: The Life Cycle of Dust and Gas in the Large Magellanic Cloud	43.002		23,912
Life Prediction Modeling and Structural Analysis of Ceramic Matrix Composite Materials	43.002		551
National Aeronautics and Space Administration (Continued)			
PAHs, Interacting Galaxies, Nearby AGN, and Massive Stars	43.002		34,441
A Workplan for Testing Aerospace Components and Advanced Materials	43.002		154,478
NASA-GRC Solid Oxide Fuel Cell Technology for Aeronautic Applications	43.002		7,616
Advanced Wave Fluid Film Bearing Technology for Geared Transmission Systems	43.002		126,901
Modes of Star Formation and Nuclear Activity in an Early Universe Laboratory	43.002		12,057
Damping Concepts for Rotating Blades and Rotordynamic Analysis	43.002		22,241
Smart Damping for Turbomachinery Blades	43.002		50,873
Extended Durability of Materials in Advanced Propulsion and Power Systems for Aeronautic and Space Exploration	43.002		140,570
Development of Advanced Computational Tools for the Simulation of Multistage Turbomachinery in Support of Aero Propulsion	43.002		134,726

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Agency	CFDA #	Agency Number	Fiscal Year 2008
Advanced Structural Seal Development	43.002		\$ 57,289
Particulates Measurements and Measurement-System Development for Aircraft Engines	43.002		74,592
Modeling of Advanced High Temperature Composite Behavior	43.002		53,096
Electrical and Mechanical Modeling of Constellation Power Systems	43.002		198,466
Research in Controls for Flywheel Technology Applications	43.002		49,091
Computed Tomography and Digital Radiography Based Research for Aerospace Materials	43.002		4,920
Dust Formation of Near Hot Non-Supergiant Stars	43.002		4,570
Advanced Aerospace Seals Research	43.002		100,141
Effects of Land Use Change on the Energy and Water Balance of the Semi-Arid Region of Inner Mongolia	43.002		27,677
Component Development for Structural Seals	43.002		53,581
Research Initiatives Involving Advanced Electro Mechanical Components	43.002		16,985
Research in Controls for Flywheel Technology Applications	43.002		849
Life Prediction Modeling and Structural Analysis of Ceramic Matrix Composite Materials	43.002		65,134
A Fresh Look at Distributed vs. Clustered Star Formation: IRAC and MIPS Imaging of the Cep OB3 and Mon R2 Molecular Clouds	43.002		19,749
Probing Dust Grain Emission in High Latitude Molecular Clouds	43.002		2,897
Damping Concepts for Rotating Blades and Rotordynamic Analysis	43.002		5,816
Turbomachinery Computational AeroAcoustics (CAA)	43.002		41,547
Component Development for Structural Seals	43.002		4,906
Development of Fuel Cell/Reformers Technology	43.002		75,866
Development of Computed Tomography and Digital Radiography for Aerospace Materials and Facilities Operations	43.002		54,577
Technology Validation and Risk Reduction Research for Flywheel Technology	43.002		85,248
Turbomachinery Aeroelastic Analysis Tools for Aerospace Propulsion Application	43.002		117,792
An IRS Survey Of Spitzer Identified Protostars In The Orion A Cloud	43.002		14,800
Improved Modeling for Turbine Cooling Analysis	43.002		22,687
Be Stars and Circumstellar Disks in NGC 346	43.002		24,352
Mapping the Structure of Dark Filaments in OMC3 with the IRS	43.002		22,114
Ohio Space Grant Consortium (OSGC) Scholarships and Fellowships for Fellowships for 2006-2007 to University of Toledo	43.002		36,928
Fischer Tropsch off Campus	43.002		109,855

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
National Science Foundation			
CAREER: Investigation of Intron Cellular Roles	47.000		\$ 110,302
A New Approach to Regenerate Bone Using Microparticles Seeded with Mesenchymal Stem Cells and Macrophages	47.041		44,156
Compact, Lightweight Flexible Fuel Reformer for Solid Oxide Fuel Cells	47.041		57,681
Collaborative Research: Finite Element Modeling of Roller Burnishing and Selection of Process Parameters	47.041		20,785
Processing and Evaluation of HA Nanocomposites	47.041		66,460
Development of Anti-Biofouling Nanocomposite Polypropylene Fibers for Membrane Feed Spacers	47.041		15,181
Undergraduate Senior Design Projects to Aid Individuals with Disabilities	47.041		17,581
Development of Bacterial-Sensing Ultrafiltration Membranes with improved Permeability, Selectivity and Fouling Control	47.041		4,949
CAREER: Micromachined Surface Conduction Tuning Gas Sensors Year 4	47.041		7
CAREER: Micromachined Surface Conduction Tuning Gas Sensors Year 4	47.041		55,919
A Simple Desulfurizing Component Enables Fuel Processing of Sulfur-Laden Logistic Fuels for Fuel Cells	47.041		15,040
A Novel Approach to Antibiotic and Anti-biofouling Activities of Natural Phenols	47.041		88,255
Development of Bacterial-Sensing Ultrafiltration Membranes with improved Permeability, Selectivity and Fouling Control	47.041		2,518
REU Supplement for CTS 0331778	47.041		19,670
CAREER: Micromachined Surface Conduction Tuning Gas Sensors Year 4	47.041		3,730
Evaluation of Novel Bisphosphonate Containing Coated Ti Foams for Osteoporosis Treatment	47.041		15,401
Toward Negative Poisson's Ratio Composites - Numerical and Experimental Study	47.041		74,425
Development of Silver/Copper Coated Membrane Feed Spacers for Biofouling Control	47.041		4,729
Development of Silver/Copper Coated Membrane Feed Spacers for Biofouling Control	47.041		34,909
Development of Bacterial-Sensing Ultrafiltration Membranes with improved Permeability, Selectivity and Fouling Control	47.041		3,992
CAREER: Exploration of Negative Thermal Expansion Materials: From Basis Properties to Formation of Composites	47.049		123,849
A Research and Training Center for Astronomical Spectroscopy	47.049		40,503
CAREER: Syntheses of Hyaluronan Oligosaccharides as Biological Probes	47.049		43,601
Semiparametric Statistical Inferences for ROC Curves and Surfaces Under Density Ratio Models	47.049		23,340
Monte Carlo NLTE Radiation Transfer in Circumstellar Disks	47.049		91,180

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Collaborative Research: Using Nanoscale Patterning to Reveal the Atomic-scale Effects which Drive Unstable Growth on GaAs (001)	47.049		\$ 62,872
Highly Anisotropic Nano-Magnets	47.049		(25,511)
The Smallest Interstellar Grains: Optical/Near-IR Emission from Nanoparticles	47.049		58,118
CAREER: Task-specific Microextractions Using Ionic Liquids	47.049		60,840
Quantum theory of two-atom, few-atom, and many-atom systems	47.049		53,534
Research Experiences for Undergraduates in Physics and Astronomy	47.049		18,785
Cohomology and Representation Theory	47.049		23,876
REU Site: Research Experiences for Undergraduates in Physics and Astronomy	47.049		74,385
The Smallest Interstellar Grains: Optical/Near-IR Emission from Nanoparticles	47.049		23,022
Simulating Extended Time and Length Scales Using Parallel Accelerated Dynamics	47.049		159,592
Integrated Assessment of Physical, Ecological and Socio-Economic Aspects of a Watershed System	47.050		4,277
Collaborative Research: Deglaciation Chronology of the Des Moines Lobe-Implications for Ice Sheet Dynamics and Climate Change	47.050		63
Integrated Assessment of Physical, Ecological and Socio-Economic Aspects of a Watershed System	47.050		43,157
Triggered Approach and the Applications to Adaptive Centralized and Ad Hoc Wireless Networks	47.070		35,583
SGER: Theoretical Foundations and Advanced Analysis in Real-Time, Hybrid, and Embedded Systems	47.070		67,881
Parallel Data Mining for Nanoscale Kinetic Monte Carlo Simulation Model	47.070		35,337
Workshop on Theoretical and Algorithmic Aspects of Sensor and Ad-hoc Networks	47.070		18,962
Workshop on Algorithms and Complexity in Wireless Networks, April 3-5, 2006, Las Vegas, USA	47.070		14,564
National Science Foundation (Continued)			
Molecular Systematics, Biogeography and Invasion Identity of Neogobiin Fishes	47.074		31
Solvent Structure and Function in Macromolecular Biological Systems	47.074		504
Solvent Structure and Function in Macromolecular Biological Systems	47.074		180,918
Molecular Systematics, Biogeography and Invasion Identity of Neogobiin Fishes	47.074		60,248
Molecular Systematics, Biogeography and Invasion Identity of Neogobiin Fishes	47.074		4,995
CAREER: Structural Analysis of Branched DNA Recognition	47.074		306
CO2 Induced Changes in Heat-Shock Proteins and Photosynthetic Tolerance to Acute Heat Stress	47.074		15,720
CAREER: Structural Analysis of Branched DNA Recognition	47.074		121,016
Planning Proposal for the Lake Erie Center	47.074		5,860
Planning Proposal for the Lake Erie Center	47.074		1,729

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Subcontract to "TRPGR - The Grass Regulome Initiative: Integrating Control of Gene Expression and Agronomic Traits Across the Grasses"	47.074		\$ 61,515
Genetic Switch Controlled by an Unusual Family of Transcription Activators	47.074		127,998
International US-Turkey Cooperative Research: Seismic Retrofitting of Reinforced Concrete Structural Members by Composite Materials	47.075		10,864
Individual Differences in Risk Perception and Risk Taking: The Role of Handedness and Interhemispheric Interaction	47.075		82,233
High Resolution Spectroscopy and Spectropolarimetry: Application to Stars at Critical Evolutionary Stages	47.075		6,282
Mechanical Engineering Technology Online Labs: Improving Lab Accessibility	47.076		32,697
Microbial Winter Survival Physiology: A Driver on Microbial Community Composition and Carbon Cycling	47.078		15,507
Environmental Protection Agency			
Radon Web Site	66.032		5,232
Radon Web Site	66.032		19,358
Design Optimization and Control of the Hydraulic Hybrid Vehicles	66.034		108,292
Dam Removal on the Ottawa River, Lucas County, Ohio	66.456		9,578
The Honey Creek Targeted Watershed Program Proposal	66.480		145
Genetics of Lake Erie Fish Stocks	66.511		223,915
University of Toledo Pollution Prevention Incentives for States Grant Proposal	66.708		49,480
A Multi-Criteria Decision Analysis Tool for Managing Industrial Byproducts	66.808		7,863
Department of Energy			
An Efficient Approach for the Saccharification of Cellulose	81.087		3,754
Fabrication and Characterization of Advanced Triple-Junction Amorphous Silicon Partnership Program	81.087		548,041
Fabrication and Physics of CdTe Devices by Sputtering	81.087		304,555
Hydrogen Generation via Metal-Steam Reforming	81.087		17,622
Sputtered II-VI Alloys and Structures for Tandem PV	81.087		129,191
Scalable Steam Methane Reformer System for Distributed Hydrogen Production	81.087		1,531
Production of Hydrogen for Clean and Renewable Sources of Energy for Fuel Cell Vehicles	81.087		203,108
Chemical Separations and Process Research to Enable Biorefinery Systems	81.121		37,018
Anticipating and Preventing Glucose Excursions in People with Diabetes	83.283		465

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Department of Education			
Utah's Improving Teacher Quality Initiative	84.305		\$ 118,014
Print Referencing Efficiency	84.305		110,394
Print Referencing Efficacy	84.305		54,989
Affects of Parent Mediated Television Viewing Strategies with Preschool Children with Language Delays	84.324		58,209
STAR: ECSE	84.324A		4,716
Project Need to Read: Evaluation of Computer Based Reading Programs Paired with Home and School Instruction	84.327		22,295
Midwest Educational Research Consortium/East Toledo Gearup Initiative (Gearup II)	84.334		64,110
NWO TEAMS	84.336		61,621
Health and Human Services			
Marinobufagenin as a Target for DIGIBIND in Hypertensive Patients with End-Stage Renal Disease	93.000		296
Mechanism-Based In Vitro Screening of Chemopreventive Agents for the Inhibition/Reversal of the Tumorigenic Phenotype in ERα-Negative Human Mammary Epithelial Cells - Work Assignment #8	93.000		192,164
Preclinical In Vitro and In Vivo Screening Assays for Cancer Preventative Agent Development Work Assignment #7	93.000		183,292
Testing Various Chemopreventive Agents in a Rat Model of Ovarian Cancer Employing DMBA Sutures (WS #87)	93.000		19,268
Preclinical in vitro and in vivo Screening Assays - Work Assignment #1 - Contract Administration and Management	93.000		39,811
Evaluation of Efflux Pumps in Multidrug-Resistant Pseudomona Aeruginosa	93.000		8
Chromatin Remodeling in UVR Induced Melanogenesis	93.113		(1,413)
Long Term Toxicity of Di- and Tri-Chloracetate	93.113		22,843
Chromatin Remodeling in UVR Induced Melanogenesis	93.113		105,864
[Ca2+]i and Secretory Dynamics in Parotid Acinar Cells	93.121		(2,396)
[Ca2+]i and Secretory Dynamics in Parotid Acinar Cells	93.121		796
[Ca2+]i and Secretory Dynamics in Parotid Acinar Cells	93.121		50,653
Developing Techniques for Studying Tinnitus in Animals	93.173		168,240
Aerodynamic and Acoustic Models of Phonation	93.173		123,438
Vertebral Displacements and Ligament Strains During Simulated Spinal Manipulation	93.213		6,137
Development of a Selective Muscarinic Agonist for the Treatment of Schizophrenia	93.242		5,210
Mechanical Lifting Assist	93.262		335
Crystalline Silica and RSP Control Methods Effectiveness During Concete Grinding	93.262		103,149
Nicotinic Acetylcholine Receptors and Neuronal Development	93.279		16,881
Altering Gene Expression and Function at Single Neuronal Nicotinic Synapses	93.279		179,225
Neuronal Acetylcholine Receptor Mechanisms	93.279		61

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Benzodiazepine-induced Glutamate Receptor Plasticity	93.279		\$ 476
Neuronal Acetylcholine Receptor Mechanisms	93.279		98,412
Benzodiazepine-induced Glutamate Receptor Plasticity	93.279		282,766
Occupational Health Training Grant	93.283		1,868
Occupational Health Training Grant	93.283		6,460
NIOSH Training Project Grant (TPG) - Industrial Hygiene	93.283		78,272
Polyunsaturated Fatty Acid Metabolism via Lipoxygenase Catalysis	93.390		41,060
Regulation of NF-kappaB Transactivation Function	93.390		76,572
Regulation of Mismatch Repair	93.393		724
Genetic Epidemiology of Lung Cancer: Gene ID in High Risk Families	93.393		12,879
Genetic Epidemiology of Lung Cancer: Gene Identification in High Risk Families	93.393		4,147
Regulation of Mismatch Repair	93.393		259,140
Regulation of a Tumor Target through Steroid Receptors	93.393		159,012
Regulation of a Tumor Target through Steroid Receptors	93.393		891
Regulation of a Tumor Target through Steroid Receptors	93.393		140
Regulation of Mismatch Repair	93.393		34,848
Standardized Gene Expression Core Facility Development	93.394		(33)
Program Income 942513	93.394		147
Standardized Gene Expression Core Facility Development	93.394		(7,632)
Computer Directed Photodynamic Therapy of Prostate Cancer	93.395		(463)
Role of hGBP-1 in the Inhibition of Cell Growth by IFNs	93.395		12,747
Regulation of MLK3 by Merlin	93.395		26,234
Role of hGBP-1 in the Inhibition of Cell Growth by IFNs	93.395		11,267
bHLH Transcription Factors in Prostate Cancer Malignancy	93.396		1,275
The Tumor Suppression Potential of NF-kB2 p100	93.396		129,219
The Tumor Suppression Potential of NF-kB2 p100	93.396		4,839
Gene Regulation for Drug Targeting in AML	93.396		181,690
RI-alpha/RIAZ on Cell Growth in Breast Cancer	93.396		(22,711)
Gene Regulation for Drug Targeting in AML	93.396		49,891
Negative Regulation of Signal Transduction by G-CSF	93.396		155,304
The Tumor Suppression Potential of NF-kB2 p100	93.396		4,329
RI-alpha/RIAZ on Cell Growth in Breast Cancer	93.396		263,969
bHLH Transcription Factors in Prostate Cancer Malignancy	93.396		853
Molecular Mechanisms of Ras-Induced Autophagy in Glioblastoma	93.396		231,696

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Gene Regulation for Drug Targeting in AML	93.396		\$ 28,563
bHLH Transcription Factors in Prostate Cancer Malignancy	93.396		152,594
Rab GTP-Binding Proteins and Cell Growth	93.396		(1,018)
The Oncogenic Basis of Bmi-1 in Neuroblastoma Development	93.396		152,126
Community Clinical Oncology Program (Federal Funds)	93.399		2,225
National Surgical Adjuvant Breast and Bowel Project - Master Agreement	93.399		3
Toledo Community Clinical Oncology Program (TCCOP)	93.399		358
Effect of Blood Flow Pattern on Endothelial Damage	93.837		27,980
Effect of Exercise Training on Ventricular Function, Dyssynchrony, Resting Myocardial Perfusion and Clinical Outcomes in HF Patients: A Nuclear Ancillary Study of HF-ACTION	93.837		927
Claudication Exercise vs. Endoluminal Revascularization (CLEVER)	93.837		9
Functional Genomic Dissection of Rat Blood Pressure QTL	93.837		13,903
Claudication: Exercise Vs. Endoluminal Revascularization	93.837		762
Control Mechanisms of Cardiac Proteins & Enzymes	93.837		936,700
CORAL: Clinical Coordinating Center	93.837		1,785,932
Biochemistry and Genetics of Hypertension	93.837		48,654
Identifying Chromosome 3 Blood Pressure QTL Candidates	93.837		(4,792)
Biochemistry and Genetics of Hypertension	93.837		160
Cardiovascular Outcomes in Renal Atherosclerotic Lesions (CORAL)	93.837		22,169
Cardiovascular Outcomes in Renal Atherosclerotic Lesions (CORAL)	93.837		539,358
Functional Genomic Dissection of Rat Blood Pressure QTL	93.837		356,310
Functional Genomic Dissection of Rat Blood Pressure QTL	93.837		(13,883)
Control Mechanisms of Cardiac Proteins & Enzymes	93.837		485
Mechanosensory Role of Endothelial Cilia in Polycystic Kidney Disease	93.837		226,399
Future Revascularization Evaluation in Patients with Diabetes Mellitus: Optimal Management of Multivessel Disease (FREEDOM)	93.837		344
Claudication: Exercise vs. Endoluminal Revascularization	93.837		5,337
The Role of ROS and Na/K-ATPase in Uremic Cardiomyopathy	93.837		30,347
Cardiovascular Outcomes in Renal Atherosclerotic Lesions (CORAL)	93.837		(28,585)
Biochemistry and Genetics of Hypertension	93.837		606,895
LPS Signaling and Lung Innate Immunity	93.838		(736)
Prevention of Cardiovascular Disease in Diabetes Mellitus	93.838		187,908
Prevention of Cardiovascular Disease in Diabetes Mellitus	93.838		117,439
Behavioral Dynamics of Langerhans Cells in Skin	93.846		426,665

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
T Cell Dependent Terminal Maturation of Langerhans Cells	93.846		\$ 730
TPR Proteins in Steroid Receptor Signaling and Physiology	93.847		221,872
c-Jun and Androgen Signaling in Prostate Cancer Cells	93.847		88,487
Ceacam and Insulin Action	93.847		253,929
Ceacam and Insulin Action	93.847		(1)
Role of the serine-threonine kinase PAK1 in prolactin-dependent signaling	93.847		165,874
Innate Cellular Lectin-Mediated Binding of Xenoantigens	93.848		242,329
Functional Analysis of SMAF-1, an Obesity Candidate Gene	93.848		23,327
Mechanisms of Enteric Nervous System Development	93.848		201,338
Innate Cellular Lectin-Mediated Binding of Xenoantigens	93.848		(1,285)
Role of FKBP52 in Androgen Signaling and Hypospadias	93.849		125,608
Physiological Significance of Na, K-pump Diversity	93.849		45,707
Thalamocortical Boundary Markers and the Influence of Serotonin	93.852		(8,330)
A Multi-Center, Double-Blind, Randomized Study Comparing the Combined Use of Interferon Beta-1a and Glatiramer Acetate to Either Agent Alone in Patients with Relapsing Remitting Multiple Sclerosis (CombiRx-Phase III)	93.853		30,031
Parkinson's Disease Collaborative Study of Genetic Linkage, 'PROGENI'	93.853		13
Parkinson's Disease Collaborative Study of Genetic Linkage, 'PROGENI'	93.853		630
Goal Activation, Expectations, and Placebo Analgesia	93.853		23,457
Insulin Resistance Intervention after Stroke (IRIS) Trial	93.853		100
Thalamocortical Boundary Markers and the Influence of Serotonin	93.853		187,073
Mechanisms of Sympathetic Neuron Development	93.853		349,626
Probing the Enzymatic Basis of Canavan Disease	93.853		285,955
Carotid Revascularization Endarterectomy vs. Stenting	93.853		188
Thalamocortical Boundary Markers and the Influence of Serotonin	93.853		131,193
Muscarinic Agonists for Neurological Disorders	93.853		217,909
Neurosteroid Modulation of GABA(A) Receptors	93.853		109,963
Study of Antidepressants in Parkinson's Disease (SAD PD)	93.853		581
Post-Hypoxic Regulation of GABA-A Receptor Function	93.853		340,081
Post-Hypoxic Regulation of GABA-A Receptor Function	93.853		(4,709)
UNC-73/Trio Signaling in Axon Guidance and Neurotransmission	93.853		34,218
African-American Antiplatelet Stroke Prevention Study	93.853		446
Locomotion in Parasitic Nematodes	93.855		25,187
Determinants of RNA Virus Evolution	93.855		409,843
Randomized Open-label Phase II/III Multicenter Study of High-dose Immunosuppressive The	93.855		735

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Regulation of AAV Rep Protein Function	93.855		\$ 129
Dysregulation of Innate Immune Responses by <i>Borrelia burgdorferi</i> : A Role for IL-10	93.855		1,327
Structure and Dynamics of MHC Bound Peptides	93.855		72,848
The Role of T Cell Repertoire Selection in the NOD mouse model of MOG-Induced EAE	93.855		86,434
Impact of the Interferon Regulated Proteins XAF1 and ZNF313 on Innate Immunity	93.855		254,160
Alphavirus Minus Strand RNA Synthesis and Rnase L	93.855		316,432
Determinants of RNA Virus Evolution	93.855		20,314
Determinants of RNA Virus Evolution	93.855		174
Identification of <i>B. Pseudomallei</i> & <i>B. Mallei</i> Adhesins	93.855		25,496
Alphavirus Minus Strand RNA Synthesis and Rnase L	93.855		(2,557)
Dendritic Cell-based Biosensor System	93.855		266,355
Bacterial, Signaling, & Leukocyte Transcription Activation	93.855		334,913
Regulation of AAV Rep Protein Function	93.855		(801)
Role of Adapter Proteins in Infection Diseases	93.856		49,813
Chitinases in Parasitic Helminths	93.856		64,539
Regulation of Pharyngeal Pumping in Parasitic Nematodes	93.856		285,939
Conservation and Adaptation of a Regulon across Genera	93.856		29,054
Conservation and Adaptation of a Regulon across Genera	93.856		43
Adherence Mechanisms of <i>Moraxella catarrhalis</i>	93.856		(12)
Conservation and Adaptation of a Regulon across Genera	93.856		70,891
Agonists & Antagonists of Vasopressin & Oxytocin	93.859		93
Tissue Fragility Genes in <i>C. Elegans</i>	93.859		42,463
Transcriptional Repression in Response to p53	93.859		74,208
Na,K-ATPase as an Integrator of the Calcium Signaling Machinery	93.859		209,796
Agonists & Antagonists of Vasopressin & Oxytocin	93.859		97,133
Development of New Carbohydrate Synthesis Methodologies	93.859		16,031
Na,K-ATPase as an Integrator of the Calcium Signaling Machinery	93.859		22,007
Development of New Carbohydrate Synthesis Methodologies	93.859		128,143
AAV, Helper Virus and Host Cell Interactions	93.859		25,914
Elderly Immune Response to Pneumococcal Polysaccharide	93.866		325,790
Bone Loss with Aging Occurs Due to Increased PPAR-g Activity in Marrow Stem Cells	93.866		242,476
Total Research and Development			32,137,768

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

AGENCY	CFDA #	AGENCY NUMBER	FY2008
TRIO CLUSTER			
Department of Education			
UT Student Sup Trio	84.042	P042A051096-06	\$ 246,272
Upward Bound 04	84.047	P047A030119-06	156,371
Upward Bound	84.047	P047A070851	199,121
Total TRIO Cluster			601,764
Other Programs			
Department of Agriculture			
Landscape Ecology and Forest Management: Challenges and Solutions (IUFRO Conference)	10.900	07-DG-11132650-265	19,703
Department of the Navy			
North American Membrane Society (NAMS) 2007 Conference	12.300	N00014-06-1-1151	637
Army Research Office			
2007 Ohio Junior Sciences and Humanities Symposium	12.431	W911NF-04-1-0001	2,451
Department of Housing and Urban Development			
HUD Neighborhood Networks	14.870		5,692
Department of Justice			
Fatality Review Initiative	16.580	2006-DD-BX-0243	89,553
Department of Labor			
WIA – 1284	17.260		59,318
N.O. WIA – 1285	17.260		10,214
State of Ohio Funding for Capacity Building for DBE Program	17.267	G-04-15-0313	4,875
Police Forfeiture	21.000	D32 - PE10049-04	163,353

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
National Aeronautics and Space Administration			
Implementation of Earth System Science Education Alliance in the Great Lakes Region	43.001	GEO-0631389	\$ 7,432
SATELLITES: Using Geospatial Technology to Teach Science in Cleveland Municipal Schools	43.001		3,191
SATELLITES: Using Geospatial Technology to Teach Science in Cleveland Municipal Schools	43.001		9,673
Students and Teachers Exploring Local Landscapes to Interpret the Earth from Space Applications	43.001	R-300-100201-40108	8,100
Students and Teachers Exploring Local Landscapes to Interpret the Earth from Space Application to the International Polar Year (IPY)	43.001	R-300-100201-40108	43,673
National Science Foundation			
Graduate Teaching Fellows in STEM High School Education: An Environmental Science Learning Community at the Land-Lake Ecosystem Interface	47.000	DGE-0742395	123,389
2008 NSF Partnerships for Innovation (PFI) Grantees Workshop	47.041		167,758
Ohio Consortium for Undergraduate Research	47.049	PO RF01042476	63,547
International Workshop on Research Challenges in Mobile and Wireless Networks Security and Privacy	47.070	CNS-0437586	6,335
Anatomy Revealed - Sensory Systems	47.076	DUE-0442779	7,236
A National Model for Engineering Mathematics Education	47.076	PSM06596	12,195
UMECSS-University Math, Engineering, and Computer Science Scholarships	47.076	DUE-0220796	1,953
The Ohio Science and Engineering Alliance	47.076	745931	26,957
The UT3 Noyce Scholarship Program	47.076	DUE-0733767	5,324
Emerging Power Technologies Project	47.076		5,332
Middle School Science Curriculum Materials: Meeting Standards and Fostering Inquiry through Project-Based Inquiry Science Units	47.076	ESI-0137807	25,367
Department of Veterans Affairs			
ACES - 1246	64.120		44,285
US Army ROTC - 1251	64.120		353,822
US Marine - 1246	64.120		6,000
Coast Guard - 1246	64.120		6,500
Army/Army Tank - 1299	64.120		41,834
BGSU USAF ROTC - 1246	64.120		40,875
USAF (RAMP) 1246	64.120		49,235
Vet Voc - 1262	64.120		80,755

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Department of Education			
Special Funding for Engineering for Migrant Students	84.011		\$ (9,230)
Special Funding for Engineering for Migrant Students	84.011		12,939
Lesotho's Difficult Options Within South Africa: Abstract	84.018		61,412
The UT Vision Program Expansion Project	84.027		47,467
Intervention Specialist Institute	84.027		15,251
Tech Prep Federal Base	84.038	524	(2,896)
Inquiry-Based Instruction for Tech Prep	84.048	VECI-IB-08-063099	15,950
Capacity-Building Faculty Support Grant	84.048	VEPD-CB-07-UT	50,604
Capacity-Building Faculty Support Grant	84.048	VEPD-CB-08-UT	65,325
Tech Prep Open Enrollment	84.048	VECI-TPOE-08-063099	19,803
BVR - 1265	84.126		268,327
Enhanced Competitiveness of U.S. Small and Medium Size Firms Through the Development and Utilization of Secure and Efficient Global Supply Chains	84.153		43,962
Hospital-Based Regional Child Find Grant Program	84.181		5,859
HMG Hospital Based Regional Child Find	84.181	04840011HB0108	27,121
Accelerating Achievement in Math & Science in Urban Schools	84.206	S206A040096-05	476,372
Fitness Programs Testing & Data Interpretation	84.215	PO 702910	30,696
FY 08 Federal Tech Prep Grant	84.243		361,124
Project EC-NET	84.325	H325T070038-08	65,631
Project DIRECT Connections	84.325		111,251
Project ASSURE	84.325	H325A020104-6	62,979
NWO TEAMS	84.330	C1667-OMAP-07-14	14,760
GEAR-UP	84.334	P334A000134-05	58,640
UT-CCAMPIS Student Parents	84.335	P335A060328	156,964
UToledo, UTeach, UTouch the Future (UT3)	84.336	P336B040031-06	1,175,351
UToledo, UTeach, UTouch the Future (UT3)	84.336	P336B040031-06	49,635
SATELLITES: Using Geospatial Technology to Teach Science in Cleveland Municipal Schools	84.336	May-34	1,009
Rotating Program Director, Geography and Regional Science	84.336	BCS0750729	88,817
K-5 Algebraic Thinking Initiative	84.367	1/6/1939	35,454
SATELLITES	84.367		32,073
Toledo Area Writing Project 2005/2006	84.928		(18,394)
Health and Human Services			
Regional Child Find	93.000		23,518
Regional Child Find	93.000		7,955
Model State-Supported AHEC	93.107	5 - U77 - HP - 03029	276,697
Model State-Supported AHEC	93.107	5 - U77 - HP - 03029	519,397
Project EXCITE: Environmental Health Science Explorations through Cross-Disciplinary and Investigative Team Experiences	93.113	5 - R25 - ES - 10705	34,233
Chemical Toxicology in the Study of Disease Etiology	93.113	7 - R13 - ESO105977	7,348
Development of a Multidisciplinary, Comprehensive Care Center for Families Impacted by HIV	93.153	5 - H12 - HA - 23012	100
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	5 - H12 - HA - 23012	407,715

University of Toledo

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Agency	CFDA #	Agency Number	Fiscal Year 2008
Health and Human Services (Continued)			
Workforce Development	93.187	G-67-06-0343	\$ 55,610
Workforce Development	93.187	G-67-06-0343	39,502
Public Health Workforce Scholarship Program	93.283	DOH016T	(10,506)
Public Health Workforce Scholarship Program	93.283	DOH039H	57,953
Statewide AHEC Model for Interdisciplinary Education & Experience (SEARCH)	93.288		9,000
Statewide AHEC Model for Interdisciplinary Education & Experience (SEARCH)	93.288		3,360
University of Toledo Advanced Education Traineeships: An Answer to the Nursing Shortage	93.358	A10HP00004	42,424
Reach Out and Read	93.558	48-08-OWF-08	17,056
Reach Out and Read	93.558		31,863
Reach Out and Read of Northwest Ohio and ODJFS	93.558		28,121
American Society for Virology Junior Scientist Travel Request	93.855	5 - R13 - AI - 69676	9,600
Improving Geriatric and End-of-Life Care Training	93.884	5 - D58 - HP - 03369	29,280
Improving Geriatric and End-of-Life Care Training	93.884	5 - D58 - HP - 03369	15
First Spending Plan Hospital Funding	93.889	HRSA FY03-01	42,485
Ryan White Title III	93.918	5 - H76 - HA - 00732	329,166
Ryan White Part C (Title III): Categorical Grant Program for Outpatient Early Intervention Services (EIS)	93.918	5 - H76 - HA - 00732	86,930
Ryan White Title III	93.918		36
Ryan White Title III	93.918	2 - H76 - HA - 00732	(215)
Ryan White Title III	93.918	5 - H76 - HA - 00732	(2,504)
Scholarships for Disadvantaged Students	93.925	2 - T08 - HP - 04747	27,000
Scholarships for Disadvantaged Students	93.925		(5,696)
Healthy Relationships through Existing Support Groups Project	93.940		12,484
HIV Prevention in Medical Care Settings	93.940		(5,878)
HIV Prevention in Medical Care Settings	93.940		3,829
HIV Prevention in Medical Care Settings	93.940		1,958
Healthy Relationships through Existing Support Groups	93.940		(10,019)
Medical University of Ohio HIV Testing Program	93.940		12,470
Healthy Relationships through Existing Support Groups Project	93.940		24,311
University of Toledo Health Science Campus HIV Testing Program	93.940		7,486
University of Toledo Medical Center HIV Testing Program	93.940		800,615
Community Mental Health Services Federal	93.958		1,952
High Risk Drinking Grant	93.959		16,871
High Risk Drinking Grant	93.959	COME-ADA-WP0592	3,930
Women's Health Month Conferences/Workshops	93.994		3,664
Regional Comprehensive Genetic Services	93.994		2,567
Women's Health Month Conferences/Workshops	93.994		5,130
Women's Health Month Conferences/Workshops	93.994		218,630
Total Other Programs			8,128,779
Total Expenditures of Federal Awards			\$ 57,321,019

University of Toledo

Notes to Schedule of Federal Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the University of Toledo, EIN #34-6401483, 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, 2008 totaled \$71,684,001.

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, 2008 totaled \$23,440,580.

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, 2008, outstanding loans under both programs totaled \$750,327.

University of Toledo

Notes to Schedule of Federal Expenditures of Federal Awards Year Ended June 30, 2008

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, 2008, outstanding Perkins loans totaled \$19,359,580.

Note 6 - Subrecipient Awards

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

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Conservation and Adaptation of a Regulon across Genera	93.856	\$ 21,024
Determinants of RNA Virus Evolution	93.855	19,434
Mechanism-Based In Vitro Screening of Chemopreventive Agents for the Inhibition/Reversal of the Tumorigenic Phenotype in ERα-Negative Human Mammary Epithelial Cells - Work Assignment #8	93.000	192,164
Innate Cellular Lectin-Mediated Binding of Xenoantigens	93.848	35,100
Functional Genomic Dissection of Rat Blood Pressure QTL	93.837	265,455
TPR Proteins in Steroid Receptor Signaling and Physiology	93.847	80,767
Model State-Supported AHEC	93.107	244,871
Control Mechanisms of Cardiac Proteins & Enzymes	93.837	71,149
Preclinical In Vitro and In Vivo Screening Assays for Cancer Preventative Agent Development Work Assignment #7	93.000	183,292
Monitoring Agricultural Sewage Sludge Application, OH	10.2	37,022
Accelerating Achievement in Math & Science in Urban Schools	84.206	469,214
Utah's Improving Teacher Quality Initiative	84.305	13,148
Fabrication and Characterization of Advanced Triple-Junction Amorphous Silicon Partnership Program	81.087	40,832
Monitoring Agricultural Sewage Sludge	10.2	371,210
Effects of Land Use Change on the Energy and Water Balance of the Semi-Arid Region of Inner Mongolia	43.002	19,654
Oscillator Strengths for Ultraviolet Atomic and Molecular Transitions	43.002	14,489
Monitoring Agricultural Sewage Sludge	10.2	34,102
Transportation for Economic Security and Development	20.76	14,560
University of Toledo Pollution Prevention Incentives for States Grant Proposal	66.708	26,269
A Partnership for Pharmaceutical and Economic Development of Wild Lebanese Plants	10.206	101,905
K-5 Algebraic Thinking Initiative	84.367	2,000
Evaluating the Economic Costs and Benefits of Slowing the Spread of the Emerald Ash Borer in Ohio and Michigan	10.25	24,762
FY 08 Federal Tech Prep Grant	84.243	90,000

University of Toledo

Notes to Schedule of Federal Expenditures of Federal Awards Year Ended June 30, 2008

Note 6 - Subrecipient Awards (Continued)

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year
		Cash Transferred to Subrecipient
Determinants of RNA Virus Evolution	93.855	\$ 65,691
CORAL: Clinical Coordinating Center	93.837	279,440
Conservation and Adaptation of a Regulon across Genera	93.856	59,056
Benzodiazepine-induced Glutamate Receptor Plasticity	93.279	19,799
Bone Loss with Aging Occurs Due to Increased PPAR-g Activity in Marrow Stem Cells	93.866	2,193
Phytoremediation	10.2	25,415
Regional Comprehensive Genetic Services	93.994	24,820
Greenhouse Nurseries	10.203	27,335
Monitoring Agricultural Sewer Sludge	10.2	48,143
Model State-Supported AHEC	93.107	346,839
Women's Health Month Conferences/Workshops	93.994	3,930
Cardiovascular Outcomes in Renal Atherosclerotic Lesions (CORAL)	93.837	105,191
Maumee River Watershed GIS and Remote Sensing	10.921	39,000

University of Toledo

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

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 program(s):

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,719,631

Auditee qualified as low-risk auditee? Yes No

University of Toledo

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
	None

University of Toledo

Summary Schedule of Prior Year Findings Year Ended June 30, 2008

Reference Number	Findings
2007-1	<p>Finding Type - Material weakness</p> <p>Criteria - Upon the merger of University of Toledo and the Medical University of Ohio, controls related to the reconciliation of the components of net assets did not function as designed, resulting in an error in classification of net assets and subsequent restatement of the June 30, 2007 financial statements.</p> <p>Condition - The University did not reconcile its classifications of net assets properly.</p> <p>Status - The University improved controls on the review process during the year, and reconciled net asset categories properly.</p>