

# **Michigan Tech Fund**

## **Financial Statements**

**For the years ended June 30, 2008 and 2007**

**Michigan Tech Fund**  
Financial Statement Contents  
For the years ended June 30, 2008 and 2007

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**REHMANN ROBSON**

*Certified Public Accountants*

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## **Independent Auditors' Report**

To the Board of Trustees  
Michigan Tech Fund  
Houghton, Michigan

We have audited the accompanying statement of financial position of the Michigan Tech Fund (a not-for-profit organization and a discretely presented component unit of Michigan Technological University) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Michigan Tech Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Michigan Tech Fund as of and for the year ended June 30, 2007, were audited by other auditors whose report dated September 5, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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, and evaluating the overall financial statement presentation. We believe that our audit of the 2008 financial statements provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Tech Fund at June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

September 29, 2008

**Michigan Tech Fund**  
**Statements of Financial Position**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,177,429	\$ 7,306,414
Pledges receivable, net of allowance for uncollectible amounts	1,367,903	1,225,624
Interest and dividends receivable	105,935	236,635
Prepaid expenses and other receivable	<u>47,342</u>	<u>39,892</u>
Total current assets	6,698,609	8,808,565
Other assets:		
Pledges receivable, net of allowance, net of current portion	3,084,612	2,935,646
Cash surrender value, life insurance	841,352	792,558
Contributions receivable from remainder trusts	4,321,781	4,445,431
Investments	96,361,043	95,176,439
Fixed assets, net	<u>23,057</u>	<u>35,640</u>
Total other assets	<u>104,631,845</u>	<u>103,385,714</u>
Total assets	<u>\$ 111,330,454</u>	<u>\$ 112,194,279</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 536,036	\$ 540,622
Due to Michigan Technological University	-	250,000
Annuity payment liability	<u>329,348</u>	<u>409,753</u>
Total current liabilities	865,384	1,200,375
Other liabilities:		
Annuity payment liability, long-term portion	3,390,230	3,223,285
Split-interest agreements	<u>550,266</u>	<u>636,014</u>
Total other liabilities	<u>3,940,496</u>	<u>3,859,299</u>
Total liabilities	<u>4,805,880</u>	<u>5,059,674</u>
Net assets:		
Unrestricted	3,682,308	4,926,752
Temporarily restricted	51,178,454	52,929,512
Permanently restricted	<u>51,663,812</u>	<u>49,278,341</u>
Total net assets	<u>106,524,574</u>	<u>107,134,605</u>
Total liabilities and net assets	<u>\$ 111,330,454</u>	<u>\$ 112,194,279</u>

The accompanying notes are an integral part of these financial statements.

**Michigan Tech Fund**  
**Statement of Activities**  
**For the year ended June 30, 2008**

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,087,306	\$ 7,893,822	\$ 2,318,854	\$ 11,299,982
Investment return	1,799,190	(1,184,132)	-	615,058
Other income	51,749	171,807	-	223,556
Net assets released from restrictions	<u>8,630,916</u>	<u>(8,630,916)</u>	<u>-</u>	<u>-</u>
Total support and revenue	11,569,161	(1,749,419)	2,318,854	12,138,596
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	1,868,149	-	-	1,868,149
Capital projects and equipment	222,031	-	-	222,031
Departmental and other program support	<u>9,631,537</u>	<u>-</u>	<u>-</u>	<u>9,631,537</u>
	11,721,717	-	-	11,721,717
Management and general expenses:				
Salaries, wages, and benefits	533,167	-	-	533,167
Other operating expenses	<u>493,743</u>	<u>-</u>	<u>-</u>	<u>493,743</u>
	<u>1,026,910</u>	<u>-</u>	<u>-</u>	<u>1,026,910</u>
Total expenses	<u>12,748,627</u>	<u>-</u>	<u>-</u>	<u>12,748,627</u>
Change in net assets	(1,179,466)	(1,749,419)	2,318,854	(610,031)
Net assets, beginning of year	4,926,752	52,929,512	49,278,341	107,134,605
Net asset transfers	<u>(64,978)</u>	<u>(1,639)</u>	<u>66,617</u>	<u>-</u>
Net assets, end of year	<u>\$ 3,682,308</u>	<u>\$ 51,178,454</u>	<u>\$ 51,663,812</u>	<u>\$ 106,524,574</u>

The accompanying notes are an integral part of these financial statements.

**Michigan Tech Fund**  
**Statement of Activities**  
**For the year ended June 30, 2007**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,683,424	\$ 7,588,951	\$ 6,762,572	\$ 16,034,947
Investment return	3,459,315	9,369,193	-	12,828,508
Other income	81,389	236,465	-	317,854
Net assets released from restrictions	<u>12,150,136</u>	<u>(12,150,136)</u>	<u>-</u>	<u>-</u>
Total support and revenue	17,374,264	5,044,473	6,762,572	29,181,309
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	1,794,160	-	-	1,794,160
Capital projects and equipment	2,637,941	-	-	2,637,941
Departmental and other program support	<u>10,350,940</u>	<u>-</u>	<u>-</u>	<u>10,350,940</u>
	14,783,041	-	-	14,783,041
Management and general expenses:				
Salaries, wages, and benefits	517,322	-	-	517,322
Other operating expenses	<u>454,259</u>	<u>-</u>	<u>-</u>	<u>454,259</u>
	971,581	-	-	971,581
Total expenses	<u>15,754,622</u>	<u>-</u>	<u>-</u>	<u>15,754,622</u>
Change in net assets	1,619,642	5,044,473	6,762,572	13,426,687
Net assets, beginning of year	3,281,956	47,387,912	43,038,050	93,707,918
Net asset transfers	<u>25,154</u>	<u>497,127</u>	<u>(522,281)</u>	<u>-</u>
Net assets, end of year	<u>\$ 4,926,752</u>	<u>\$ 52,929,512</u>	<u>\$ 49,278,341</u>	<u>\$ 107,134,605</u>

The accompanying notes are an integral part of these financial statements.

**Michigan Tech Fund**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2008**

	2008		
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
Expenses:			
Scholarships and fellowships	\$ 1,868,149	\$ -	\$ 1,868,149
Capital projects and equipment	222,031	-	222,031
Departmental and other program support	9,631,537	-	9,631,537
Salaries and wages	-	385,247	385,247
Payroll taxes	-	28,749	28,749
Retirement plan contributions	-	44,365	44,365
Other employee fringe benefits	-	74,806	74,806
Supplies	-	22,551	22,551
Postage and printing	-	14,959	14,959
Insurance	-	17,937	17,937
Telephone	-	2,040	2,040
Legal fees	-	549	549
Accounting fees	-	18,250	18,250
Travel	-	17,918	17,918
Board meetings	-	60,297	60,297
Entertainment	-	24,772	24,772
Equipment charges and maintenance	-	27,033	27,033
Depreciation	-	21,365	21,365
Space rental	-	135,740	135,740
Stewardship and special events	-	5,336	5,336
Professional services	-	26,087	26,087
Custodian and trustee fees	-	50,026	50,026
Other	-	48,883	48,883
Total expenses	<u>\$ 11,721,717</u>	<u>\$ 1,026,910</u>	<u>\$ 12,748,627</u>

The accompanying notes are an integral part of these financial statements.

**Michigan Tech Fund**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2007**

	2007		
	Program Services	Management & General	Total
Expenses:			
Scholarships and fellowships	\$ 1,794,160	\$ -	\$ 1,794,160
Capital projects and equipment	2,637,941	-	2,637,941
Departmental and other program support	10,350,940	-	10,350,940
Salaries and wages	-	373,841	373,841
Payroll taxes	-	30,580	30,580
Retirement plan contributions	-	42,120	42,120
Other employee fringe benefits	-	70,781	70,781
Contracted services	-	-	-
Supplies	-	22,335	22,335
Postage and printing	-	14,620	14,620
Insurance	-	21,326	21,326
Telephone	-	3,053	3,053
Legal fees	-	4,658	4,658
Accounting fees	-	28,500	28,500
Travel	-	11,474	11,474
Board meetings	-	25,802	25,802
Entertainment	-	41,679	41,679
Equipment charges and maintenance	-	17,500	17,500
Depreciation	-	25,933	25,933
Property taxes	-	264	264
Space rental	-	116,697	116,697
Stewardship and special events	-	11,974	11,974
Training and professional development	-	13,059	13,059
Professional services	-	9,245	9,245
Recruiting and relocation	-	2,336	2,336
Custodian and trustee fees	-	50,318	50,318
Other	-	33,486	33,486
<b>Total expenses</b>	<b>\$ 14,783,041</b>	<b>\$ 971,581</b>	<b>\$ 15,754,622</b>

The accompanying notes are an integral part of these financial statements.



**Michigan Tech Fund**  
**Statements of Cash Flows**  
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (610,031)	\$ 13,426,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,365	25,933
Net realized and unrealized losses (gains)	4,895,911	(8,521,349)
Contributions of real property and securities	(1,295,673)	(880,100)
Contributions restricted for long-term investment	(2,602,207)	(5,362,625)
Changes in present value of split-interest agreements	349,763	481,040
Net change in contributions receivable from remainder trusts	123,650	(1,275,285)
(Increase) decrease in cash surrender value, life insurance	(48,794)	3,886
Changes in assets and liabilities:		
Interest and dividends receivable	130,700	(104,184)
Pledges receivable, net of permanently restricted components	(450,556)	3,398,309
Prepaid expenses and other receivables	(7,450)	25,368
Accounts payable and accrued expenses	(4,586)	379,845
Due to Michigan Technological University	(250,000)	250,000
Net cash provided by operating activities	<u>252,092</u>	<u>1,847,525</u>
Cash flows from investing activities:		
Purchase of equipment	(8,782)	(8,831)
Proceeds from sale of real property	-	159,803
Purchase of investments	(32,899,613)	(20,963,364)
Proceeds from sale of investments	28,114,827	16,031,217
Net cash used in investing activities	<u>(4,793,568)</u>	<u>(4,781,175)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	2,296,469	5,116,348
Investment subject to annuity agreements	305,738	246,277
Collection of permanently restricted contributions receivable	159,311	164,342
Payments on annuity obligations	(349,027)	(358,070)
Net cash provided by financing activities	<u>2,412,491</u>	<u>5,168,897</u>
Net change in cash and cash equivalents	(2,128,985)	2,235,247
Cash and cash equivalents, beginning of year	7,306,414	5,071,167
Cash and cash equivalents, end of year	<u>\$ 5,177,429</u>	<u>\$ 7,306,414</u>

The accompanying notes are an integral part of these financial statements.

**1. Summary of Significant Accounting Policies:**

The Michigan Tech Fund (the “Fund”) is a Michigan not-for-profit organization established to raise, receive, and maintain funds to use or apply the whole or any part of the income there from or the principal thereof exclusively to promote the best interest, purposes, and objectives of Michigan Technological University (the “University” or “MTU”). The Fund is a discretely presented component unit of the University. The Fund is organized under the provisions of the Michigan Corporation Act (Act 327, PA of 1931) as amended. The Fund has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. This 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 and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The fair values of the Fund’s financial instruments are as follows:

- a. Cash and Cash Equivalents:** The carrying amount approximates fair value.
- b. Investments:** A summary of the fair value of various investments is provided in Note 2.
- c. Pledges Receivable:** The carrying amount represents recorded promises to give, measured at present value of future cash flows, net of estimated uncollectible pledges (see Note 3).
- d. Split-Interest Agreements:** The carrying amount approximates present value of expected future payments to beneficiaries (see Note 7).
- e. Other:** The Fund’s other financial instruments carried in the accompanying statement of financial position are amounts that approximate fair values.

The estimated fair value amounts have been determined by the Fund using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Fund could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. For all current financial instruments, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. All investment securities are carried at fair value in the financial statements.

The net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund have been grouped into the following three classes:

***Unrestricted net assets:*** Generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses, and dividends and interest from investing in income-producing assets, less the expenses incurred in providing services, raising contributions, and performing administrative functions.

***Temporarily restricted net assets:*** Generally result from contributions, unrealized and realized gains and losses, and dividends and interest from investing in income-producing assets, and other inflows of assets, which are held for specific purposes as stipulated by the donor. Temporarily restricted net assets are released from restrictions by the passage of time or by actions of the Fund, pursuant to the donors’ stipulations.

**1. Summary of Significant Accounting Policies, continued:**

***Permanently restricted net assets:*** Generally result from contributions and other inflows of assets that represent permanent endowments where use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Fund.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (e.g., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

- a. Cash and Cash Equivalents:** Cash and cash equivalents include cash deposits, time deposits, certificates of deposit, money market funds, and highly liquid debt instruments with original maturities of three months or less.
- b. Investments:** Investments in marketable securities including hedge funds are carried at quoted fair market value whenever possible. Private equity and limited partnerships which do not have readily determinable market values as of June 30 are valued based on available partner capital account balances as reported by the partnerships to the Fund. The partnership valuations involve assumptions and methods that are reviewed by the Fund. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity and limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by a custodial institution responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment consulting firm to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced quarterly, when necessary. The Fund's Investment and Finance Committee of the Board of Directors oversees investment activity and makes recommendations to the Board of Directors concerning any changes in investments or asset allocation adjustments. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) on permanently restricted, temporarily restricted, and unrestricted net assets to departmental funds based on an average of each fund's beginning and ending monthly balances.
- c. Split-Interest Agreements:** Life income trusts, pooled income funds, remainder trusts, and certain other investments are maintained by a separate trust company. Trustee functions include management of the investments, distributions to donors, complying with tax filing requirements, and providing periodic statements of activity to the Fund. Refer to Note 7 for further details.
- d. Fixed Assets:** The fixed assets of the Fund consist of office equipment, computers, software, and furniture. Fixed assets are recorded at cost at the date of acquisition and are depreciated on a straight-line basis over estimated useful lives of three to seven years. At the time of disposal, fixed assets are removed from the records and any gain or loss is recognized in the statement of activities.

**1. Summary of Significant Accounting Policies, continued:**

- e. Gifts-in-Kind:** Land, buildings, equipment, and art properties are recorded at estimated fair value at the date of the gift based upon appraised values. In most cases, the Fund serves as an agent for the receipt of property and equipment and immediately transfers these gifts to the University. The Fund has a policy to list for sale any gifts-in-kind received and not subject to immediate transfer to the University.
- f. Contributions and Pledges Receivable:** Contributions received and unconditional promises to give are recognized at their fair values as revenues in the periods received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. All unconditional promises to give are recorded at their net realizable values.
- g. Asset-Based Management and Administrative Fees:** The Fund receives monthly management and administrative fees from the various departmental funds for acting as agent-intermediary for assets processed and maintained by the Fund. These fees increase unrestricted net assets and decrease temporarily restricted net assets.
- h. Reclassification:** Certain reclassifications were made to amounts in the 2007 financial statements to conform to the classifications used in 2008.

**2. Investments:**

Investments, carried at fair value, at June 30, 2008 and 2007, are categorized as follows:

	<u>2008</u>	<u>2007</u>
Marketable securities		
Equities	\$ 441,881	\$ 615,283
Mutual funds - equities	48,199,792	46,654,716
Mutual funds - fixed income	26,384,048	28,473,729
Corporate bonds and notes	70,173	55,677
US government obligations	<u>1,085,886</u>	<u>1,656,919</u>
Total marketable securities	76,181,780	77,456,324
Alternative investments		
Hedge funds	7,230,321	7,310,031
Real estate and natural resources	4,906,776	3,724,835
Private equity	<u>8,022,166</u>	<u>6,665,249</u>
Total alternative investments	20,159,263	17,700,115
Closely held stock	<u>20,000</u>	<u>20,000</u>
Total investments	<u>\$ 96,361,043</u>	<u>\$ 95,176,439</u>

At June 30, 2008, the Fund's remaining capital commitment for investment in limited partnerships is approximately \$3,600,000.

**Michigan Tech Fund**  
Notes to Financial Statements

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**2. Investments, continued:**

Investment return is a net amount and is comprised of the following for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 2,495,434	\$ 2,348,070
Capital gain distributions	3,263,818	2,351,728
Net gain on sale of investments	4,680,326	2,415,078
Net unrealized (loss) gain on investments	(9,576,237)	6,106,271
Asset-based management and administrative fees	<u>(248,283)</u>	<u>(392,639)</u>
 Total investment return	 <u>\$ 615,058</u>	 <u>\$ 12,828,508</u>

**3. Pledges Receivable:**

The following shows the balance due of unconditional promises to give to the Fund at June 30, 2008 and 2007. Pledges are unrestricted, temporarily restricted, and permanently restricted by donors for property and equipment purposes, scholarships, endowed chairs, or designated departments of the University, and have been reported at their estimated fair values. The Fund estimated the present value of future cash flows using the risk-free rate at the date of the gift. Rates range from 2.50% to 5.16%.

	<u>2008</u>	<u>2007</u>
Pledges receivable in less than one year	\$ 1,642,840	\$ 1,569,113
Pledges receivable in one to five years	3,129,685	3,122,147
Pledges receivable in more than five years	<u>788,089</u>	<u>547,445</u>
	5,560,614	5,238,705
Less:		
Allowance for uncollectible pledges	(274,937)	(343,490)
Present value discount	<u>(833,162)</u>	<u>(733,945)</u>
Net pledges receivable	<u>\$ 4,452,515</u>	<u>\$ 4,161,270</u>

**4. Cash Surrender Value of Life Insurance:**

The Fund is the owner and beneficiary of life insurance policies with a death benefit value of approximately \$2,622,000 and \$3,091,000 at June 30, 2008 and 2007, respectively. The assignments of these policies were received as gifts for various University programs, scholarships, and other designations.

**5. Real Property and Gifts-in-Kind:**

The Fund serves as an agent for the receipt of gifted property and in most cases immediately transfers the property to the University. Any gifted property accepted as a contribution and not subject to transfer to the University is listed for sale. It is the Fund's policy to offer such gifted property for sale based on appraised or estimated fair value at the time of the gift. Activity during the years ended June 30, 2008 and 2007, follows:

	2008	2007
Balance, beginning of year	\$ -	\$ 153,391
Additions:		
Real property	749,628	80,000
Gifts-in-kind	-	2,477,524
Less:		
Sale of real property	-	(233,391)
Gifts-in-kind and real property transferred to the University	(749,628)	(2,477,524)
Balance, end of year	\$ -	\$ -

**6. Fixed Assets:**

A summary of fixed assets at June 30, 2008 and 2007, follows:

	2008	2007
Leasehold improvements	\$ 62,188	\$ 62,188
Office equipment	66,527	61,958
Computer equipment	49,351	45,138
Software	49,000	49,000
Total	227,066	218,284
Less accumulated depreciation and amortization	(204,009)	(182,644)
Net fixed assets	\$ 23,057	\$ 35,640

**7. Split-Interest Agreements:**

Some donors enter into trust or other arrangements under which the Fund receives benefits that are shared with other beneficiaries. These types of arrangements, known as split-interest agreements, include pooled (life) income funds, charitable remainder trusts, and charitable gift annuities. Provisions for the various donor trust agreements are as follows:

***Century II Pooled Income Fund:*** All income of the pooled fund is distributed to its participants on a pro-rata basis.

***Charitable Remainder Unitrusts:*** Donors receive income, generally payable quarterly, at a predetermined percentage rate of their unitrust's annual value at December 31.

***Charitable Remainder Annuity Trusts:*** Donors receive a fixed percentage rate of income based on the initial value of the annuity trust, generally payable quarterly.

**7. Split-Interest Agreements, continued:**

*Charitable Gift Annuities:* Donors receive a fixed percentage rate of income based on the initial value of the gift annuity, payable quarterly. Assets received under a gift annuity contract are held as general assets of the Fund, and the annuity liability is a general obligation of the Fund. All assets received under a gift annuity contract are pooled with other gift annuity contract funds and invested in equity and fixed income mutual funds and in cash equivalents. Those investments are held in accounts segregated from the Fund's other investments.

Irrevocable split-interest agreements in which the Fund does not control the trust assets are recognized in the Fund's financial statements when it is notified of the trust's existence. The present value of the estimated future distributions to be received by the Fund is recorded as contribution revenue and a contribution receivable from a remainder trust. Amounts reflected as receivable from these types of agreements were \$4,321,781 and \$4,445,431 at June 30, 2008 and 2007, respectively.

Irrevocable split-interest agreements in which the Fund does control the trust assets are recognized in the Fund's financial statements when the trust is executed. The fair value of the trust assets and the present value of the expected future payments to be made to other beneficiaries are recorded as assets and liabilities, respectively, and the difference is recorded as contribution revenue. Amounts included in the accompanying statement of financial position at June 30, 2008 and 2007, from these types of agreements are as follows:

	<u>2008</u>	<u>2007</u>
Assets—cash and marketable securities	\$ 8,058,775	\$ 8,361,891
Liabilities to other beneficiaries	\$ 4,269,844	\$ 4,269,052

Included with contribution revenue on the Statement of Activities for the years ended June 30, 2008 and 2007, are contributions from split-interest agreements and changes in the value of split-interest agreements, as follows:

	<u>2008</u>	<u>2007</u>
Contributions	\$ 472,699	\$ 1,305,703
Change in value	\$ (184,770)	\$ 124,183

The calculations of present value follow the guidelines as set forth in Section 642(c) of the Internal Revenue Code. Discount rates used to calculate present value are the Applicable Federal Rates (AFRs). They range from 3.2% to 8.2%.

**8. Net Asset Categories:**

Unrestricted net assets at June 30, 2008 and 2007, were designated for the following:

	<u>2008</u>	<u>2007</u>
Deficiencies for all donor-restricted endowment funds for which fair value of assets is less than donor-stipulated level	\$ (725,286)	\$ (393,708)
Undesignated	<u>4,407,594</u>	<u>5,320,460</u>
	<u>\$ 3,682,308</u>	<u>\$ 4,926,752</u>

Temporarily restricted net assets at June 30, 2008 and 2007, were restricted for the following:

	<u>2008</u>	<u>2007</u>
University programs	\$ 17,815,832	\$ 16,647,414
Remainder interests in split-interest agreements	2,859,476	2,525,862
Net appreciation on donor-restricted endowment funds	<u>30,503,146</u>	<u>33,756,236</u>
	<u>\$ 51,178,454</u>	<u>\$ 52,929,512</u>

Permanently restricted net assets at June 30, 2008 and 2007, were restricted for the following:

	<u>2008</u>	<u>2007</u>
Remainder interests in split-interest agreements	\$ 2,790,498	\$ 3,257,952
Corpus of donor-restricted endowment funds	<u>48,873,314</u>	<u>46,020,389</u>
	<u>\$ 51,663,812</u>	<u>\$ 49,278,341</u>

Permanently restricted net assets are held in perpetuity, the income from which supports scholarships and fellowships, faculty chairs, and other University programs.

**9. Net Asset Transfers:**

Net assets have been transferred between temporarily restricted and permanently restricted classifications as the result of further analysis of documents and donor clarifications on contributions received by the Fund in prior years.



**10. Operating Lease:**

The Fund leases its office space. The term of this lease commenced on October 1, 2003, and will terminate on September 30, 2018.

Minimum future rental payments under the noncancelable operating lease for each of the next five years and thereafter are:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 151,896
2010	151,896
2011	151,896
2012	151,896
2013	151,896
Thereafter	<u>797,454</u>
Total minimum future rental payments	<u><u>\$ 1,556,934</u></u>