



THE UNIVERSITY  
OF TOLEDO  
FOUNDATION

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# THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES

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**Consolidated Financial Statements**  
With Supplemental Schedules and Independent Auditor's Report

**Years Ended June 30, 2010 and 2009**



# **The University of Toledo Foundation and Subsidiaries**

**Consolidated Financial Statements**  
With Supplemental Schedules and Independent Auditor's Report

For the Years Ended June 30, 2010 and 2009

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## Independent Auditor's Report

To the Board of Trustees  
The University of Toledo Foundation  
and Subsidiaries

We have audited the accompanying consolidated statements of financial position of The University of Toledo Foundation and Subsidiaries, an Ohio not-for-profit corporation (the "Foundation"), as of June 30, 2010 and 2009 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Toledo Foundation and Subsidiaries at June 30, 2010 and 2009 and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Notes 1 and 3, the consolidated financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include limited partnerships, start-up corporations, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled \$23,250,827 (13.9 percent of net assets) at June 30, 2010 and \$20,011,112 (12.9 percent of net assets) at June 30, 2009. The values of these investments have been provided by the fund managers or general partners in absence of readily determinable market values. We believe the procedures used by the managers and management in arriving at estimated values of the underlying securities owned by these nonmarketable investments are reasonable and the documentation is appropriate. Because of the inherent uncertainty of valuation, the estimated value may differ from values that would have been used had a ready market for these securities existed and the differences could be material.

*Plante & Moran, PLLC*

September 28, 2010

# University of Toledo Foundation

## Consolidated Statements of Financial Position

As of June 30

Assets	<u>2010</u>	<u>2009</u>
Current assets		
Cash and cash equivalents	\$ 405,524	\$ 1,083,723
Securities lending collateral (Note 3)	-	1,151,421
Accounts receivable	169,183	617,813
Notes receivable (Note 8)	-	57,099
Contributions receivable, net of allowance for uncollectible contributions (Note 2 and Note 10)	4,075,982	4,593,800
Interest receivable	109,086	131,303
Prepaid expense	22,828	20,364
Total current assets	4,782,603	7,655,523
Other non-current assets		
Investments (Note 3 and Note 10)		
Pooled	133,951,971	119,789,742
Real estate and other	1,061,798	1,061,598
Assets held in charitable remainder trusts	4,879,954	4,800,203
Total investments	139,893,723	125,651,543
Notes receivable (Note 8)	-	158,552
Prepaid rent (Note 4 and Note 8)	372,179	418,848
Contributions receivable, net of allowance for uncollectible contributions and present value adjustments (Note 2 and Note 10)	19,194,225	21,346,469
Cash value of life insurance and annuities (Note 10)	1,413,242	1,381,743
Assets held for sale (Note 9 and Note 10)	-	1,200,158
Total other non-current assets	160,873,369	150,157,313
Property and equipment		
Land	5,433,515	4,597,782
Rental property	826,046	981,658
Office equipment	798,416	619,412
Total property and equipment	7,057,977	6,198,852
Less accumulated depreciation	894,848	956,420
Net property and equipment	6,163,129	5,242,432
<b>Total assets</b>	<b>\$ 171,819,101</b>	<b>\$ 163,055,268</b>

See Notes to the Consolidated Financial Statements

# University of Toledo Foundation

*Consolidated Statements of Financial Position (continued)*

As of June 30

Liabilities	<u>2010</u>	<u>2009</u>
Current liabilities		
Accounts payable	\$ 932,414	\$ 1,617,320
Securities lending liability (Note 3)	-	1,151,421
Notes payable (Note 9)	6,218	1,319,768
Contributions payable	-	110,000
Deferred revenue	-	171,725
Accrued liabilities	135,449	119,896
Total current liabilities	1,074,081	4,490,130
Non-current liabilities		
Notes payable	189,378	
Annuities payable (Note 10)	3,735,332	3,949,441
Total liabilities	4,998,791	8,439,571
<b>Net assets (Notes 1 and 6)</b>		
Unrestricted		
Operating Funds:		
Undesignated	(6,281,690)	(8,899,460)
Designated - real estate	5,141,174	5,295,610
Designated - board	1,315,357	1,251,960
Total unrestricted operating funds	174,841	(2,351,890)
Board endowed	5,814,121	5,379,479
Total unrestricted	5,988,962	3,027,589
Temporarily restricted:		
Operating funds	29,636,376	31,119,730
Quasi-endowment	63,460,159	54,982,214
Total temporarily restricted	93,096,535	86,101,944
Permanently restricted	67,734,813	65,486,164
Total net assets	166,820,310	154,615,697
Total liabilities and net assets	\$ 171,819,101	\$ 163,055,268

*See Notes to the Consolidated Financial Statements*

# University of Toledo Foundation

## Consolidated Statements of Activities

As of June 30, 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total All Funds
<b>Support, revenue, and gains (losses):</b>				
<b>Public support:</b>				
Unconditional promises to give (gross)		\$ 1,928,780		\$ 1,928,780
Allowance for uncollectible contributions and present value adjustment		1,727,597		1,727,597
Unconditional promises to give (net)		3,656,377		3,656,377
Contributions	\$ 154,079	3,808,798	\$ 1,023,581	4,986,458
Annuities and trusts (net of actuarial adjustments)		(3,100)	(189,064)	(192,164)
<b>Total public support</b>	<b>154,079</b>	<b>7,462,075</b>	<b>834,517</b>	<b>8,450,671</b>
Administrative fees	2,064,318	(1,486,825)	(5,021)	572,472
<b>Return on investments: (Note 3)</b>				
Interest and dividends	680,441	2,524,857	177,790	3,383,088
Net unrealized and realized gains	2,568,951	9,926,623	464,999	12,960,573
Investment fees	(74,830)	(259,645)	(34,184)	(368,659)
<b>Net return on investments</b>	<b>3,174,562</b>	<b>12,191,835</b>	<b>608,605</b>	<b>15,975,002</b>
<b>Other income:</b>				
Ancillary and non-gift	51,512	1,412,566	16,678	1,480,756
Income - Real Estate Corporation	118,612			118,612
<b>Total other income</b>	<b>170,124</b>	<b>1,412,566</b>	<b>16,678</b>	<b>1,599,368</b>
<b>Net assets released from restrictions and other transfers:</b>				
Satisfaction of program and donor restrictions	10,548,024	(10,546,604)	(1,420)	-
Expiration of time restrictions	37,048	(809,575)	772,527	-
Other transfers	1,206,118	(1,228,881)	22,763	-
<b>Total support, revenue, and gains (losses)</b>	<b>\$ 17,354,273</b>	<b>\$ 6,994,591</b>	<b>\$ 2,248,649</b>	<b>\$ 26,597,513</b>

See Notes to the Consolidated Financial Statements

# University of Toledo Foundation

## Consolidated Statements of Activities (continued)

As of June 30, 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total All Funds
<b>Total support, revenue, and gains (losses)</b>	\$ 17,354,273	\$ 6,994,591	\$ 2,248,649	\$ 26,597,513
<b>Expenses:</b>				
Program services:				
Academics	4,163,587			4,163,587
University loan program	123			123
Student aid	2,421,898			2,421,898
Capital projects	2,423,129			2,423,129
Athletics programs	1,501,407			1,501,407
Research	339,632			339,632
Fund raising	625,536			625,536
Management and general - operating	1,761,105			1,761,105
Management and general - Real Estate Corp.	1,031,468			1,031,468
Management and general - Software Conversion	71,638			71,638
<b>Total expenses</b>	<b>14,339,523</b>			<b>14,339,523</b>
Increase in net assets before transfer to University of Toledo - STIE	3,014,750	6,994,591	2,248,649	12,257,990
Transfer of equity to the University of Toledo - STIE (NOTE 8)	(53,377)			(53,377)
<b>Total increase in net assets</b>	<b>2,961,373</b>	<b>6,994,591</b>	<b>2,248,649</b>	<b>12,204,613</b>
Net assets at beginning of year	3,027,589	86,101,944	65,486,164	154,615,697
<b>Net assets at end of year</b>	<b>\$ 5,988,962</b>	<b>\$ 93,096,535</b>	<b>\$ 67,734,813</b>	<b>\$ 166,820,310</b>

See Notes to the Consolidated Financial Statements

# University of Toledo Foundation

## Consolidated Statements of Activities

As of June 30, 2009

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total All Funds
<b>Support, revenue, and gains (losses):</b>				
Public support:				
Unconditional promises to give (gross)		\$ 8,550,001		\$ 8,550,001
Allowance for uncollectible contributions and present value adjustment		530,007		530,007
Unconditional promises to give (net)		9,080,008		9,080,008
Contributions	\$ 646,813	5,274,773	\$ 1,432,328	7,353,914
Annuities and trusts (net of actuarial adjustments)		(18,649)	(34,741)	(53,390)
Royalties and ancillary businesses	906,217			906,217
Total public support	1,553,030	14,336,132	1,397,587	17,286,749
Administrative fees	2,285,837	(1,661,641)	(6,282)	617,914
Return on investments: (Note 3)				
Interest and dividends	632,251	2,092,637	258,203	2,983,091
Net unrealized and realized losses	(7,308,499)	(24,332,982)	(1,728,865)	(33,370,346)
Investment fees	(78,044)	(250,818)	(31,735)	(360,597)
Net return on investments	(6,754,292)	(22,491,163)	(1,502,397)	(30,747,852)
Other income:				
Ancillary and non-gift	8,707	1,850,301	39,448	1,898,456
Income - Real Estate Corporation	64,373			64,373
University Loan Program		4,515		4,515
Total other income	73,080	1,854,816	39,448	1,967,344
Net assets released from restrictions and other transfers:				
Satisfaction of program and donor restrictions	20,803,568	(20,803,568)	-	-
Expiration of time restrictions	41,053	(2,334,873)	2,293,820	-
Other transfers	(2,369,800)	6,020,188	(3,650,388)	-
<b>Total support, revenue, and gains (losses)</b>	<b>\$ 15,632,476</b>	<b>\$ (25,080,109)</b>	<b>\$ (1,428,212)</b>	<b>\$ (10,875,845)</b>

See Notes to the Consolidated Financial Statements

# University of Toledo Foundation

## Consolidated Statements of Activities (continued)

As of June 30, 2009

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total All Funds
<b>Total support, revenue, and gains (losses)</b>	\$ 15,632,476	\$ (25,080,109)	\$ (1,428,212)	\$ (10,875,845)
<b>Expenses:</b>				
Program services:				
Academics	6,683,994			6,683,994
University loan program	155,984			155,984
Student aid	3,446,665			3,446,665
Capital projects	4,585,457			4,585,457
Athletics programs	1,766,380			1,766,380
Research	374,286			374,286
Fund raising	608,822			608,822
Management and general - operating	1,876,511			1,876,511
Management and general - Real Estate Corp.	554,871			554,871
MCOF Enterprises, Ltd.	(16)			(16)
University Promotions, Ltd.	2,659			2,659
College of Allied Health Sciences, Ltd.	104,644			104,644
<b>Total expenses</b>	<b>20,160,257</b>			<b>20,160,257</b>
Decrease in net assets before transfer				
to University of Toledo	(4,527,781)	(25,080,109)	(1,428,212)	(31,036,102)
Transfers of equity to the University of Toledo				
(Notes 3 and 8)	(4,886,635)			(4,886,635)
<b>Total decrease in net assets</b>	<b>(9,414,416)</b>	<b>(25,080,109)</b>	<b>(1,428,212)</b>	<b>(35,922,737)</b>
Net assets at beginning of year	12,442,005	111,182,053	66,914,376	190,538,434
<b>Net assets at end of year</b>	<b>\$ 3,027,589</b>	<b>\$ 86,101,944</b>	<b>\$ 65,486,164</b>	<b>\$ 154,615,697</b>

See Notes to the Consolidated Financial Statements

# University of Toledo Foundation

## Consolidated Statements of Cash Flows

As of June 30

Cash Flows from Operating Activities:	<u>2010</u>	<u>2009</u>
Change in net assets	\$ 12,204,613	\$ (35,922,737)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Noncash items:		
Depreciation	89,575	113,284
Permanently restricted contributions held as endowments	(1,023,581)	(1,432,328)
Provision for uncollectible contributions, net of actuarial adjustments on annuity obligations	332,375	340,478
Actuarial adjustment on contributions receivable	(1,727,597)	(579,300)
Transfer of equity to the University of Toledo	53,377	4,886,635
Unrealized / realized (gains) losses on investments	(12,960,573)	33,370,346
(Gains) losses on sale of assets / assets held for sale	481,100	168,616
Changes in assets and liabilities:		
Accounts receivable	448,630	(204,645)
Interest receivable	22,217	1,016
Prepaid expense	44,205	(379,786)
Inventory	-	72
Contributions receivable	4,065,284	(1,375,902)
Cash surrender value of life insurance	(31,499)	9,460
Accounts payable	(684,906)	895,441
Contributions payable	(110,000)	(48,723)
Annuity payable obligation	(214,109)	(396,893)
Deferred revenue and other accruals	(156,172)	179,040
<b>Net cash provided by (used in) operating activities</b>	<b>832,939</b>	<b>(375,926)</b>
<b>Cash Flows from Investing Activities</b>		
Change in note receivable	215,651	53,797
Proceeds from sale of property and equipment	1,108,388	-
Purchase of property and equipment	(1,399,602)	(1,095,814)
Sales of investments	8,669,722	8,353,153
Purchases of investments	(10,004,706)	(8,801,277)
<b>Net cash used in investing activities</b>	<b>(1,410,547)</b>	<b>(1,490,141)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on note payable	(1,124,172)	(87,524)
Permanently restricted contributions held as endowments	1,023,581	1,432,328
<b>Net cash (used in) provided by financing activities</b>	<b>(100,591)</b>	<b>1,344,804</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(678,199)</b>	<b>(521,263)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,083,723</b>	<b>1,604,986</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 405,524</b>	<b>\$ 1,083,723</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 53,677	\$ 39,781

See Notes to the Consolidated Financial Statements

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 1 - Organization and Significant Accounting Policies**

***Organization***

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

The consolidated financial statements for the Foundation include accounts of wholly owned subsidiaries, the University of Toledo Foundation Real Estate Corporation, MCOF Enterprises, Ltd., University Promotions, Ltd., and CAHS, Ltd. The University of Toledo Foundation Real Estate Corporation (the Corporation) was organized to acquire, hold title to and collect income from real property for the benefit of the Foundation and the University of Toledo. MCOF Enterprises, Ltd. (Enterprises) is an Ohio limited liability company organized to assist the University in developing and selling intellectual property and other business ventures. University Promotions, Ltd. (Promotions) is an Ohio limited liability company organized to engage in the sale of University branded goods. CAHS, Ltd. (CAHS) is an Ohio limited liability company organized as a practice plan for certain licensed health service providers.

Effective November 19, 2008, Promotions and CAHS were certified by the Ohio Secretary of State for dissolution and ceased business operations.

Effective July 1, 2009, the Foundation transferred ownership and control of Enterprises to the Science, Technology and Innovation Enterprises MCOFE Holding Inc., an Ohio corporation and wholly owned subsidiary of the Science, Technology and Innovation Enterprises Ltd. (STIE), an Ohio non-profit corporation whose sole member is the University. Enterprises had assets of \$345,765, liabilities of \$292,388, and equity of \$53,377 as of July 1, 2009.

The Foundation included the activities of the Student Loan Trust (Trust), a trust used to fund student loans held for sale for the benefit of the students of the University of Toledo. The loan program was discontinued during 2008.

Assets, liabilities, and operations of all the above entities have been included in the accompanying financial statements. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 1 - Organization and Significant Accounting Policies (continued)**

*Significant Accounting Policies*

**Fund Accounting and Net Asset Classifications**

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

- Unrestricted net assets are not restricted by donors, or donor-imposed restrictions have expired. Unrestricted funds endowed by the governing board for the same purposes as permanently restricted funds are classified as unrestricted quasi-endowment funds. The governing board has the right to decide at any time to expend the quasi-endowment funds.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Temporarily restricted quasi-endowed funds include donor endowments which are subject to the endowment policies outlined in Note 7 but do not contain donor restrictions as to the invasion of the corpus. Income from investments in temporarily restricted quasi-endowment funds is temporarily restricted until the donor-stipulated restrictions are met for spending of such income.
- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unrestricted purposes. The unexpended income from these donated assets is classified as temporarily restricted quasi-endowment funds.

Ohio legislature passed Amended House Bill Number 522 and enacted a version of the Uniform Prudent Management of Institutional Funds Account (UPMIFA), adopted by the National Conference of Commissioners on Uniform State Laws. UPMIFA was effective beginning June 1, 2009. The bill made changes to several aspects of law concerning the standards of conduct in managing and investing institutional funds, spending rules that apply to institutional endowment funds, the delegation of authority to manage investment funds, and the release or modification of restrictions contained in charitable gifts made by donors. UPMIFA revised and repealed sections of the Uniform Management of Institutional Funds Act (UMIFA).

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 1 - Organization and Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions, and short-term investments with maturities less than 90 days that are not part of the long-term investment pool.

**Accounts Receivable**

Accounts receivable are stated at net realizable value. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No allowance was deemed necessary at June 30, 2010 or 2009.

**Investments**

Investment securities are stated at fair value, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-50 (formerly FAS No. 157), *Fair Value Measurements and Disclosures*, following the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives priority from highest to lowest to quoted prices in active markets for identical assets (Level 1); inputs other than quoted prices included within Level 1 that are observable for the asset directly or indirectly (Level 2); and unobservable inputs for assets (Level 3). Investments valued at fair value using Level 1 inputs are cash equivalents, common stocks, and mutual funds that have observable quoted prices in active markets. Fair values determined by Level 2 inputs such as interest rates and yield curves are government bonds, government agency bonds, corporate bonds, and convertible bonds. Hedge funds, partnerships, and technology equity transfers are measured based on Level 3 inputs that are unobservable such as recent purchases and sales, underlying fund holdings, and information provided by fund managers and general partners including: audited financial statements, unaudited financial statements, and net asset valuations.

Purchases and sales of investment securities are recorded on the trade date. Realized gains or losses from sale of securities are determined using the cost basis of the securities sold. Interest and dividend income is reported when earned. Investment income and related administrative, investment and fiduciary expenses are allocated to the funds on a basis which reflects the ratio of the related funds invested in the pooled portfolio to total market value.

## THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Year Ended June 30, 2010 and 2009

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#### **NOTE 1 - Organization and Significant Accounting Policies (continued)**

##### **Contributions Receivable**

Unconditional promises to give are recognized as temporarily restricted revenue when amounts are pledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions receivable are stated at fair value in accordance with FASB ASC 820-10-50 and FASB ASC 825-10-05-5 (formerly FAS No. 159), *Financial Instruments - Fair Value Option*.

##### **In-Kind Gifts**

In-kind gifts, when received, are reflected as contributions in the accompanying consolidated financial statements at the estimated fair value at the date of receipt. The Foundation received in-kind gifts in 2010 and 2009 valued at \$77,288 and \$125,835, respectively.

##### **Charitable Remainder Trusts**

The Foundation is named as a beneficiary of several irrevocable trusts. The assets of the trusts are held by third parties as co-trustees appointed by the Foundation or by a trustee designated by the donor who manages the assets and distributes the income as defined in each trust. The Foundation's interest in the charitable remainder trusts is recognized based on the fair market value of the trust assets, less any liabilities of the trust. Under a split-interest trust, the donor is paid specified distributions for a future period of time and upon termination of the trust, the Foundation receives all or a portion of the trust assets.

##### **Life Insurance Cash Surrender Value**

The Foundation is the owner of certain life insurance policies on various donors who have named the Foundation as beneficiary. These policies are valued at their cash surrender value.

##### **Annuities Payable**

Annuities payable represent the cumulative present value of the liabilities to donors of irrevocable charitable remainder trusts and gift annuities based on the life expectancy of each annuitant or based upon the fixed term of the annuity.

##### **Capitalized Software**

Cost related to software purchased for internal use, which are required to be capitalized pursuant to FASB ASC 350-40 (formerly SOP No. 98-1), are included in Property and Equipment. The

Foundation capitalized software costs of \$199,196 during 2010.

## **THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

Year Ended June 30, 2010 and 2009

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#### **NOTE 1 - Organization and Significant Accounting Policies (continued)**

##### **Property and Equipment**

Property and equipment are recorded at cost when purchased. Donated property is recorded at estimated fair value at the date of acquisition. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the assets which range from 5 to 39 years. Contributions of long-lived assets, such as property, are recognized as an increase in unrestricted net assets in the year the asset is received.

##### **Administrative Fees**

In 2010 and 2009, the Foundation charged a 1.25% fee based on permanently restricted and quasi-endowed asset balances for managing and administering the investments under its control. In addition, the Foundation also charges administrative fees for pooled investments belonging to the University of Toledo and the University of Toledo Alumni Association. The amount charged to the University of Toledo and the University of Toledo Alumni Association for the years ended June 30, 2010 and 2009 was \$572,472 and \$617,914, respectively. Administrative fees charged to restricted funds of the Foundation are included in unrestricted revenue.

##### **Allocation of Functional Expense**

The costs of providing the various program services, administrative expense, and fundraising have been reported on a functional basis in the consolidated statement of activities. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

##### **Income Tax Status**

The Foundation and the Corporation are incorporated under the laws of the State of Ohio as nonprofit corporations and are exempt from state and local income taxes. The Internal Revenue Service has determined that the Foundation and the Corporation are tax-exempt organizations as defined under Section 501(c)(3) and Section 501(c)(25)(C) of the Internal Revenue Code, respectively. Other subsidiaries of the Foundation are incorporated in the state of Ohio as limited liability companies and may cause the Foundation to be subject to unrelated business income tax on certain activities unrelated to its primary mission.

##### **Reclassification**

Certain prior year amounts have been reclassified in order to conform to current year presentation.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 1 - Organization and Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including September 28, 2010, which is the date the financial statements were issued.

**NOTE 2 - Contributions Receivable**

As of June 30, 2010 and 2009, donors to the Foundation have made unconditional promises to give that are measured at fair value. A risk premium has been estimated by management based on uncertainty factors to determine expected future cash flows from unconditional promises to give that are discounted to a net present value based on a risk-free interest rate. Write-offs of uncollectible pledges for the years ended June 30, 2010 and 2009 amounted to \$332,375 and \$340,478, respectively. Contributions receivable at June 30 are as follows:

	2010	2009
Within one year (FY 2010)	\$ 4,859,794	\$ 5,200,605
One to five years (FY 2011 - FY 2014)	7,243,407	10,869,520
More than five years (FY 2015+)	17,446,550	17,877,285
	29,549,751	33,947,410
Risk premium	(1,701,710)	(1,657,175)
Present value discount	(4,577,834)	(6,349,966)
Total net receivable	<u>\$ 23,270,207</u>	<u>\$ 25,940,269</u>

In May 2006, the Foundation received a pledge of \$15 million to establish three endowed funds to support the University of Toledo, College of Education. The timing and amounts of the payments and the amounts allocated to the Funds shall be determined by the donors. However, the donors agree to complete the pledge within 15 years. The pledge balance due is recorded at fair value as a long-term contribution receivable valued at \$10,842,009 and \$9,572,746 as of June 30, 2010 and 2009, respectively.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

Year Ended June 30, 2010 and 2009

**NOTE 3 - Investments**

Some investments of the University of Toledo (University) and the University of Toledo Alumni Association (Alumni Association) are pooled with investments of the Foundation. The pooled investments are managed by the Foundation.

The following is the Foundation's portion of the pooled investments as of June 30, 2010:

	Cost	Market	Unrealized G/L
Cash equivalents	\$ 2,057,168	\$ 2,057,168	\$ -
Common stocks	84,459,807	76,186,249	(8,273,558)
Mutual funds - fixed income	24,429,976	26,200,518	1,770,542
Hedge funds	21,257,813	20,098,800	(1,159,013)
U.S. government and agency issues	4,087,611	4,340,514	252,903
Partnerships	2,686,303	3,152,027	465,724
Corporate bonds	1,465,965	1,916,695	450,730
<b>Total pooled investments</b>	<b>\$ 140,444,643</b>	<b>\$ 133,951,971</b>	<b>\$ (6,492,672)</b>
Total unrealized depreciation			\$ (6,492,672)
Less net unrealized loss for the year ended June 30, 2009			(21,548,494)
Unrealized gain for the year			15,055,822
Realized loss for the year			(2,524,584)
<b>Total net unrealized and realized gain for the year ended June 30, 2010</b>			<b>\$ 12,531,238</b>

The following is the Foundation's portion of the pooled investments as of June 30, 2009:

	Cost	Market	Unrealized G/L
Cash equivalents	\$ 10,355,302	\$ 10,355,302	\$ -
Common stocks	81,229,782	62,883,383	(18,346,399)
Mutual funds - fixed income	22,322,585	21,807,783	(514,802)
Hedge funds	21,123,089	18,232,459	(2,890,630)
U.S. government and agency issues	3,344,985	3,475,812	130,827
Partnerships	1,735,775	1,778,653	42,878
Corporate bonds	1,226,718	1,256,350	29,632
<b>Total pooled investments</b>	<b>\$ 141,338,236</b>	<b>\$ 119,789,742</b>	<b>\$ (21,548,494)</b>
Total unrealized depreciation			\$ (21,548,494)
Less net unrealized gain for the year ended June 30, 2008			2,036,428
Unrealized loss for the year			(23,584,922)
Realized loss for the year			(8,149,701)
<b>Total net unrealized and realized loss for the year ended June 30, 2009</b>			<b>\$ (31,734,623)</b>

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 3 - Investments (continued)**

Other sources of realized and unrealized gains and losses include sales of gifted assets and assets held in charitable remainder trusts. Sales of gifted assets resulted in a \$1,001 loss and a \$555 gain for the years ended June 30, 2010 and 2009, respectively. The trusts are principally comprised of equity securities and fixed income securities. Unrealized gains of \$394,372 and unrealized losses of \$790,234 and realized gains of \$36,002 and realized losses of \$846,044 were recognized by the trusts for the years ended June 30, 2010 and 2009, respectively.

Investment and custody fees of \$368,659 and \$360,597 relating to the Foundation's investments were incurred for the years ended June 30, 2010 and 2009, respectively.

The Foundation holds 28 acres of real estate that is classified as investments on the consolidated statements of financial position. Real estate held as investments are recorded at cost and totaled \$932,167 as of June 30, 2010 and 2009. Other investments recorded at cost totaled \$129,631 as of June 30, 2010 and 2009, respectively.

During 2008, the University assigned its rights in the equity of four start-up organizations (start-ups) to the Foundation. The investments in these organizations were recorded by the Foundation at fair value and totaled \$4.9 million at June 30, 2008. Effective June 30, 2009, the Foundation assigned its rights in the equity of the start-ups to the Science, Technology and Innovations Enterprises Ltd. (STIE), a separate 501(c) 3 organization and component unit of the University. The investments in the start-up had a fair market value of \$4.9 million at the time of the transfer.

The Foundation entered into a subscription agreement to purchase membership interest in Rocket Venture Fund, LLC (Rocket Venture), an Ohio limited liability company, on June 30, 2008, with a total capital commitment of \$150,000. The Foundation made an initial contribution of capital of \$37,500 at the time of the agreement and has subsequently made contributions of capital of \$37,500 for a total capital contribution of \$75,000 as of June 30, 2010 and 2009. The capital commitment outstanding as of June 30, 2010 is \$75,000, which becomes payable upon capital calls from Rocket Venture. The contributed capital is classified as other investments and recorded at cost in the amount of \$75,000 as of June 30, 2010 and 2009.

The Foundation entered into an Assignable Option to Purchase agreement (Option) with the United States of America, on behalf of the Department of Veterans Affairs (VA) which grants the VA the exclusive right and option to purchase from the Foundation certain parcels of land, currently classified as investments, totaling 10 acres, more or less, for the purchase price of approximately \$811,000. The original option was dated October 22, 2007 and subsequent amendments extended the options through July 12, 2010.

## THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Year Ended June 30, 2010 and 2009

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#### NOTE 3 - Investments (continued)

The Foundation received option fee payments totaling \$240,000 and \$120,000 from the initial and extended option periods and has classified those deposits as a liability as of June 30, 2010 and 2009, respectively. The option fees will be applied to the purchase price upon the closing of the purchase and sale of the property.

The Foundation entered into the Agreement to Exercise Option and Amendment dated August 10, 2010 with the Toledo VA Company, LLC, (VA) an Ohio limited liability company. Whereas the VA has exercised the option to purchase property from the Foundation under the Assignable Option to Purchase Agreement dated October 22, 2007 (See NOTE 3). The agreement requires closing of the purchase and sale of property on or before December 31, 2010. The agreement does allow for an extended closing date of March 31, 2011 upon written notice from the VA and payment of the extension fee.

The Foundation entered into an agreement of limited partnership of Siguler Guff Distressed Opportunities Fund III, LP (Siguler Guff), a limited liability partnership formed under laws of Delaware, with a committed subscription amount of \$5 million on March 12, 2008 on behalf of the investment pool. The investment pool made an initial contribution of capital of \$900,000 at the time of the agreement and has subsequently made contributions of capital of \$2.6 million for a total capital contribution of \$3.5 million as of June 30, 2010. The capital commitment outstanding as of June 30, 2010 is \$1.5 million, which becomes payable upon capital calls from the partnership. The partnership in Siguler Guff is classified as a pooled investment and recorded at fair value. The Foundation's portion of the Siguler Guff investment as of June 30, 2010 and 2009 was \$3.15 million and \$1.77 million, respectively.

The Foundation participated in a securities lending arrangement with Northern Trust, whereby securities are loaned to select established brokerage firms for a fee. The Foundation received as collateral, the market value of the securities borrowed plus a premium of 2 percent of the U.S. Securities and 5 percent for non-U.S. securities of the market value of those securities. The Foundation recorded the fair value of the collateral received as both a secured lending asset and liability since the Foundation is obligated to return the collateral upon the return of borrowed securities. At June 30, 2009, the Foundation had loaned \$1.12 million under the program. These securities were included in the Foundation's portion of the pooled investments as \$376,072 of common stock, \$89,703 of fixed income mutual funds, and \$469,242 of U.S. Government and Agency issues at June 30, 2009. The Foundation discontinued its securities lending arrangement with Northern Trust during 2010 and reflects no secured lending assets or liabilities as of June 30, 2010.

## THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Year Ended June 30, 2010 and 2009

#### NOTE 3 - Investments (continued)

Although the Foundation's securities lending activities were collateralized as described above, they involved both market and credit risk. In this context, market risk refers to the possibility that the borrowers of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms to their contracts.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

#### NOTE 4 - Lease Commitments

The Foundation's operations are conducted in facilities leased from the University of Toledo. The lease was amended in April 2008 when the Foundation funded renovations to the facilities in the Driscoll Alumni Center and expanded the square footage leased. The cost of the renovations plus 3 percent interest will be credited against the rents otherwise payable. The lease expires in 2012, and provides for two additional 10-year renewal options. Rental expense charged to operations under the lease was \$58,450 for the years ended June 30, 2010 and 2009, respectively.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2010:

	Amount
2011	58,450
2012	29,225
	<u>\$ 87,675</u>

#### NOTE 5 - Pension Plans

The Foundation has non-contributory defined contribution retirement plans covering all permanent employees who have at least 1,000 hours of services in a 12 consecutive month period. Contributions are based on a percentage of gross wages. Several employees that were originally covered by the Ohio Public Employees Retirement System (OPERS) prior to the Foundation having its own employees were grandfathered into OPERS. Employees participate in only one of the retirement plans. Total pension expense for the years ended June 30, 2010 and 2009 was \$75,939 and \$83,591, respectively.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 6 - Net Asset Classification**

*Temporarily Restricted Net Assets*

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

	2010	2009
Academics	\$ 38,275,318	\$ 35,478,271
Student aid	29,079,391	25,058,059
Capital projects	9,442,751	8,000,329
Athletic programs	6,719,189	7,309,062
Research	5,957,470	5,534,084
General support	3,622,416	4,722,139
	<u>\$ 93,096,535</u>	<u>\$ 86,101,944</u>

*Permanently Restricted Net Assets*

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

	2010	2009
Academics	\$ 24,244,087	\$ 23,636,108
Student aid	33,232,001	31,967,634
Capital projects	3,765,072	3,614,140
Athletic programs	128,835	127,640
Research	3,359,148	3,358,351
General support	3,005,670	2,782,291
	<u>\$ 67,734,813</u>	<u>\$ 65,486,164</u>

*Reclassification of Net Assets*

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

	2010	2009
Academics	\$ 3,862,887	\$ 10,519,900
Student aid	2,420,845	3,410,633
Capital projects	2,423,129	4,576,385
Athletic programs	1,501,407	1,766,380
Research	339,632	374,286
Loan program	124	155,984
	<u>\$ 10,548,024</u>	<u>\$ 20,803,568</u>

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 6 - Net Asset Classification (continued)**

During the year ended June 30, 2009, the Foundation reclassified approximately \$3.1 million of amounts originally included within permanently restricted endowments to temporarily or unrestricted funds. This reclassification was completed based on revised donor agreements or review and change in interpretation of existing fund agreements.

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

**NOTE 7 - Donor and Board Restricted Endowments**

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Changes in endowment net assets for the fiscal years ended June 30, 2010 and 2009 are as follows:

	----- Donor - Endowed -----				Total
	Unrestricted Board-Endowed Net Assets	Unrestricted Negative Endowments	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
<b>Endowment net assets, June 30, 2009</b>	\$ 5,379,479	\$ (2,426,452)	\$ 54,982,214	\$ 65,486,164	\$ 123,421,405
Investment return					
Investment income	106,654		2,238,208	143,606	2,488,468
Net appreciation (depreciation)	487,937		9,895,131	464,999	10,848,067
Total investment return	594,591		12,133,339	608,605	13,336,535
Contributions and board transfers to endowment funds	4,760		2,445,864	834,517	3,285,141
Other income/transfers to endowment funds	-		103,921	16,678	120,599
Administrative fees	(72,257)		(1,482,959)	(5,021)	(1,560,237)
Reclassifications	-		(24,890)	23,890	(1,000)
Designation of unrestricted - undesignated funds to cover deficiencies of perpetual endowments	-	\$ 1,369,185	(1,369,185)	-	-
Other transfers	(92,452)		(3,328,145)	769,980	(2,650,617)
Change in net assets	434,642	1,369,185	8,477,945	2,248,649	12,530,421
<b>Endowment net assets, June 30, 2010</b>	<b>\$ 5,814,121</b>	<b>\$ (1,057,267)</b>	<b>\$ 63,460,159</b>	<b>\$ 67,734,813</b>	<b>\$ 135,951,826</b>

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 7 - Donor and Board Restricted Endowments (continued)**

	----- Donor - Endowed -----				Total
	Unrestricted Board-Endowed Net Assets	Unrestricted Negative Endowments	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
<b>Endowment net assets, June 30, 2008</b>	\$ 6,795,115		\$ 72,776,837	\$ 66,914,376	\$ 146,486,328
Investment return					
Investment income	91,323		1,812,997	226,468	2,130,788
Net appreciation (depreciation)	(1,274,915)		(24,251,906)	(1,728,865)	(27,255,686)
Total investment return	(1,183,592)		(22,438,909)	(1,502,397)	(25,124,898)
Contributions and board transfers to endowment funds	14,498		5,767,900	1,397,587	7,179,985
Other income/transfers to endowment funds	-		34,514	39,448	73,962
Administrative fees	(86,030)		(1,657,113)	(6,282)	(1,749,425)
Amounts transferred for appropriation of expenses	-		(146,322)	-	(146,322)
Reclassifications	1,303		(2,295,123)	2,293,820	-
Designation of unrestricted - undesignated funds to cover deficiencies of perpetual endowments	-	\$ (2,426,452)	2,426,452	-	-
Other transfers	(161,815)		513,978	(3,650,388)	(3,298,225)
Change in net assets	(1,415,636)	(2,426,452)	(17,794,623)	(1,428,212)	(23,064,923)
<b>Endowment net assets, June 30, 2009</b>	<b>\$ 5,379,479</b>	<b>\$ (2,426,452)</b>	<b>\$ 54,982,214</b>	<b>\$ 65,486,164</b>	<b>\$ 123,421,405</b>

Designations from unrestricted - undesignated funds to cover deficiencies of perpetual endowments are required under accounting principles generally accepted in the United States of America when funds fall below the level which donors or UPMIFA require the Foundation to retain as a fund of perpetual duration. These deficiencies are required to be covered by the unrestricted - undesignated net assets of the Foundation.

Net assets related to charitable remainder trusts are included in the above donor-restricted net assets, classified based on the donors' restrictions. Charitable remainder trusts have assets invested based on the donor's directive. Spending from net assets of charitable remainder trusts commences upon the maturity of the trust.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**NOTE 7 - Donor and Board Restricted Endowments (continued)**

*Interpretation of Relevant Law*

The Board of Trustees of the Foundation (Board) has reviewed UPMIFA and recognizes the importance of the preservation of the donor-restricted endowment funds absent explicit donor stipulations as well as the safeguarding of the original gifts to provide support to the University in perpetuity. As a result, the Foundation classifies as permanently restricted net assets (a) the original gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA.

In Accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the endowment fund
2. Purpose of the Foundation and the endowment fund
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. Investment policy of the Foundation

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are required to be covered by the unrestricted assets of the Foundation. Accordingly, the unrestricted fund includes deficiencies of \$1,057,267 and \$2,426,452 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market returns.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 7 - Donor and Board Restricted Endowments (continued)**

*Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under the investment policy as approved by the Board, the endowment assets are invested to achieve a total return, net of fees, equal to or greater than the spending, administrative fees, and inflation.

A secondary objective is to achieve a total return in excess of the broad policy benchmarks comprised of each broad asset category weighted by its target allocation. The current broad policy benchmarks are:

Asset Category	Index
U.S Equity	Russell 300
International Equity	MSCI ACWI ex-US
Global Fixed Income	Barclays Aggregate Bond

*Strategies Employed for Achieving Objectives*

To satisfy its long-term total return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments constructed with prudent risk constraints. The Foundation expects its endowment funds over time, to provide an average rate of return in excess of average appropriations.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a spending policy based on a three-year moving market value average of invested funds. The Foundation appropriated 4.5 and 4.9 percent for fiscal years 2010 and 2009, respectively. In establishing this policy, the Foundation considered the long-term expected total return on endowment assets. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to accumulate capital sufficient to maintain its purchasing power.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 8 - Related-Party Transactions**

In February 2008, the Foundation issued a \$295,170 five-year loan, bearing interest of 6 percent, to the University Athletics Department (Athletics) for the purchase of video equipment for the football program. The balance on the note as of June 30, 2009 was \$215,651. In January 2010, Athletics retired the note with the Foundation through a payment for the remaining principal balance due of \$215,651.

The Foundation also leases its office space from the University (see NOTE 4).

In 2008, the Foundation received a transfer from the University related to assignments of equity rights in four start-up organizations. The transfer was recorded at fair value based on the underlying value of the associated investments. In 2009, the Foundation assigned its equity rights in the four start-up organizations to STIE (see NOTE 3).

In conjunction with the acquisition of property, on October 29, 2009, (see NOTE 9) the Corporation issued a 20-year fixed rate note, bearing interest of 5 percent compounded monthly, to the University of Toledo Foundation Investment Pool (Investment Pool) in the amount of \$845,248. The Investment Pool (see NOTE 3) includes the pooled investments of the Foundation, the University, and the Alumni Association. The outstanding principal balance on the note is \$826,386 as of June 30, 2010. The Foundation owns 76.32 percent of the total investment pool as of June 30, 2010, and consequently holds \$630,789 of the Corporation's note. The Foundation's portion of the note was eliminated as part of the consolidated Statements of Financial Position reducing investments and notes payable accordingly.

Effective July 1, 2009, the Foundation transferred ownership and control of Enterprises to STIE. See NOTE 1.

Throughout the year, the Foundation has purchased goods or services from companies which are related to some Foundation board members through ownership or employment, the amounts of which are immaterial.

**NOTE 9 - Real Estate Corporation**

In July 2004, the Corporation executed at \$1.75 million three-year loan with a bank for the purchase of a building. Monthly interest payments were variable at 125 basis points above LIBOR with maturity in July 2007. This agreement was renegotiated in July 2007 to extend the terms until July 2009. The outstanding balance was \$1.319 million as of June 30, 2009 and was classified as short-term, note payable as of June 30, 2009.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 9 - Real Estate Corporation (continued)**

On July 14, 2009, the Corporation executed a one-year renewal Variable Rate Nondisclosable Revolving Line of Credit Agreement (LOC) with a bank in the amount of \$1.32 million to retire the outstanding principal on the bank loan plus accrued interest. The LOC bears interest based on LIBOR plus 225 basis points compounded monthly. On February 22, 2010, the Corporation retired the LOC through a principal payment of \$1.269 million.

In June 2008, the Corporation's board approved the sale of 2727 Kenwood Blvd., Toledo, Ohio (Kenwood property). The Corporation met all the criteria as required by FASB ASC 360-10-45 (formerly FAS No. 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*, and had consequently classified land and building related to the property as held for sale.

On January 30, 2009, the Corporation entered into a purchase agreement with an Ohio non-profit corporation for the sale of the Kenwood property. The sale was settled on May 27, 2009 for the purchase price of \$1.3 million. The sales proceeds less reductions remained under an escrow agreement whereas the purchaser had the right to deliver a notice to the Corporation that it cannot satisfy the escrow condition under the escrow agreement and the sale would cease. The property was classified as held for sale and reported at fair value less cost to sell at approximately \$1.2 million as of June 30, 2009. In October 2009, the Ohio non-profit corporation issued the Corporation a termination notice of the purchase agreement and the sale ceased.

On February 18, 2010, the Corporation entered into a purchase agreement with Central Academy of Toledo, LLC, for the sale of the Kenwood property for the purchase price of \$1.2 million. The Corporation used the proceeds from the sale to retire the LOC. The sale of the property resulted in a net loss of \$91,770 for the year ending June 30, 2010.

On November 25, 2008, the Corporation purchased property at 3242 Door Street, Toledo, Ohio, in the amount of \$1.025 million, for future development.

On October 26, 2009, the Corporation purchased property at 1210 N. Byrne Road, Toledo, Ohio with a purchase price of \$855,000 for future development. To finance the acquisition of the Byrne Road property, the Corporation issued a 20-year fixed rate note bearing an interest rate of 5 percent to the University of Toledo Foundation Investment Pool. (See NOTE 8)

**NOTE 10 - Fair Value Measurements**

The Foundation complies with FASB ASC 820-10-50 (formerly FAS No. 157), *Fair Value Measurements*. FASB ASC 820-10-50 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measures. This standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
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**NOTE 10 - Fair Value Measurements (continued)**

FASB ASC 820-10-50 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Fair values determined by Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 10 - Fair Value Measurements (continued)**

Disclosures concerning assets and liabilities measured at fair value are as follows:

<b>Fair Value Measurements as of June 30, 2010</b>				
<b>Description</b>	<b>Quoted Prices in Active Markets in Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Balance at June 30, 2010</b>
<b>Assets:</b>				
Investments (Note 3)				
Common stocks	\$ 76,131,880	\$ 54,369		\$ 76,186,249
Corporate bonds		1,916,695		1,916,695
US Government and agency bonds		4,340,514		4,340,514
Mutual funds - fixed income	26,200,518			26,200,518
Hedge funds			\$ 20,098,800	20,098,800
Partnerships			3,152,027	3,152,027
Assets held in remainder trusts			4,879,954	4,879,954
Contributions receivable (Note 2)			23,270,207	23,270,207
Cash surrender value of life insurance			1,413,242	1,413,242

<b>Fair Value Measurements as of June 30, 2009</b>				
<b>Description</b>	<b>Quoted Prices in Active Markets in Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Balance at June 30, 2009</b>
<b>Assets:</b>				
Investments (Note 3)				
Common stocks	\$ 62,830,424	\$ 52,959		\$ 62,883,383
Corporate bonds		1,256,350		1,256,350
US Government and agency bonds		3,475,812		3,475,812
Mutual funds - fixed income	21,807,783			21,807,783
Hedge funds			\$ 18,232,459	18,232,459
Partnerships			1,778,653	1,778,653
Assets held in remainder trusts			4,800,203	4,800,203
Contributions receivable (Note 2)			25,940,269	25,940,269
Cash surrender value of life insurance			1,381,743	1,381,743
Long-lived asset held for sale (Note 10)			1,200,158	1,200,158

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 10 - Fair Value Measurements (continued)**

Changes in level 3 assets and liabilities measured at fair value on a recurring basis:

<b>Fair Value Measurements of Assets Using Significant Unobservable Inputs (Level 3)</b>						
<b>as of June 30, 2010</b>						
	<u>Partnerships</u>	<u>Hedge Funds</u>	<u>Assets Held in Remainder Trust</u>	<u>Contributions Receivable</u>	<u>CSV of Life Ins.</u>	<u>Assets Held for Sale</u>
Balance as of June 30, 2009	\$ 1,778,653	\$ 18,232,459	\$ 4,800,203	\$ 25,940,269	\$ 1,381,743	\$ 1,200,158
Purchases / re-invested income	1,030,469		169,453			
Withdrawals and sales	(95,275)					(1,108,388)
Investment pool reallocation	11,370	116,555				
Ordinary income	71,455					
Policy maturities					(4,793)	
Change in cash surrender value					36,292	
Distributions and fees			(520,076)			
Pledges received				2,261,155		
Payments received				(6,326,439)		
Change in present value				1,772,133		
Allowance and write-offs				(376,911)		
Unrealized gains (losses)	355,355	1,749,786	394,372			
Realized gains (losses)			36,002			(91,770)
Balance as of June 30, 2010	<u>\$ 3,152,027</u>	<u>\$ 20,098,800</u>	<u>\$ 4,879,954</u>	<u>\$ 23,270,207</u>	<u>\$ 1,413,242</u>	<u>\$ -</u>

Gains or losses included in earnings are reported in return of investments on the statements of activities:

	<u>Partnerships</u>	<u>Hedge Funds</u>	<u>Assets Held in Remainder Trust</u>	<u>Contributions Receivable</u>	<u>CSV of Life Ins.</u>	<u>Assets Held for Sale</u>
Total gains or losses included in earnings	\$ 426,810	\$ 1,749,786	\$ 430,374	\$ 1,395,222	\$ 36,292	\$ (91,770)

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 10 - Fair Value Measurements (continued)**

**Fair Value Measurements of Assets Using Significant Unobservable Inputs (Level 3)**  
**as of June 30, 2009**

	<u>Partnerships</u>	<u>Hedge Funds</u>	<u>Equity Assignments</u>	<u>Assets Held in Remainder Trust</u>	<u>Contributions Receivable</u>	<u>CSV of Life Ins.</u>	<u>Assets Held for Sale</u>
Balance as of June 30, 2008	\$ 801,107	\$ 19,054,227	\$ 4,886,635	\$ 6,628,624	\$ 24,325,545	\$ 1,391,203	\$ 1,368,774
Purchases / re-invested income	872,231	5,309,231		252,309			
Withdrawals and settlements	-	(1,940,184)					
Investment pool reallocation	(42,645)	(1,014,316)					
Transfer to University			(4,886,635)				
Policy maturities						(42,271)	
Change in cash surrender value						32,811	
Distributions and fees				(435,739)			
Pledges received					8,890,480		
Payments received					(7,465,283)		
Change in present value					579,300		
Allowance and write-offs					(389,773)		
Unrealized gains (losses)	147,960	(3,399,249)		(797,911)			(168,616)
Realized gains (losses)		222,750		(847,080)			
Balance as of June 30, 2009	<u>\$ 1,778,653</u>	<u>\$ 18,232,459</u>	<u>\$ -</u>	<u>\$ 4,800,203</u>	<u>\$ 25,940,269</u>	<u>\$ 1,381,743</u>	<u>\$ 1,200,158</u>

Gains or losses included in earnings are reported in return of investments on the statements of activities:

	<u>Partnerships</u>	<u>Hedge Funds</u>	<u>Equity Assignments</u>	<u>Assets Held in Remainder Trust</u>	<u>Contributions Receivable</u>	<u>CSV of Life Ins.</u>	<u>Assets Held for Sale</u>
Total gains or losses included in earnings	<u>\$ 147,960</u>	<u>\$ (3,176,499)</u>	<u>\$ -</u>	<u>\$ (1,644,991)</u>	<u>\$ 189,527</u>	<u>\$ 32,811</u>	<u>\$ (168,616)</u>

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Hedge funds and partnership funds (funds) do not have readily determined fair values as they are not listed on national exchanges or over-the-counter markets. Fair value has been determined based on the individual fund's net asset valuation which is considered an unobservable input Level 3 of the fair value hierarchy. The fund's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and the underlying investments are reported at fair value.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 10 - Fair Value Measurements (continued)**

The funds have varied investment strategies and redemption provisions as follows:

<b>Investment Strategies of Investments valued using Net Asset Valuations</b>			
<b>Investment</b>	<b>Investment Strategy</b>	<b>Redemption Freq.</b>	<b>Redemption Notice</b>
Siguler Guff Distressed Opportunities Fund II	A partnership assembled as a portfolio of funds representing a full spectrum of distressed investment approaches, including short-term and medium-term trading strategies, taking an influencing role in the reorganization process, investing for control in the class of the securities to affect the reorganization process, or acquiring the issuer.	No Restriction	Requires notification to General Partner. Redemption is subject to written consent of General Partner
Common Sense Long Biased Offshore	A fund of funds focused on smaller or emerging long/short equity managers who can nimbly adjust market exposures in time of opportunity or risk. Its managers tend to be fundamental, bottom-up stock pickers, who utilize prudent amounts of leverage. The performance objective is to outperform the Russell 2000 over market cycle with less volatility.	Annual	100 days
Weatherlow Offshore I LTD	A diversified hedge fund of funds investing in four major strategic categories: equity long/short; event driven; relative value; and global asset allocation. It seeks to generate equity like returns with lower volatility that are independent of any major market, index, or style.	Quarterly	45 days
Ironwood International LTD	A hedge fund of funds with a diversified, absolute return philosophy that focuses on maintaining strong relationships with underlying managers. It's managers have strategies that include: convertible bond arbitrage; distressed securities; hedged equity; fixed income arbitrage; merger arbitrage; and other event-driven strategies. The fund's specific investment objective is to earn 300 - 400 basis points over the 90-day T-bill rate with low volatility.	Quarterly	95 days
Pointer Offshore LTD	A hedge fund of funds centered on long/short equity with a focus on "Jones-model", bottom-up, fundamental, stock pickers who employ low amounts of leverage. The fund is predominantly allocated to long/short equity, but may at times have allocations to other strategies including commodities and distressed. The return objective over a 3-5 year period is 12-15% net while realing low correlations to the broad equity market averages and lower volatility.	Annual	Before October 15th

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

**NOTE 10 - Fair Value Measurements (continued)**

Charitable remainder trusts are measured based on the present value of the expected income from the assets; as such, the charitable remainder trust is considered to be determined based on Level 3 inputs.

During 2010, the Foundation adopted, on prospective basis, new accounting standards which require disclosure of fair value by class of investments. Investments recorded at fair value in accordance with FASB ASC 820-10 have the following allocation between type and market:

<b>Investments by Type and Market as June 30, 2010</b>		
	Market	Cost
<b>Pooled Investments</b>		
Cash Equivalents - United States	\$ 2,057,168	\$ 2,057,168
Common Stock		
United States	61,241,603	66,138,360
International	6,982,995	9,093,036
United Kingdom	6,485,582	6,835,508
Emerging Markets	1,460,734	1,577,395
Other Countries	725,371	815,538
Government Bonds - United States	4,340,514	4,087,611
Corporate Bonds		
United States	1,685,267	1,594,361
Other Countries	231,428	231,973
Fixed Income Mutual Funds - United States	25,490,482	24,069,577
Hedge Funds		
Hedge Equity - International	10,452,040	10,415,941
Fund of Funds - International	9,646,760	10,841,872
Partnerships - United States	3,152,027	2,686,303
	<u>133,951,971</u>	<u>140,444,643</u>
<b>Annuity Trusts</b>		
Cash Equivalents - United States	84,022	84,022
Common Stock and other equities		
United States	2,862,650	2,652,741
Emerging Markets	2,507	1,633
Fixed Income Mutual Funds - United States	517,008	487,175
Mutual Funds		
United States	72,606	80,115
International / Emerging Markets	358,236	306,344
Corporate Bonds and other debt	982,925	982,070
	<u>4,879,954</u>	<u>4,594,100</u>

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 10 - Fair Value Measurements (continued)**

Long-lived assets held for sale are recorded at fair value in accordance with FASB ASC 360-10-45 (formerly FAS No. 144), *Accounting for the Impairment or Disposal of Long-Lived Assets* (see Note 9). Fair value was determined based on the actual purchase price and costs to sell as documented in the purchase agreement. A purchase agreement is considered a Level 3 input, but provides a true exit price from the perspective of the Foundation.

Cash value of life insurance and annuities are presented at fair value based on the amount available in cash upon cancellation of the insurance policy before maturity as of the reporting period. The fair value is determined by the insurer and represents the exit price from the perspective of the Foundation. However, since the valuation is considered unobservable, the cash surrender value calculation is considered a Level 3 input.

In 2008, the Foundation received a transfer from the University related to assignments of equity and subsequently assigned those rights to STIE in 2009. The equity assignments were recorded at fair value based on the most current exchange of shares of each equity assignment. The transactions occurred outside of an active market and therefore, the prices per shares are considered Level 3 inputs.

The Foundation complies with FASB ASC 825-10-05-5 (formerly FAS No. 159), *Financial Instruments - Fair Value Option*. This codification permits entities to choose to measure many financial instruments and certain other items at fair value.

The Foundation has elected to measure contributions receivable at fair value to provide a valuation based on current yield curves and create consistency in financial presentation with measurements of other financial instruments. The election of the fair value option did not have a material impact on the Foundation's consolidated financial statements. Fair value is determined using the income approach as described in FASB ASC 825-10-05-5 - expected present value technique adjusting cash flows from unconditional promises to give by a risk premium and then discounting the expected cash flows, cash flows net of risk premium, using a risk-free interest rate based on current market conditions. The risk premium is determined for each individual pledge based on any expected variance in timing of payments, pledges past due, donor's relationship with the Foundation, publicity of the pledge, the Foundation's collection history, and any other relevant information.

**NOTE 11 - Fair Value of Financial Instruments**

The fair value of short-term financial instruments, including cash and cash equivalents, accounts receivable, notes receivable, other current assets, accounts payable, and accrued liabilities are equal to the carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
Year Ended June 30, 2010 and 2009

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**NOTE 11 - Fair Value of Financial Instruments (continued)**

Contributions receivable are stated at fair value as described in Notes 1, 2, and 10.

Pooled investments and investments held in charitable remainder trusts are stated at fair value as described in Notes 1 and 3.

Long-lived assets held for sale are recorded at fair value in accordance with FASB ASC (formerly FAS No. 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*.

The fair value of the notes payable is equal to the carrying amount since the current effective rate reflects market rates.

**NOTE 12 - Concentration of Credit Risk**

The Foundation maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. During fiscal years ended June 30, 2010 and 2009, the Foundation maintained balances which exceeded insurable limits.

**NOTE 13 - Subsequent Events**

The Corporation entered into a Ground Lease Agreement (lease) with Ricksim, Inc. (Ricksim), an Ohio corporation, effective July 1, 2010. The Corporation will grant Ricksim a leasehold estate in the property located at 3135-3159 Dorr Street. Ricksim plans to develop and construct a Taco Bell restaurant at the premises. The lease has an initial term of twenty years and provides for four additional option periods with each option period including five additional years. During the initial term Ricksim will pay the Corporation base rent of \$32,000 per year for the first five years. Each sequential five years will include an 8% increase to the base rent. After the initial twenty year term, the base rent will be determined by the prevailing fair market rental value.

The Corporation entered into a Real Estate Purchase agreement with Croghan Colonial Bank on August 19, 2010 for the purchase of real property located at 3403 – 3417 Dorr Street in the amount of \$550,000 for future development. The sale is expected to close during October 2010.

## Other Financial Information

To the Board of Trustees  
The University of Toledo Foundation  
and Subsidiaries

We have audited the accompanying consolidated statements of financial position of The University of Toledo Foundation and Subsidiaries (the "Foundation"), an Ohio not-for-profit corporation, as of June 30, 2010 and 2009 and the related consolidated statements of activities and cash flows for the years then ended. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following information in the accompanying consolidating schedules is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of The University of Toledo Foundation, University of Toledo Foundation Real Estate Corp., and MCOF Enterprises, Ltd. and is not a required part of the basic consolidated financial statements. The following information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Plante & Moran, PLLC*

September 28, 2010

## The University of Toledo Foundation and Subsidiaries

### Consolidating Statement of Financial Position

As of June 30, 2010

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	Eliminating Adjustments	Consolidated University of Toledo Foundation
<b>Assets</b>				
Current Assets:				
Cash	\$ 370,730	\$ 34,794		\$ 405,524
Accounts receivable	137,143	32,040		169,183
Contributions receivable, net of allowance for uncollectible contributions	4,075,982			4,075,982
Interest receivable	109,086			109,086
Prepaid expenses	22,828			22,828
<b>Total current assets</b>	<b>4,715,769</b>	<b>66,834</b>	<b>-</b>	<b>4,782,603</b>
Other assets:				
Investments:				
Marketable - Pooled	134,582,760		\$ (630,789)	133,951,971
Real estate and other	1,061,798			1,061,798
Assets held in charitable remainder trusts	4,879,954			4,879,954
<b>Total investments</b>	<b>140,524,512</b>		<b>(630,789)</b>	<b>139,893,723</b>
Prepaid rent	372,179			372,179
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment	19,194,225			19,194,225
Cash value of life insurance	1,413,242			1,413,242
<b>Total other assets</b>	<b>161,504,158</b>	<b>-</b>	<b>(630,789)</b>	<b>160,873,369</b>
Property and equipment				
Land and land improvements	9,975	5,423,540		5,433,515
Rental property		826,046		826,046
Office equipment	798,416			798,416
<b>Total property and equipment</b>	<b>808,391</b>	<b>6,249,586</b>		<b>7,057,977</b>
Less accumulated depreciation	560,858	333,990		894,848
<b>Net property and equipment</b>	<b>247,533</b>	<b>5,915,596</b>		<b>6,163,129</b>
<b>Total assets</b>	<b>\$ 166,467,460</b>	<b>\$ 5,982,430</b>	<b>\$ (630,789)</b>	<b>\$ 171,819,101</b>

# The University of Toledo Foundation and Subsidiaries

## Consolidating Statement of Financial Position (continued)

As of June 30, 2010

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	Eliminating Adjustments	Consolidated University of Toledo Foundation
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 932,414			\$ 932,414
Notes payable		\$ 26,269	\$ (20,051)	6,218
Accrued liabilities	120,578	14,871		135,449
<b>Total current liabilities</b>	<b>1,052,992</b>	<b>41,140</b>	<b>(20,051)</b>	<b>1,074,081</b>
Noncurrent liabilities				
Notes payable		800,116	(610,738)	189,378
Annuities payable	3,735,332			3,735,332
<b>Total liabilities</b>	<b>4,788,324</b>	<b>841,256</b>	<b>(630,789)</b>	<b>4,998,791</b>
<b>Net assets</b>				
Unrestricted				
Operating Funds				
Undesignated	(6,281,690)			(6,281,690)
Designated - real estate		5,141,174		5,141,174
Designated - board	1,315,357			1,315,357
<b>Total unrestricted operating funds</b>	<b>(4,966,333)</b>	<b>5,141,174</b>		<b>174,841</b>
Board endowed	5,814,121			5,814,121
<b>Total Unrestricted</b>	<b>847,788</b>	<b>5,141,174</b>		<b>5,988,962</b>
Temporarily restricted:				
Operating funds	29,636,376			29,636,376
Quasi-endowment	63,460,159			63,460,159
<b>Total temporarily restricted</b>	<b>93,096,535</b>	<b>-</b>	<b>-</b>	<b>93,096,535</b>
Permanently restricted				
	67,734,813			67,734,813
<b>Total net assets</b>	<b>161,679,136</b>	<b>5,141,174</b>	<b>-</b>	<b>166,820,310</b>
<b>Total liabilities and net assets</b>	<b>\$ 166,467,460</b>	<b>\$ 5,982,430</b>	<b>\$ (630,789)</b>	<b>\$ 171,819,101</b>

## The University of Toledo Foundation and Subsidiaries

### Consolidating Statement of Financial Position

As of June 30, 2009

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	MCOF Enterprises, Ltd.	Consolidated University of Toledo Foundation
<b>Assets</b>				
Current Assets:				
Cash	\$ 923,976	\$ 151,233	\$ 8,514	\$ 1,083,723
Securities lending collateral	1,151,421			1,151,421
Accounts receivable	154,739	139,492	323,582	617,813
Notes receivable	57,099			57,099
Contributions receivable, net of allowance for uncollectible contributions	4,593,800			4,593,800
Interest receivable	131,303			131,303
Prepaid expenses	20,364			20,364
<b>Total current assets</b>	<b>7,032,702</b>	<b>290,725</b>	<b>332,096</b>	<b>7,655,523</b>
Other assets:				
Investments:				
Marketable - Pooled	119,789,742			119,789,742
Real estate and other	1,061,598			1,061,598
Assets held in charitable remainder trusts	4,800,203			4,800,203
<b>Total investments</b>	<b>125,651,543</b>	<b>-</b>	<b>-</b>	<b>125,651,543</b>
Notes receivable	158,552			158,552
Prepaid rent	418,848			418,848
Contributions receivable, net of allowance for uncollectible contributions and present value adjustment	21,346,469			21,346,469
Cash value of life insurance	1,381,743			1,381,743
Land held for sale		1,200,158		1,200,158
<b>Total other assets</b>	<b>148,957,155</b>	<b>1,200,158</b>	<b>-</b>	<b>150,157,313</b>
Property and equipment				
Land	11,970	4,585,812		4,597,782
Rental property		981,658		981,658
Office equipment	599,676		19,736	619,412
<b>Total property and equipment</b>	<b>611,646</b>	<b>5,567,470</b>	<b>19,736</b>	<b>6,198,852</b>
Less accumulated depreciation	559,103	391,250	6,067	956,420
<b>Net property and equipment</b>	<b>52,543</b>	<b>5,176,220</b>	<b>13,669</b>	<b>5,242,432</b>
<b>Total assets</b>	<b>\$ 156,042,400</b>	<b>\$ 6,667,103</b>	<b>\$ 345,765</b>	<b>\$ 163,055,268</b>

## The University of Toledo Foundation and Subsidiaries

### Consolidating Statement of Financial Position (continued)

As of June 30, 2009

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	MCOF Enterprises, Ltd.	Consolidated University of Toledo Foundation
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 1,324,932		\$ 292,388	\$ 1,617,320
Securities lending liability	1,151,421			1,151,421
Notes payable		\$ 1,319,768		1,319,768
Contribution payable	110,000			110,000
Deferred revenue	120,000	51,725		171,725
Accrued liabilities	119,896			119,896
<b>Total current liabilities</b>	<b>2,826,249</b>	<b>1,371,493</b>	<b>292,388</b>	<b>4,490,130</b>
Noncurrent liabilities				
Annuities payable	3,949,441			3,949,441
<b>Total liabilities</b>	<b>6,775,690</b>	<b>1,371,493</b>	<b>292,388</b>	<b>8,439,571</b>
<b>Net assets</b>				
Unrestricted				
Operating Funds				
Undesignated	(8,899,460)			(8,899,460)
Designated - real estate		5,295,610		5,295,610
Designated - board	1,198,583		53,377	1,251,960
<b>Total unrestricted operating fund</b>	<b>(7,700,877)</b>	<b>5,295,610</b>	<b>53,377</b>	<b>(2,351,890)</b>
Board endowed	5,379,479			5,379,479
<b>Total Unrestricted</b>	<b>(2,321,398)</b>	<b>5,295,610</b>	<b>53,377</b>	<b>3,027,589</b>
Temporarily restricted:				
Operating funds	31,119,730			31,119,730
Quasi-endowment	54,982,214			54,982,214
<b>Total temporarily restricted</b>	<b>86,101,944</b>	<b>-</b>	<b>-</b>	<b>86,101,944</b>
Permanently restricted	65,486,164			65,486,164
<b>Total net assets</b>	<b>149,266,710</b>	<b>5,295,610</b>	<b>53,377</b>	<b>154,615,697</b>
<b>Total liabilities and net assets</b>	<b>\$ 156,042,400</b>	<b>\$ 6,667,103</b>	<b>\$ 345,765</b>	<b>\$ 163,055,268</b>

**The University of Toledo Foundation and Subsidiaries**  
*Consolidating Statement of Activities*  
Year Ended June 30, 2010

	University of Toledo Foundation	UTF Real Estate Corp.	MCOF Enterprises Ltd.	Eliminating Adjustments	Consolidated			University of Toledo Foundation
					Unrestricted Net Assets	Temporarily Unrestricted Net Assets	Permanently Restricted Net Assets	
<b>Support, revenue, and gains (losses)</b>								
Public support:								
Unconditional promises to give (gross)	\$ 1,928,780					\$ 1,928,780		\$ 1,928,780
Allowance for uncollectible contributions and present value adjustment	1,727,597					1,727,597		1,727,597
Unconditional promises to give (net)	3,656,377					3,656,377		3,656,377
Contributions	4,986,458				154,079	3,808,798	1,023,581	4,986,458
Annuities and trusts (net of actuarial adjustments)	(192,164)					(3,100)	(189,064)	(192,164)
Total public support	8,450,671	-	-	-	154,079	7,462,075	834,517	8,450,671
Administrative fees	572,472				2,064,318	(1,486,825)	(5,021)	572,472
Return on investments:								
Interest and dividends	3,407,104			(24,016)	680,441	2,524,857	177,790	3,383,088
Net realized and unrealized gains on investments	12,960,573				2,568,951	9,926,623	464,999	12,960,573
Investment fees	(368,659)				(74,830)	(259,645)	(34,184)	(368,659)
Net return on investments	15,999,018	-	-	(24,016)	3,174,562	12,191,835	608,605	15,975,002
Other income:								
Ancillary and non-gift income	1,480,756				51,512	1,412,566	16,678	1,480,756
Income-REC		118,612			118,612			118,612
Total other income	1,480,756	118,612	-	-	170,124	1,412,566	16,678	1,599,368
Net assets released from restrictions and other transfers								
Satisfaction of program and donor restrictions	-				10,548,024	(10,546,604)	(1,420)	-
Expiration of time restrictions (pledge payments)	-				37,048	(809,575)	772,527	-
Other transfers	(782,436)	782,436			1,206,118	(1,228,881)	22,763	-
<b>Total support, revenues and gains</b>	<b>\$ 25,720,481</b>	<b>\$ 901,048</b>	<b>\$ -</b>	<b>\$ (24,016)</b>	<b>\$ 17,354,273</b>	<b>\$ 6,994,591</b>	<b>\$ 2,248,649</b>	<b>\$ 26,597,513</b>

## The University of Toledo Foundation and Subsidiaries

Consolidating Statement of Activities (continued)

Year Ended June 30, 2010

	University of Toledo Foundation	UTF Real Estate Corp.	MCOF Enterprises Ltd.	Eliminating Adjustments	Consolidated			University of Toledo Foundation
					Unrestricted Net Assets	Temporarily Unrestricted Net Assets	Permanently Restricted Net Assets	
<b>Total support, revenues and gains</b>	\$ 25,720,481	\$ 901,048	\$ -	\$ (24,016)	\$ 17,354,273	\$ 6,994,591	\$ 2,248,649	\$ 26,597,513
<b>Expenses</b>								
Program services:								
Academics	4,163,587				4,163,587			4,163,587
University Loan Program	123				123			123
Student aid	2,421,898				2,421,898			2,421,898
Capital projects	2,423,129				2,423,129			2,423,129
Athletic programs	1,501,407				1,501,407			1,501,407
Research	339,632				339,632			339,632
Fund raising	625,536				625,536			625,536
Management and general-operating	1,761,105				1,761,105			1,761,105
Management and general-REC		1,055,484		(24,016)	1,031,468			1,031,468
Management and general-Software Conversion	71,638				71,638			71,638
<b>Total expenses</b>	<b>13,308,055</b>	<b>1,055,484</b>	<b>-</b>	<b>(24,016)</b>	<b>14,339,523</b>	<b>-</b>	<b>-</b>	<b>14,339,523</b>
Increase (decrease) in net assets before transfer to University of Toledo - STIE	12,412,426	(154,436)	-	-	3,014,750	6,994,591	2,248,649	12,257,990
Transfers to the University of Toledo - STIE			(53,377)		(53,377)			(53,377)
<b>Total change in net assets</b>	<b>12,412,426</b>	<b>(154,436)</b>	<b>(53,377)</b>	<b>-</b>	<b>2,961,373</b>	<b>6,994,591</b>	<b>2,248,649</b>	<b>12,204,613</b>
Beginning balance net assets	149,266,270	5,295,610	53,377	-	3,027,589	86,101,944	65,486,164	154,615,697
<b>Net assets at end of year</b>	<b>\$ 161,678,696</b>	<b>\$ 5,141,174</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,988,962</b>	<b>\$ 93,096,535</b>	<b>\$ 67,734,813</b>	<b>\$ 166,820,310</b>

**The University of Toledo Foundation and Subsidiaries**  
*Consolidating Statement of Activities*  
Year Ended June 30, 2009

	University of Toledo Foundation	UTF Real Estate Corp.	University Promo. Ltd.	CAHS Ltd.	MCOF Enterprises Ltd.	Elim. adj.	Consolidated			University of Toledo Foundation
							Unrestricted Net Assets	Temporarily Unrestricted Net Assets	Permanently Restricted Net Assets	
<b>Support, revenue, and gains (losses)</b>										
Public support:										
Unconditional promises to give (gross)	\$ 8,550,001							\$ 8,550,001		\$ 8,550,001
Allowance for uncollectible contributions and present value adjustment	530,007							530,007		530,007
Unconditional promises to give (net)	9,080,008							9,080,008		9,080,008
Contributions	7,353,914						646,813	5,274,773	1,432,328	7,353,914
Annuities and trusts (net of actuarial adjustments)	(53,390)							(18,649)	(34,741)	(53,390)
Royalties and ancillary businesses			351	1,625	904,241		906,217			906,217
Total public support	16,380,532	-	351	1,625	904,241	-	1,553,030	14,336,132	1,397,587	17,286,749
Administrative fees	617,914						2,285,837	(1,661,641)	(6,282)	617,914
Return on investments:										
Interest and dividends	2,983,091						632,251	2,092,637	258,203	2,983,091
Net realized and unrealized (loss) on investments	(33,370,346)						(7,308,499)	(24,332,982)	(1,728,865)	(33,370,346)
Investment fees	(360,597)						(78,044)	(250,818)	(31,735)	(360,597)
Net return on investments	(30,747,852)	-	-	-	-	-	(6,754,292)	(22,491,163)	(1,502,397)	(30,747,852)
Other income:										
Ancillary and non-gift income	1,902,618					(4,162)	8,707	1,850,301	39,448	1,898,456
Income-REC		64,373					64,373			64,373
University loan program	4,515							4,515		4,515
Total other income	1,907,133	64,373	-	-	-	(4,162)	73,080	1,854,816	39,448	1,967,344
Net assets released from restrictions and other transfers										
Satisfaction of program and donor restrictions	-						20,803,568	(20,803,568)	-	-
Expiration of time restrictions (pledge payments)	-						41,053	(2,334,873)	2,293,820	-
Other transfers	(1,616,561)	1,595,241	13,885	7,435	-		(2,369,800)	6,020,188	(3,650,388)	-
<b>Total support, revenues and gains</b>	<b>\$ (13,458,834)</b>	<b>\$ 1,659,614</b>	<b>\$ 14,236</b>	<b>\$ 9,060</b>	<b>\$ 904,241</b>	<b>\$ (4,162)</b>	<b>\$ 15,632,476</b>	<b>\$ (25,080,109)</b>	<b>\$ (1,428,212)</b>	<b>\$ (10,875,845)</b>

## The University of Toledo Foundation and Subsidiaries

Consolidating Statement of Activities (continued)

Year Ended June 30, 2009

	University of Toledo Foundation	UTF Real Estate Corp.	University Promo. Ltd.	CAHS Ltd.	MCOF Enterprises Ltd.	Elim. adj.	Consolidated			University of Toledo Foundation
							Unrestricted Net Assets	Temporarily Unrestricted Net Assets	Permanently Restricted Net Assets	
<b>Total support, revenues and gains</b>	\$ (13,458,834)	\$ 1,659,614	\$ 14,236	\$ 9,060	\$ 904,241	\$ (4,162)	\$ 15,632,476	\$ (25,080,109)	\$ (1,428,212)	\$ (10,875,845)
<b>Expenses</b>										
Program services:										
Academics	5,812,827				871,167		6,683,994			6,683,994
University Loan Program	155,984						155,984			155,984
Student aid	3,446,665						3,446,665			3,446,665
Capital projects	4,585,457						4,585,457			4,585,457
Athletic programs	1,766,380						1,766,380			1,766,380
Research	374,286						374,286			374,286
Fund raising	608,822						608,822			608,822
Management and general-operating	1,876,511						1,876,511			1,876,511
Management and general-REC		554,871					554,871			554,871
University Promotions, Ltd.			(16)				(16)			(16)
College of Allied Health Sciences, Ltd.				2,659			2,659			2,659
MCOF Enterprises, Ltd.					108,806	(4,162)	104,644			104,644
<b>Total expenses</b>	<b>18,626,932</b>	<b>554,871</b>	<b>(16)</b>	<b>2,659</b>	<b>979,973</b>	<b>(4,162)</b>	<b>20,160,257</b>	<b>-</b>	<b>-</b>	<b>20,160,257</b>
Increase (decrease) in net assets before transfer										
to University of Toledo	(32,085,766)	1,104,743	14,252	6,401	(75,732)	-	(4,527,781)	(25,080,109)	(1,428,212)	(31,036,102)
Transfers to the University of Toledo	(4,886,635)						(4,886,635)			(4,886,635)
Change in net assets and transfers to University	(36,972,401)	1,104,743	14,252	6,401	(75,732)	-	(9,414,416)	(25,080,109)	(1,428,212)	(35,922,737)
Beginning balance net assets	186,239,111	4,190,867	(14,252)	(6,401)	129,109	-	12,442,005	111,182,053	66,914,376	190,538,434
<b>Net assets at end of year</b>	<b>\$ 149,266,710</b>	<b>\$ 5,295,610</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,377</b>	<b>\$ -</b>	<b>\$ 3,027,589</b>	<b>\$ 86,101,944</b>	<b>\$ 65,486,164</b>	<b>\$ 154,615,697</b>