

Michigan Tech Fund

**Report on Audits of Financial Statements
For the Years Ended June 30, 2005 and 2004**

Michigan Tech Fund
Financial Statement Contents
For the years ended June 30, 2005 and 2004

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Report of Independent Auditors

To the Board of Trustees
Michigan Tech Fund
Houghton, Michigan

We have audited the accompanying statements of financial position of the Michigan Tech Fund (a not-for-profit organization, a discretely presented component unit of Michigan Technological University) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Tech Fund (the "Fund") at June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 1, 2005

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Michigan Tech Fund
Statements of Financial Position
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,854,936	\$ 7,154,692
Investments (Note 2)	27,810,888	23,889,210
Pledges receivable, net of allowance for uncollectible amounts (Note 3)	6,382,941	10,079,449
Interest and dividends receivable	56,555	34,867
Prepaid expenses and other receivable	41,475	33,475
Total current assets	<u>45,146,795</u>	<u>41,191,693</u>
Other assets:		
Pledges receivable, net of allowance, beyond one year (Note 3)	2,743,396	3,039,859
Cash surrender value, life insurance (Note 4)	686,332	650,420
Contributions receivable from remainder trusts	3,066,726	2,894,420
Investments restricted for permanent endowment	38,892,620	36,945,819
Real property (Note 5)	179,091	179,091
Office equipment and software, net (Note 6)	66,800	87,712
Total other assets	<u>45,634,965</u>	<u>43,797,321</u>
Total assets	<u>\$ 90,781,760</u>	<u>\$ 84,989,014</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 276,662	\$ 195,837
Note payable	-	13,535
Annuity payment liability (Note 7)	250,825	163,102
Total current liabilities	<u>527,487</u>	<u>372,474</u>
Other liabilities:		
Annuity payment liability, long-term portion (Note 7)	1,804,272	1,487,002
Split-interest agreements (Note 7)	582,000	623,153
Total other liabilities	<u>2,386,272</u>	<u>2,110,155</u>
Total liabilities	<u>2,913,759</u>	<u>2,482,629</u>
Net assets:		
Unrestricted (Note 8)	2,187,620	1,722,171
Temporarily restricted (Note 8)	43,667,880	41,784,022
Permanently restricted (Note 8)	42,012,501	39,000,192
Total net assets	<u>87,868,001</u>	<u>82,506,385</u>
Total liabilities and net assets	<u>\$ 90,781,760</u>	<u>\$ 84,989,014</u>

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

Michigan Tech Fund
Statement of Activities
For the year ended June 30, 2005

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,073,983	\$ 5,944,742	\$ 3,113,309	\$ 10,132,034
Investment return (Note 2)	1,744,933	5,532,223	-	7,277,156
Other income	9,713	353,791	-	363,504
Net assets released from restrictions	<u>10,047,898</u>	<u>(10,047,898)</u>	<u>-</u>	<u>-</u>
Total support and revenue	12,876,527	1,782,858	3,113,309	17,772,694
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	1,752,951	-	-	1,752,951
Capital projects and equipment	2,965,694	-	-	2,965,694
Departmental and other program support	5,446,960	-	-	5,446,960
	<u>10,165,605</u>	<u>-</u>	<u>-</u>	<u>10,165,605</u>
Operating expenses:				
Salaries, wages, and benefits	1,385,352	-	-	1,385,352
Other operating expenses	860,121	-	-	860,121
	<u>2,245,473</u>	<u>-</u>	<u>-</u>	<u>2,245,473</u>
Total expenses	<u>12,411,078</u>	<u>-</u>	<u>-</u>	<u>12,411,078</u>
Change in net assets	465,449	1,782,858	3,113,309	5,361,616
Net assets, beginning of year	1,722,171	41,784,022	39,000,192	82,506,385
Net asset transfers (Note 9)	<u>-</u>	<u>101,000</u>	<u>(101,000)</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,187,620</u>	<u>\$ 43,667,880</u>	<u>\$ 42,012,501</u>	<u>\$ 87,868,001</u>

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

Michigan Tech Fund
Statement of Activities
For the year ended June 30, 2004

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,309,655	\$ 6,949,804	\$ 1,413,699	\$ 9,673,158
Investment return (Note 2)	2,814,498	5,802,686	-	8,617,184
Other income	1,184	249,954	-	251,138
Net assets released from restrictions	8,266,974	(8,266,974)	-	-
Total support and revenue	12,392,311	4,735,470	1,413,699	18,541,480
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	1,098,704	-	-	1,098,704
Capital projects and equipment	2,946,447	-	-	2,946,447
Departmental and other program support	4,274,326	-	-	4,274,326
	8,319,477	-	-	8,319,477
Operating expenses:				
Salaries, wages, and benefits	1,874,462	-	-	1,874,462
Other operating expenses	1,189,008	-	-	1,189,008
	3,063,470	-	-	3,063,470
Total expenses	11,382,947	-	-	11,382,947
Change in net assets	1,009,364	4,735,470	1,413,699	7,158,533
Net assets, beginning of year	712,807	36,616,274	38,018,771	75,347,852
Net asset transfers (Note 9)	-	432,278	(432,278)	-
Net assets, end of year	\$ 1,722,171	\$ 41,784,022	\$ 39,000,192	\$ 82,506,385

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

Michigan Tech Fund
Statement of Functional Expenses
For the year ended June 30, 2005

	2005			
	Program Services	Management & General	Fundraising	Total
Expenses:				
Scholarships and fellowships	\$ 1,752,951	\$ -	\$ -	\$ 1,752,951
Capital projects and equipment	2,965,694	-	-	2,965,694
Departmental and other program support	5,446,960	-	-	5,446,960
Operating expenses:				
Salaries and wages	314,406	626,429	87,685	1,028,520
Payroll taxes	24,818	49,306	4,425	78,549
Pension plan contributions	32,459	62,897	5,762	101,118
Other employee fringe benefits	42,560	115,215	4,052	161,827
Other health	6,153	8,093	1,092	15,338
Contracted services	9,169	1,618	-	10,787
Supplies	1,105	17,712	11,002	29,819
Postage and printing	48,508	55,874	30,631	135,013
Insurance	-	21,097	-	21,097
Telephone	1,070	6,076	2,752	9,898
Travel	34,282	43,982	3,396	81,660
Trustee meetings	-	22,790	-	22,790
Entertainment	4,142	11,901	10,739	26,782
Equipment charges and maintenance	2,498	43,781	17,399	63,678
Depreciation	-	30,344	-	30,344
Interest	-	435	-	435
Real estate expense	-	1,459	-	1,459
Space rental	22,514	101,703	-	124,217
Stewardship, fundraising, special events	11,509	6,466	10,673	28,648
Training and professional development	1,864	3,753	388	6,005
Immersion seminars	7,316	1,463	975	9,754
Roundtables	7,644	-	-	7,644
Professional services	47,091	72,690	945	120,726
Recruiting and relocation	20,282	68,121	-	88,403
Other	6,805	25,048	9,109	40,962
Total expenses	\$ 10,811,800	\$ 1,398,253	\$ 201,025	\$ 12,411,078

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

Michigan Tech Fund
Statement of Functional Expenses
For the year ended June 30, 2004

	2004			
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Program services on behalf of				
Michigan Technological University:				
Scholarships and fellowships	\$ 1,098,704	\$ -	\$ -	\$ 1,098,704
Capital projects and equipment	2,946,447	-	-	2,946,447
Departmental and other program support	4,274,326	-	-	4,274,326
Operating expenses:				
Salaries and wages	-	511,075	666,501	1,177,576
Salaries and wages - MTU	-	-	208,599	208,599
Payroll taxes	-	40,942	51,514	92,456
Pension plan contributions	-	49,862	66,794	116,656
Employee fringe benefits - MTU	-	-	81,355	81,355
Other employee fringe benefits	-	103,249	72,668	175,917
Postretirement health	-	9,455	12,447	21,902
Contracted services	-	199	124,054	124,253
Supplies	-	21,086	9,795	30,881
Postage and printing	-	43,092	115,933	159,025
Insurance	-	21,806	-	21,806
Telephone	-	6,808	14,022	20,830
Travel	-	17,770	128,002	145,772
Trustee meetings	-	24,560	-	24,560
Entertainment	-	1,672	18,795	20,467
Equipment charges and maintenance	-	42,912	9,872	52,784
Depreciation	-	34,900	-	34,900
Interest	-	1,267	-	1,267
Real estate expense	-	630	-	630
Space rental	-	132,571	-	132,571
Stewardship, fundraising, special events	-	2,638	39,666	42,304
Downstate office space	-	-	43,085	43,085
Training and professional development	-	2,498	4,832	7,330
Immersion seminars	-	-	36,395	36,395
Destination Tech	-	-	333	333
Roundtables	-	-	16,173	16,173
Professional services	-	72,846	89,493	162,339
Recruiting and relocation	-	2,381	49,695	52,076
Other	-	27,820	31,408	59,228
Total expenses	<u>\$ 8,319,477</u>	<u>\$ 1,172,039</u>	<u>\$ 1,891,431</u>	<u>\$ 11,382,947</u>

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

Michigan Tech Fund
Statements of Cash Flows
For the years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Change in net assets	\$ 5,361,616	\$ 7,158,533
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	30,344	34,900
Net realized and unrealized gains and losses	(4,305,845)	(7,302,157)
Contributions of real property and securities	(137,339)	(1,281,260)
Contributions restricted for long-term investment	(3,113,309)	(981,421)
Changes in split-interest agreements	54,914	237,654
Changes in assets and liabilities:		
Interest and dividends receivable	(21,688)	16,779
Pledges receivable, net of permanently restricted components	3,914,364	544,250
Prepaid expenses	(8,000)	(6,332)
Cash surrender value, life insurance	(35,912)	(35,189)
Contributions receivable from remainder trusts	(172,306)	(10,894)
Accounts payable and accrued expenses	80,825	(77,308)
Liabilities under split-interest agreements	440,573	(394,346)
Net cash provided by (used in) operating activities	<u>2,088,237</u>	<u>(2,096,791)</u>
Cash flows from investing activities:		
Purchase of equipment	(9,432)	(74,108)
Purchase of investments	(15,346,755)	(16,592,217)
Proceeds from sale of investments	13,966,663	14,174,130
Net cash used in investing activities	<u>(1,389,524)</u>	<u>(2,492,195)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	2,666,004	981,421
Investment subject to annuity agreements	464,581	1,307,739
Decrease in permanently restricted contributions receivable	78,607	1,039,198
Payments on note payable	(13,535)	(11,694)
Payments on annuity obligations	(194,126)	(121,932)
Net cash provided by financing activities	<u>3,001,531</u>	<u>3,194,732</u>
Net change in cash and cash equivalents	3,700,244	(1,394,254)
Cash and cash equivalents, beginning of year	7,154,692	8,548,946
Cash and cash equivalents, end of year	<u>\$ 10,854,936</u>	<u>\$ 7,154,692</u>

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

Michigan Tech Fund

Notes to 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 therefrom 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 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 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.

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.

1. Summary of Significant Accounting Policies, continued:

- b. Investments:** The Fund reports investments at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. 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 Trustees oversees investment activity and makes decisions 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 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, unitrusts, 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.
- 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. The responsibility for having an appraisal completed for the gifted property rests with the donor. 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 within one year are recorded at their net realizable values. 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.
- 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 and permanently restricted net assets.
- h. Reclassification:** Certain reclassifications were made to amounts in the 2004 financial statements to conform to the classifications used in 2005.

Michigan Tech Fund
Notes to Financial Statements

2. Investments:

Investments, carried at fair value, at June 30, 2005 and 2004, are categorized as follows:

	<u>2005</u>	<u>2004</u>
Marketable securities:		
Equities	\$ 953,920	\$ 896,065
Mutual funds - equities	33,237,385	35,762,785
Mutual funds - bonds	21,959,943	16,638,355
Corporate bonds and notes	68,546	83,614
US government obligations	<u>1,151,067</u>	<u>1,370,898</u>
Total marketable securities	57,370,861	54,751,717
Other investments:		
Limited partnerships	9,312,647	6,063,312
Closely held stock	<u>20,000</u>	<u>20,000</u>
Total other investments	<u>9,332,647</u>	<u>6,083,312</u>
Total investments	<u><u>\$ 66,703,508</u></u>	<u><u>\$ 60,835,029</u></u>

Investment return is a net amount and is comprised of the following for the years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Interest and dividends	\$ 1,638,313	\$ 1,552,073
Net gain (loss) on sale of investments	3,601,142	1,531,991
Net unrealized gain (loss) on investments	2,267,271	5,770,166
Asset-based management and administrative fees	<u>(229,570)</u>	<u>(237,046)</u>
Total investment return	<u><u>\$ 7,277,156</u></u>	<u><u>\$ 8,617,184</u></u>

Michigan Tech Fund
Notes to Financial Statements

3. Pledges Receivable:

The following shows the balance due of unconditional promises to give to the Fund at June 30, 2005 and 2004. 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 2.5% to 5.0%.

	<u>2005</u>	<u>2004</u>
Pledges receivable in less than one year	\$ 7,099,738	\$ 10,638,590
Pledges receivable in one to five years	2,840,482	3,233,051
Pledges receivable in more than five years	<u>356,422</u>	<u>431,704</u>
	10,296,642	14,303,345
Less:		
Allowance for uncollectible pledges	(716,797)	(559,141)
Present value discount	<u>(453,508)</u>	<u>(624,896)</u>
Net pledges receivable	<u>\$ 9,126,337</u>	<u>\$ 13,119,308</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 \$2,472,000 and \$2,520,000 at June 30, 2005 and 2004, 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. The Fund's real estate values are periodically reviewed and current appraisals are obtained based on the advice of the Fund's Real Estate Committee. Any change in the estimated fair value of gifted property is recognized in the current period as a gain or loss in the statement of activities and as an adjustment to the carrying value of the assets. Activity during the years ended June 30, 2005 and 2004, follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 179,091	\$ 179,091
Additions:		
Real property	715,584	-
Gifts-in-kind	1,141,042	294,694
Less:		
Sale of real property	(715,584)	-
Gifts-in-kind and real property transferred to the University	<u>(1,141,042)</u>	<u>(294,694)</u>
Balance, end of year	<u>\$ 179,091</u>	<u>\$ 179,091</u>

Michigan Tech Fund
Notes to Financial Statements

6. Fixed Assets:

A summary of fixed assets at June 30, 2005 and 2004, follows:

	2005	2004
Leasehold improvements	\$ 58,905	\$ 58,905
Office equipment	51,788	52,923
Computer equipment	114,168	176,087
Software	49,000	49,000
Total	273,861	336,915
Less accumulated depreciation and amortization	(207,061)	(249,203)
Net fixed assets	<u>\$ 66,800</u>	<u>\$ 87,712</u>

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.

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 an account segregated from the Fund's other investments.

7. Split-Interest Agreements, continued:

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 \$3,066,726 and \$2,894,420 at June 30, 2005 and 2004, 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, 2005 and 2004, from these types of agreements are as follows:

	<u>2005</u>	<u>2004</u>
Assets—cash and marketable securities	\$ 5,534,365	\$ 4,504,632
Liabilities to other beneficiaries	\$ 2,662,700	\$ 2,300,592

Included with contribution revenue on the Statement of Activities for the years ended June 30, 2005 and 2004, were \$476,817 and \$505,890, respectively, in contributions from split-interest agreements and \$54,914 and \$237,654, respectively, from changes in the value of split-interest agreements.

The calculations of present value follow the guidelines as set forth in Section 642(c) of the Internal Revenue Code.

8. Net Asset Categories:

Unrestricted net assets at June 30, 2005 and 2004, were designated for the following:

	<u>2005</u>	<u>2004</u>
Deficiencies for all donor-restricted endowment funds for which fair value of assets is less than donor-stipulated level	\$ (511,053)	\$ (576,784)
Undesignated	<u>2,698,673</u>	<u>2,298,955</u>
	<u>\$ 2,187,620</u>	<u>\$ 1,722,171</u>

Temporarily restricted net assets at June 30, 2005 and 2004, were restricted for the following:

	<u>2005</u>	<u>2004</u>
Capital projects and equipment	\$ 3,944,689	\$ 7,162,857
Departmental support	17,441,753	16,684,573
Remainder interests in split-interest agreements	2,539,344	2,469,878
Net appreciation on donor-restricted endowment funds	<u>19,742,094</u>	<u>15,466,714</u>
	<u>\$ 43,667,880</u>	<u>\$ 41,784,022</u>

Michigan Tech Fund
Notes to Financial Statements

8. Net Asset Categories, continued:

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, 2008.

Minimum future rental payments under the noncancelable operating lease for each of the next three years and in the aggregate are:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	116,697
2007	116,697
2008	116,697
Total minimum future rental payments	<u><u>\$ 350,091</u></u>