

The University of Toledo Foundation and Subsidiaries

**Consolidated Financial Statements as of and for the
Year Ended June 30, 2008 with Supplemental Schedules
and Independent Auditor's Report**

The University of Toledo Foundation and Subsidiaries

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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 statement of financial position of The University of Toledo Foundation and Subsidiaries, an Ohio not-for-profit corporation, as June 30, 2008 and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Foundation. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, such consolidated financial statements present fairly, in all material respects, the financial position of The University of Toledo Foundation and Subsidiaries as June 30, 2008 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 \$30,366,479 (15.9 percent of net assets) at June 30, 2008 and include approximately \$4.9 million in equity assignments from the University of Toledo. 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2008 on our consideration of the The University of Toledo Foundation and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

September 16, 2008

The University of Toledo Foundation and Subsidiaries

Consolidated Statement of Financial Position

As of June 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 1,604,986
Accounts receivable	413,168
Notes receivable (Note 9)	53,798
Contributions receivable, net of allowance for uncollectible contributions (Note 2)	3,275,257
Interest receivable	132,319
Prepaid expenses	59,426
Inventory	72

Total current assets	5,539,026
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Other assets:

Investments:

Pooled (Note 3)	150,971,474
Real estate (Note 3)	973,667
Equity assignments (Notes 3 and 9)	4,886,635
Assets held in charitable remainder trusts (Note 3)	6,628,624
Total investments	163,460,400

Notes receivable - long term (Note 9)	215,650
Contributions receivable - long term, net of allowance for uncollectible contributions and present value adjustment (Note 2)	21,050,288
Cash value of life insurance and annuities	1,391,203
Asset held for sale (Note 11)	1,368,774

Total other assets	187,486,315
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Property and equipment:

Land	3,222,874
Rental property	976,931
Office equipment	916,532
Total property and equipment	5,116,337
Less accumulated depreciation	856,435

Net property and equipment	4,259,902
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Total assets	\$ 197,285,243
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The University of Toledo Foundation and Subsidiaries
Consolidated Statement of Financial Position (Continued)
As of June 30, 2008

Liabilities

Current liabilities:

Accounts payable	\$ 721,879
Notes payable (Note 11)	1,407,292
Contribution payable	158,723
Accrued liabilities	112,581
Total current liabilities	2,400,475

Noncurrent liabilities:

Annuities payable	4,346,334
Total liabilities	6,746,809

Net assets (Notes 1, 6, and 7)

Unrestricted:

Operating Funds:

Undesignated	(559,921)
Designated - real estate	4,190,867
Designated - board	2,015,944
Total unrestricted operating funds	5,646,890
Board endowed	6,795,115
Total unrestricted	12,442,005

Temporarily restricted:

Operating funds	38,405,216
Quasi-endowment	72,776,837
Total temporarily restricted	111,182,053

Permanently restricted

Permanently restricted	66,914,376
Total net assets	190,538,434

Total liabilities and net assets

\$ 197,285,243

The University of Toledo Foundation and Subsidiaries

Consolidated Statement of Activities For the Year Ended June 30, 2008

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total All Funds
Support, revenue, and gains (losses):				
Public support:				
Unconditional promises to give (net of allowance for uncollectible contributions and present value adjustment) (Note 2)	\$ -	\$ 12,564,477	\$ -	\$ 12,564,477
Contributions	163,372	7,033,601	2,397,616	9,594,589
Annuities and trusts (net of actuarial adjustments)	-	26,019	55,793	81,812
Royalties and ancillary businesses	831,111	-	-	831,111
Total public support	994,483	19,624,097	2,453,409	23,071,989
Administrative fees	2,471,973	(1,782,485)	(6,789)	682,699
Return on investments: (Note 3)				
Interest and dividends	657,624	2,540,856	291,443	3,489,923
Net unrealized and realized loss on investments	(2,178,840)	(7,801,196)	(508,872)	(10,488,908)
Equity in net income of investments	213,186	-	-	213,186
Investment fees	(101,685)	(367,597)	(39,755)	(509,037)
Net return (losses) on investments	(1,409,715)	(5,627,937)	(257,184)	(7,294,836)
Other income:				
Ancillary and non-gift	168,715	1,697,402	33,237	1,899,354
Income - Real Estate Corp.	302,059	-	-	302,059
University Loan Program	-	2,512,824	-	2,512,824
Total other income	470,774	4,210,226	33,237	4,714,237
Net assets released from restrictions and other transfers:				
Satisfaction of program and donor restrictions	11,718,753	(11,643,706)	(75,047)	-
Expiration of time restrictions (pledge payments)	54,945	(297,925)	242,980	-
Other transfers	(94,399)	901,267	(806,868)	-
Total support, revenue, and gains (losses)	\$ 14,206,814	\$ 5,383,537	\$ 1,583,738	\$ 21,174,089

The University of Toledo Foundation and Subsidiaries

Consolidated Statement of Activities (Continued) For the Year Ended June 30, 2008

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total All Funds
Expenses:				
Program services:				
Academics	\$ 5,643,125	\$ -	\$ -	\$ 5,643,125
University Loan Program	1,132,413	-	-	1,132,413
Student aid	3,875,742	-	-	3,875,742
Capital projects	312,309	-	-	312,309
Athletic programs	1,650,316	-	-	1,650,316
Research	257,550	-	-	257,550
Fund raising	760,501	-	-	760,501
Management and general - operating	2,054,134	-	-	2,054,134
Management and general - Real Estate Corp.	499,111	-	-	499,111
MCOF Enterprises, Ltd.	86,811	-	-	86,811
University Promotions, Ltd.	118,102	-	-	118,102
College of Allied Health Sciences, Ltd.	62,041	-	-	62,041
Total expenses	<u>16,452,155</u>	<u>-</u>	<u>-</u>	<u>16,452,155</u>
Increase (Decrease) in Net Assets	<u>(2,245,341)</u>	<u>5,383,537</u>	<u>1,583,738</u>	<u>4,721,934</u>
Transfers from the University of Toledo (Notes 3 and 9)	-	4,886,635	-	4,886,635
Total Increase (Decrease) in Net Assets and Transfers	<u>(2,245,341)</u>	<u>10,270,172</u>	<u>1,583,738</u>	<u>9,608,569</u>
Net Assets at Beginning of Year	14,687,346	100,911,881	65,330,638	180,929,865
Net Assets at End of Year	<u>\$ 12,442,005</u>	<u>\$ 111,182,053</u>	<u>\$ 66,914,376</u>	<u>\$ 190,538,434</u>

The University of Toledo Foundation and Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended June 30, 2008

Cash Flows from Operating Activities:	
Changes in net assets	\$ 9,608,569
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Noncash Items:	
Depreciation	223,526
Permanently restricted contributions held as endowments	(2,397,616)
Provision for uncollectible contributions, net of actuarial adjustment on annuity obligations	428,445
Transfer of equity assignments from the University of Toledo	(4,886,635)
Net unrealized and realized loss on investments	10,488,908
Gain on sale of assets	(142,304)
Changes in assets and liabilities:	
Accounts receivable	915,531
Interest receivable	19,093
Prepaid expenses	135,460
Inventory	15,482
Contributions receivable	(7,572,222)
Charitable remainder trusts and annuity contracts	(380,824)
Cash surrender value of life insurance	(129,311)
Accounts payable	(743,108)
Contributions payable	22,723
Student loan program payable	(58,355)
Annuity payable obligation	509,787
Other accruals	55,973
	<hr/>
Net cash provided by operating activities	6,113,122
Cash Flows from Investing Activities:	
Proceeds from sale of property and equipment	446,292
Purchase of property and equipment	(1,530,268)
Proceeds from sales of investments	99,009,577
Purchases of investments	(106,192,282)
	<hr/>
Net cash used in investing activities	(8,266,681)
Cash Flows from Financing Activities:	
Change in note receivable	(243,254)
Payments on note payable	(113,693)
Permanently restricted contributions held as endowments	2,397,616
	<hr/>
Net cash provided by financing activities	2,040,669
Net Decrease in Cash	(112,890)
Cash and Cash Equivalents - Beginning of year	<hr/> 1,717,876
Cash and Cash Equivalents - End of year	<hr/> \$ 1,604,986 <hr/>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for:	
Interest	\$ 117,760
Non-cash investing and financing activities:	
Origination of student loans held in trust financed by third party	\$ 38,330,477
Sale of student loans held in trust by third party	\$ 44,893,592

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 1 - Organization and Significant Accounting Policies

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

The consolidated financial statements for The University of Toledo Foundation (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.

In addition, the Foundation has included the activities of the Student Loan Trust (Trust), a trust used to fund student loans held for sale for the benefit of the Foundation as beneficiary.

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 Foundation's significant accounting policies follow:

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to the Foundation, accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purpose. In the financial statements, funds that have similar characteristics have been combined into the net asset categories of 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 board-endowed funds. The governing board has the right to decide at any time to expend the quasi-endowment funds.

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note I - Organization and Significant Accounting Policies (Continued)

Fund Accounting and Net Asset Classifications (Continued)

- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Income from investments in quasi-endowment funds is temporarily restricted until the donor-stipulated restrictions are met for spending of such income.
- 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, until expended for its designated purpose.

As of June 30, 2008, the net value of certain endowment funds was below the initial contributed value due to market performance. The Foundation has transferred \$166,927 from unrestricted funds to temporarily restricted quasi-endowment funds to restore the reduction in value of the temporarily restricted quasi-endowment funds.

The Foundation follows the Uniform Management of Institutional Funds Act (UMIFA), which provides for spending from funds only when the fair market value of a fund exceeds its historical value, unless the fund agreement states otherwise. The Foundation has modified certain existing fund agreements for UMIFA, as agreed upon by the donor, and has established this as standard for future agreements.

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.

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. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. 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, 2008.

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note I - Organization and Significant Accounting Policies (Continued)

Investments

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

Other investments held by the Foundation 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 \$30,366,479 (15.9 percent of net assets) at June 30, 2008 and include approximately \$4.9 million of equity assignments from the University of Toledo. Where a publicly-listed price is not available, management uses alternative sources of information including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, recent purchases and sales, and similar evidence provided by the fund managers and general partners to determine fair values of the investments.

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.

Student Loans Held in Trust

As the Foundation is the primary beneficiary of the Trust, the activities of the Trust are included in the accompanying consolidated financial statements. The Trust originates student loans to students at the University of Toledo under the Federal Family Education Loan Program (FFELP) which are 100 percent insured by the federal government. The FFELP is subject to a comprehensive recertification every five years and to periodic regulatory changes. During 2007, the FFELP recertification reduced the amount of income that lenders could earn from the program resulting in the Foundation discontinuing the loan program in March 2008.

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 1 - Organization and Significant Accounting Policies (Continued)

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 present 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. The Foundation's interest in such trusts is based on the estimated value of the assets to be received from each trust.

Property and Equipment

Property and equipment 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.

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. The liability to each annuitant is computed annually with the actuarial gain or loss credited or charged to net assets.

Administrative Fees

In 2008, the Foundation charged a 1.35 percent fee (1.6 percent for former MUOF funds) 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 year ended June 30, 2008 was \$682,699. Administrative fees charged to restricted funds of the Foundation are included in unrestricted revenue.

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note I - Organization and Significant Accounting Policies (Continued)

Income Tax Status

The Foundation and the Corporation are incorporated under the laws of the State of Ohio as nonprofit corporations and are exempt from state and local income taxes. The Internal Revenue Service has determined that the Foundation and the Corporation are tax-exempt organizations as defined under Section 501(c)(3) and Section 501(c)(25)(C) respectively, of the Internal Revenue Code.

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. Management has determined that no accrual is necessary for unrelated business income tax for the year ended June 30, 2008

Donated Assets

Donated assets, when received, are reflected as contributions in the accompanying financial statements at the estimated fair value at the date of receipt. The Foundation received donated assets in 2008 valued at \$140,320.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 2 - Contributions Receivable

As of June 30, 2008, donors to the Foundation have made unconditional promises to give, for which management has established an allowance for uncollectible pledges. Contributions due greater than one year reflect a discount to net present value. Write-offs of uncollectible pledges for the year ended June 30, 2008 amounted to \$428,445.

	2008
Within one year	\$ 3,694,816
One to five years	13,491,189
More than five years	15,676,688
Total	<u>32,862,693</u>
Less allowance	(1,607,882)
Less present value discount	(6,929,266)
Net contributions receivable	<u><u>\$ 24,325,545</u></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 has been included in the long-term pledges valued at, net of present value discount, \$8,790,041 at June 30, 2008.

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 3 - Investments

Some investments of the University of Toledo and the University of Toledo Alumni Association are pooled with investments of the Foundation. The pooled investments are managed by the Foundation. The following is the Foundation's share of investments as of June 30, 2008:

	Cost	Market	Unrealized Appreciation
Cash equivalents	\$ 5,205,400	\$ 5,205,400	\$ -
Common stocks	101,541,841	103,216,979	1,675,138
Corporate bonds	14,323,554	14,416,715	93,161
U.S. government and agency issues	9,800,588	9,702,099	(98,489)
Other	18,063,663	18,430,281	366,618
Total pooled investments	<u>\$ 148,935,046</u>	<u>\$ 150,971,474</u>	<u>\$ 2,036,428</u>

Total unrealized appreciation	\$ 2,036,428
Less net gain for the year ended June 30, 2007	(34,212,720)
Unrealized loss for the year ended June 30, 2008	(32,176,292)
Realized gain for the year ended June 30, 2008	22,211,222
Total net unrealized and realized loss on pooled investments for the year ended June 30, 2008	<u>\$ (9,965,070)</u>

Other sources of realized and unrealized gains and losses include sales of gifted assets of \$(16,632) and assets held in charitable remainder trusts. The trusts are principally comprised of equity securities and U. S. government and agency issues. Unrealized losses of \$(648,547) and realized gains of \$141,341 were recognized by the trusts for the year ended June 30, 2008.

Investment and custody fees of \$509,037 relating to the Foundation's investments were incurred for the year ended June 30, 2008.

During the year ended June 30, 2008, the University of Toledo assigned their rights in the equity of four start-up organizations to the Foundation. The investments in these organizations are recorded by the Foundation at fair value and total \$4,886,635 at June 30, 2008 (see Notes 1 and 9).

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 3 - Investments (Continued)

In April 2002, the Foundation contributed land with an appraised value of approximately \$95,000 to Foundation Park Investors, LLC (Foundation Park) in exchange for a 33 percent membership interest in Foundation Park. Foundation Park constructed an office facility, in which the former MUO Foundation conducted its operations. Foundation Park sold the building in April 2008. The income from the sale is reflected in the Foundation's consolidated statement of activities.

In May 2006, the Foundation purchased 28 acres of real estate for \$932,167 from the University for investment purposes. This amount is included in the assets held for investments on the consolidated statement of financial position of \$973,667. Also included in this amount are additional other investments of \$41,500.

Note 4 - Lease Commitments

Lease Expense

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. As of June 30, 2008, this amount was \$30,381 and is included in the prepaid expenses on the consolidated statement of financial position. The lease expires in 2012 and provides for two additional 10-year renewal options. Rental expense charged to operations under the lease was \$40,450 for the year ended June 30, 2008.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2008:

	Amount
2009	\$ 58,450
2010	58,450
2011	58,450
Thereafter	29,225
	<u>\$ 204,575</u>

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

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 consecutive 12-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 year ended June 30, 2008 was \$80,085.

Note 6 - Temporarily Restricted Net Assets

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

	2008
Academics	\$ 43,757,573
Student aid	36,917,292
Capital projects	7,641,882
Athletic programs	9,736,378
Research	10,593,089
General support	2,535,839
	<u>\$ 111,182,053</u>

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 7 - Permanently Restricted Net Assets

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

	2008
Academics	\$ 25,463,118
Student aid	32,149,037
Capital projects	3,437,595
Athletic programs	125,412
Research	1,351,184
General support	4,388,030
Total	<u>\$ 66,914,376</u>

Note 8 - Reclassification of Net Assets

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

	2008
Academics	\$ 4,688,805
Student aid	3,880,227
Capital projects	109,442
Athletic programs	1,650,316
Research	257,550
University Loan Program	1,132,413
	<u>\$ 11,718,753</u>

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

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 9 - Related Party Transactions

In February 2008, the Foundation issued a \$295,170 five-year loan to the University athletics department for the purchase of video equipment for the football program. Payments of \$17,192 are due quarterly at an annual percentage rate of 6.0 percent. The balance on the note as of June 30, 2008 was \$269,448. The Foundation has recorded a note receivable from the University on its consolidated statement of financial position.

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

The Foundation received a transfer from the University of Toledo related to assignments of equity rights in four start-up companies. The transfer was recorded at fair value based on the underlying value of the associated investments (see Notes 1 and 3).

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 10 - Line of Credit

The Foundation also has an unsecured, revolving line of credit agreement with a bank which provides for borrowings up to \$10,000,000, with interest at the bank's prime rate less one half percent (4.5 percent at June 30, 2008). This line of credit is to be utilized in real-estate transactions entered into by the Foundation on behalf of the Corporation. There were no borrowings on the line of credit in the current year.

Note 11 - Real Estate Corporation

During fiscal year 2008, the Corporation purchased two commercial properties for \$880,000 and six residential properties for \$521,350. At June 30, 2008, four of the residential properties are under lease. Beginning in the fall of 2008, the Corporation will raze three commercial properties and two residential properties. As of June 30, 2008, the net book value of these properties was \$365,887.

In July 2004, the Corporation executed \$1,750,000 three-year loan with a bank for the purchase of a building. Monthly interest payments are variable at 125 basis points above LIBOR (3.71 percent at June 30, 2008) with maturity in July 2007. This agreement was renegotiated in July 2007 to extend the terms until July 2009. The outstanding balance amounting to approximately \$1,407,000 has been classified as a short-term note payable as of June 30, 2008.

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 11 - Real Estate Corporation (Continued)

In June 2008, the Corporation's board approved the sale of the 2727 Kenwood property. The Corporation has met all the criteria as required by Financial Accounting Standards No. 144, *Accounting for the Impairment of Disposal of Long-Lived Assets*, and has consequently classified land and building related to the property of approximately \$1.4 million as held for sale as of June 30, 2008. The sale price of the property is \$1,100,000, which is expected to result in a loss of approximately \$269,000.

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

The University of Toledo Foundation merged with the Medical University of Ohio Foundation effective July 1, 2007. The MUO Foundation is the surviving corporation and was renamed as The University of Toledo Foundation. This merger was accounted for as a "pooling of interests." The accompanying consolidated financial statements reflect the combined assets, liabilities and net assets of the two organizations at June 30, 2008 and the revenues, support, expenses, changes in net assets and functional expenses for the entire fiscal year ended June 30, 2008. The effect of the merger on the net assets for fiscal year 2008 was as follows:

Net assets, beginning of year as previously reported	\$ 32,418,269
Adjustment for the effect of the merger	<u>148,511,596</u>
Net assets, beginning of year as restated	<u>\$ 180,929,865</u>

Note 13 - Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments are as follows:

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

Contributions receivable are stated as net present value as described in Note 2.

Investments, including nonmarketable partnership interests, are stated at fair value as described in Note 3.

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

The University of Toledo Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008

Note 14 - Recently Issued Accounting Pronouncement

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The provisions of SFAS 157 are effective for the fiscal year beginning after November 15, 2007. The Foundation is currently evaluating the impact, if any, of the provisions of SFAS 157 on the consolidated financial statements.

Note 15 - Subsequent Events

As of the date of the report, operations have ceased for two of the subsidiary entities, University Promotions, Ltd. and CAHS, Ltd. Official discontinuance of operations is pending formal filings for dissolution.

Additional Information

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

We have audited the accompanying consolidated statement of financial position of The University of Toledo Foundation and Subsidiaries, an Ohio not-for-profit corporation, as June 30, 2008 and the related statements of activities and cash flows for the year then ended. Our audit was 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., University Promotions, Ltd., CAHS, Ltd., 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 audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Plante & Moran, PLLC

September 16, 2008

The University of Toledo Foundation and Subsidiaries

Consolidating Schedule of Financial Position As of June 30, 2008

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	University Promotions, Ltd.	CAHS, Ltd.	MCOF Enterprises, Ltd.	Eliminations	Consolidated University of Toledo Foundation
Assets							
Current assets:							
Cash	\$ 1,354,848	\$ 31,031	\$ 71,305	\$ 5,184	\$ 142,618	\$ -	\$ 1,604,986
Accounts receivable	491,733	15,261	9,000	-	-	(102,826)	413,168
Notes receivable	53,798	-	-	-	-	-	53,798
Contributions receivable, net of allowance for uncollectible contributions	- 3,275,257	- -	- -	- -	- -	- -	- 3,275,257
Interest receivable	132,319	-	-	-	-	-	132,319
Prepaid expenses	59,426	-	-	-	-	-	59,426
Inventory	-	-	72	-	-	-	72
Total current assets	5,367,381	46,292	80,377	5,184	142,618	(102,826)	5,539,026
Other assets:							
Investments:							
Pooled	150,971,474	-	-	-	-	-	150,971,474
Real estate and other	973,667	-	-	-	-	-	973,667
Investments in equity assignments	4,886,635	-	-	-	-	-	4,886,635
Assets held in charitable remainder trusts	6,628,624	-	-	-	-	-	6,628,624
Total investments	163,460,400	-	-	-	-	-	163,460,400
Notes receivable - long term	215,650	-	-	-	-	-	215,650
Contributions receivable - long term, net of allowance for uncollectible contributions and present value adjustment	- 21,050,288	- -	- -	- -	- -	- -	- 21,050,288
Cash value of life insurance	1,391,203	-	-	-	-	-	1,391,203
Asset held for sale	-	1,368,774	-	-	-	-	1,368,774
Total other assets	186,117,541	1,368,774	-	-	-	-	187,486,315
Property and equipment:							
Land	11,970	3,210,904	-	-	-	-	3,222,874
Rental property	-	976,931	-	-	-	-	976,931
Office equipment	601,272	312,017	-	-	3,243	-	916,532
Total property and equipment	613,242	4,499,852	-	-	3,243	-	5,116,337
Less accumulated depreciation	554,117	301,995	-	-	323	-	856,435
Net property and equipment	59,125	4,197,857	-	-	2,920	-	4,259,902
Total assets	\$ 191,544,047	\$ 5,612,923	\$ 80,377	\$ 5,184	\$ 145,538	\$ (102,826)	\$ 197,285,243

The University of Toledo Foundation and Subsidiaries

Consolidating Schedule of Financial Position As of June 30, 2008

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	University Promotions, Ltd.	CAHS, Ltd.	MCOF Enterprises, Ltd.	Eliminations	Consolidated University of Toledo Foundation
Liabilities							
Current liabilities:							
Accounts payable	\$ 702,083	\$ -	\$ 51	\$ 4,147	\$ 15,598	\$ -	\$ 721,879
Notes payable	-	1,407,292	-	-	-	-	1,407,292
Contribution payable	158,723	-	-	-	-	-	158,723
Accrued liabilities	97,796	14,764	94,578	7,438	831	(102,826)	112,581
Total current liabilities	958,602	1,422,056	94,629	11,585	16,429	(102,826)	2,400,475
Noncurrent liabilities:							
Annuities payable	4,346,334	-	-	-	-	-	4,346,334
Total liabilities	5,304,936	1,422,056	94,629	11,585	16,429	(102,826)	6,746,809
Net assets							
Unrestricted:							
Operating Funds:							
Undesignated	(559,921)	-	-	-	-	-	(559,921)
Designated - real estate	-	4,190,867	-	-	-	-	4,190,867
Designated - board	1,907,488	-	(14,252)	(6,401)	129,109	-	2,015,944
Total unrestricted operating funds	1,347,567	4,190,867	(14,252)	(6,401)	129,109	-	5,646,890
Board endowed	6,795,115	-	-	-	-	-	6,795,115
Total unrestricted	8,142,682	4,190,867	(14,252)	(6,401)	129,109	-	12,442,005
Temporarily restricted:							
Operating funds	38,405,216	-	-	-	-	-	38,405,216
Quasi-endowment	72,776,837	-	-	-	-	-	72,776,837
Total temporarily restricted	111,182,053	-	-	-	-	-	111,182,053
Permanently restricted							
	66,914,376	-	-	-	-	-	66,914,376
Total net assets	186,239,111	4,190,867	(14,252)	(6,401)	129,109	-	190,538,434
Total liabilities and net assets	\$ 191,544,047	\$ 5,612,923	\$ 80,377	\$ 5,184	\$ 145,538	\$ (102,826)	\$ 197,285,243

The University of Toledo Foundation and Subsidiaries

Consolidating Statement of Activities As of June 30, 2008

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	University Promotions, Ltd.	CAHS, Ltd.	MCOF Enterprises, Ltd.	Eliminations	Consolidated			University of Toledo Foundation
							Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Support, revenue, and gains (losses)										
Public support:										
Unconditional promises to give (net of allowance for uncollectible contributions and present value adjustment)	\$ 12,564,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,564,477	\$ -	\$ 12,564,477
Contributions	9,594,589	-	-	-	-	-	163,372	7,033,601	2,397,616	9,594,589
Annuities and trusts (net of actuarial adjustments)	81,812	-	-	-	-	-	-	26,019	55,793	81,812
Royalties and ancillary businesses	-	-	149,688	66,878	614,545	-	831,111	-	-	831,111
Total public support	22,240,878	-	149,688	66,878	614,545	-	994,483	19,624,097	2,453,409	23,071,989
Administrative fees	682,699	-	-	-	-	-	2,471,973	(1,782,485)	(6,789)	682,699
Return on investments:										
Interest and dividends	3,489,923	-	-	-	-	-	657,624	2,540,856	291,443	3,489,923
Net realized and unrealized loss on investments	(10,488,908)	-	-	-	-	-	(2,178,840)	(7,801,196)	(508,872)	(10,488,908)
Equity in net income of investments	213,186	-	-	-	-	-	213,186	-	-	213,186
Investment fees	(509,037)	-	-	-	-	-	(101,685)	(367,597)	(39,755)	(509,037)
Net return (losses) on investments	(7,294,836)	-	-	-	-	-	(1,409,715)	(5,627,937)	(257,184)	(7,294,836)
Other income:										
Ancillary and non-gift	1,945,797	-	-	-	-	(46,443)	168,715	1,697,402	33,237	1,899,354
Income - Real Estate Corp	-	302,059	-	-	-	-	302,059	-	-	302,059
University Loan program	2,512,824	-	-	-	-	-	-	2,512,824	-	2,512,824
Total other income	4,458,621	302,059	-	-	-	(46,443)	470,774	4,210,226	33,237	4,714,237
Net assets released from restrictions and other transfers:										
Satisfaction of program and donor restrictions	-	-	-	-	-	-	11,718,753	(11,643,706)	(75,047)	-
Expiration of time restrictions (pledge payments)	-	-	-	-	-	-	54,945	(297,925)	242,980	-
Other transfers	(1,233,755)	1,233,755	-	-	-	-	(94,399)	901,267	(806,868)	-
Total support, revenue and gains (losses)	\$ 18,853,607	\$ 1,535,814	\$ 149,688	\$ 66,878	\$ 614,545	\$ (46,443)	\$ 14,206,814	\$ 5,383,537	\$ 1,583,738	\$ 21,174,089

The University of Toledo Foundation and Subsidiaries

Consolidating Statement of Activities (Continued) As of June 30, 2008

	University of Toledo Foundation	University of Toledo Foundation Real Estate Corp.	University Promotions, Ltd.	CAHS, Ltd.	MCOF Enterprises, Ltd.	Eliminations	Consolidated			University of Toledo Foundation
							Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Expenses :										
Program services:										
Academics	\$ 5,224,121	\$ -	\$ -	\$ -	\$ 419,004	\$ -	\$ 5,643,125	\$ -	\$ -	\$ 5,643,125
University Loan Program	1,132,413	-	-	-	-	-	1,132,413	-	-	1,132,413
Student aid	3,875,742	-	-	-	-	-	3,875,742	-	-	3,875,742
Capital projects	312,309	-	-	-	-	-	312,309	-	-	312,309
Athletic programs	1,650,316	-	-	-	-	-	1,650,316	-	-	1,650,316
Research	257,550	-	-	-	-	-	257,550	-	-	257,550
Fund raising	760,501	-	-	-	-	-	760,501	-	-	760,501
Management and general - operating	2,054,134	-	-	-	-	-	2,054,134	-	-	2,054,134
Management and general - Real Estate Corp	-	499,111	-	-	-	-	499,111	-	-	499,111
MCOF Enterprises, Ltd.	-	-	-	-	102,149	(15,338)	86,811	-	-	86,811
University Promotion, Ltd.	-	-	146,171	-	-	(28,069)	118,102	-	-	118,102
College of Allied Health Sciences, Ltd.	-	-	-	65,077	-	(3,036)	62,041	-	-	62,041
Total expenses	<u>15,267,086</u>	<u>499,111</u>	<u>146,171</u>	<u>65,077</u>	<u>521,153</u>	<u>(46,443)</u>	<u>16,452,155</u>	<u>-</u>	<u>-</u>	<u>16,452,155</u>
Increase (Decrease) in Net Assets	<u>3,586,521</u>	<u>1,036,703</u>	<u>3,517</u>	<u>1,801</u>	<u>93,392</u>	<u>-</u>	<u>(2,245,341)</u>	<u>5,383,537</u>	<u>1,583,738</u>	<u>4,721,934</u>
Transfers from the University of Toledo	4,886,635	-	-	-	-	-	-	4,886,635	-	4,886,635
Total Increase in Net Assets and Transfers	<u>8,473,156</u>	<u>1,036,703</u>	<u>3,517</u>	<u>1,801</u>	<u>93,392</u>	<u>-</u>	<u>(2,245,341)</u>	<u>10,270,172</u>	<u>1,583,738</u>	<u>9,608,569</u>
Net assets at beginning of year	177,765,955	3,154,164	(17,769)	(8,202)	35,717	-	14,687,346	100,911,881	65,330,638	180,929,865
Net Assets at End of Year	<u>\$ 186,239,111</u>	<u>\$ 4,190,867</u>	<u>\$ (14,252)</u>	<u>\$ (6,401)</u>	<u>\$ 129,109</u>	<u>\$ -</u>	<u>\$ 12,442,005</u>	<u>\$ 111,182,053</u>	<u>\$ 66,914,376</u>	<u>\$ 190,538,434</u>



THE UNIVERSITY
OF TOLEDO
FOUNDATION

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Report of Management

To the Constituents of The University of Toledo Foundation:

Management of the Foundation is responsible for preparing the accompanying financial statements and for ensuring their integrity and objectivity. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and fairly represent the financial transactions and financial position of the Foundation at June 30, 2008. The financial statements include amounts that are based on management's best estimates and judgments. We believe the financial statements do not contain any untrue material statement or facts and are not misleading in this presentation.

The Foundation's financial statements have been audited by Plante & Moran, PLLC, independent auditors selected by the Audit Committee and approved by the Board of Trustees. Management has made available to Plante & Moran, PLLC all the Foundation's financial records and related data, as well as the minutes of the Board of Trustees and related Committee meetings.

Management of the Foundation has established and maintains a system of internal accounting controls that is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and the books and records accurately reflect the disposition of assets. The system of internal accounting controls includes an appropriate division of responsibility and oversight review, considering the size and nature of our operations.

The Audit Committee is composed of Trustees who are not officers or employees of the Foundation. It meets regularly with members of management and the independent auditors to discuss the adequacy of the Foundation's internal controls, its financial statements, and the nature, extent and results of the audit effort. The independent auditors have free and direct access to the Audit Committee without the presence of management. We also certify that material changes in financial operations and financial statement disclosures are reviewed by the Audit Committee for approval and that any incidents of fraud are also reported to and reviewed by the Audit Committee.

The University of Toledo Foundation

Brenda S. Lee
President

Sabrina J. Taylor, CPA
Vice President, Finance and Operations