



THE UNIVERSITY OF TOLEDO

FOUNDATION



CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDING JUNE 30, 2019 AND 2018

**WITH SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT**

for The University of Toledo Foundation & Subsidiaries

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
The University of Toledo Foundation and Subsidiaries
2801 W. Bancroft St MS319
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We have reviewed the *Independent Auditors' Report* of The University of Toledo Foundation and Subsidiaries, Lucas County, prepared by CliftonLarsonAllen LLP, for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The University of Toledo Foundation and Subsidiaries is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

November 6, 2019

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**THE UNIVERSITY OF TOLEDO FOUNDATION
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

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**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The University of Toledo Foundation and Subsidiaries
Toledo, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Toledo Foundation (a nonprofit organization) and its subsidiaries (collectively, the Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Toledo Foundation and Subsidiaries as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in notes 1 and 13, 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, fund-of-funds, and comingled funds that are not mutual funds. Such investments total \$134,427,550 (23.8% of total assets) and \$140,919,394 (24.9% of total assets) at June 30, 2019 and 2018, respectively. The values of these investments have been provided by the fund managers or general partners in the absence of readily determinable market values.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Toledo, Ohio
September 30, 2019

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 992,569	\$ 1,179,529
Accounts Receivable	1,309,045	851,795
Contributions Receivable, Net of Allowance for Uncollectible		
Contributions	5,504,529	31,123,303
Interest Receivable	179,507	110,503
Prepaid Expense	84,606	115,036
Total Current Assets	8,070,256	33,380,166
NONCURRENT ASSETS		
Investments:		
Pooled Investments	489,102,626	488,907,556
Nonpooled Investments	7,423,173	7,021,647
Real Estate	593,476	593,476
Assets Held in Charitable Remainder Trusts	4,139,236	4,190,127
Total Investments	501,258,511	500,712,806
Contributions Receivable, Net of Allowance for Uncollectible		
Contributions and Present Value Adjustments	7,592,308	11,749,198
Cash Value of Life Insurance and Annuities	1,327,283	1,390,830
PROPERTY AND EQUIPMENT		
Land and Land Improvements	7,221,985	4,689,727
Gateway	15,523,459	15,341,045
Rental Property	1,672,956	1,639,404
Building and Equipment	26,117,754	1,050,006
Total Property and Equipment	50,536,154	22,720,182
Less: Accumulated Depreciation	4,437,664	3,619,161
Net Property and Equipment	46,098,490	19,101,021
Total Assets	\$ 564,346,848	\$ 566,334,021

See accompanying Notes to Consolidated Financial Statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,446,206	\$ 988,893
Accrued Liabilities	383,526	270,173
Deferred Revenue	46,198	82,494
Senior Secured Notes Payable	304,868	290,318
Total Current Liabilities	2,180,798	1,631,878
NONCURRENT LIABILITIES		
Senior Secured Notes Payable, Net of Debt Issuance Costs	8,618,353	8,905,365
Gateway Funding from Pooled Investments	2,102,846	2,174,038
Grantor Trust Payable to a Related Party	2,012,824	2,012,824
Annuities Payable	2,819,625	2,876,494
Funds Held for Affiliates	212,912,487	219,958,079
Total Liabilities	230,646,933	237,558,678
NET ASSETS		
Without Donor Restrictions:		
Operating Funds:		
Undesignated	31,570,904	33,310,784
Designated:		
Real Estate	2,001,214	4,730,877
Gateway	677,679	582,542
Board	12,757,280	10,162,240
Total Unrestricted Operating Funds	47,007,077	48,786,443
Board Endowed	9,841,301	9,996,779
Total Without Donor Restrictions	56,848,378	58,783,222
With Donor Restrictions	276,851,537	269,992,121
Total Net Assets	333,699,915	328,775,343
Total Liabilities and Net Assets	\$ 564,346,848	\$ 566,334,021

See accompanying Notes to Consolidated Financial Statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND GAIN (LOSS)						
Contributions	\$ 2,334,118	\$ 7,131,312	\$ 9,465,430	\$ 1,925,681	\$ 7,840,057	\$ 9,765,738
Unconditional Promises to Give	51,551	7,502,684	7,554,235	30,332,672	1,286,284	31,618,956
Administrative Fees	5,676,949	(2,625,759)	3,051,190	5,527,006	(2,503,049)	3,023,957
Annuities and Trusts, Net of Actuarial Adjustments	-	(342,761)	(342,761)	-	(355,608)	(355,608)
Ancillary and Nongift	11,384	1,016,508	1,027,892	(12,463)	1,379,480	1,367,017
Bookstore Revenue	5,223,986	-	5,223,986	5,302,158	-	5,302,158
Center for Alumni and Donor Engagement	465,968	-	465,968	-	-	-
Income - UTF Gateway Investments	1,204,847	-	1,204,847	1,024,423	-	1,024,423
Income - Real Estate Corp.	60,971	-	60,971	60,970	-	60,970
Interest and Dividends	1,043,261	4,234,416	5,277,677	849,309	3,719,517	4,568,826
Investment Fees	(136,528)	(517,371)	(653,899)	(137,423)	(633,790)	(771,213)
Net Realized and Unrealized Gains	(43,359)	3,005,039	2,961,680	2,812,872	12,426,341	15,239,213
Satisfaction of Program and Donor Restrictions	15,367,713	(15,367,713)	-	14,652,493	(14,652,493)	-
Other Transfers	(97,011)	97,011	-	(153,103)	153,103	-
Total Support, Revenue, and Gain (Loss)	<u>31,163,850</u>	<u>4,133,366</u>	<u>35,297,216</u>	<u>62,184,595</u>	<u>8,659,842</u>	<u>70,844,437</u>
EXPENSES						
University Program Services:						
Academics	5,637,390	-	5,637,390	5,345,935	-	5,345,935
Athletics Programs and Projects	5,019,008	-	5,019,008	4,765,797	-	4,765,797
Student Aid	5,112,183	-	5,112,183	4,804,703	-	4,804,703
Capital Projects	246,764	-	246,764	208,558	-	208,558
Research	345,762	-	345,762	454,772	-	454,772
Bookstore Expenses	4,845,442	-	4,845,442	4,787,804	-	4,787,804
Donor Life Insurance Premiums	263,546	-	263,546	62,974	-	62,974
Management and General	5,371,586	-	5,371,586	4,167,794	-	4,167,794
Fundraising	3,523,840	-	3,523,840	2,748,027	-	2,748,027
Total Expenses	<u>30,365,521</u>	<u>-</u>	<u>30,365,521</u>	<u>27,346,364</u>	<u>-</u>	<u>27,346,364</u>
INCREASE IN NET ASSETS - BEFORE TRANSFERS	798,329	4,133,366	4,931,695	34,838,231	8,659,842	43,498,073
CAPITAL TRANSFER	<u>(2,733,173)</u>	<u>2,726,050</u>	<u>(7,123)</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	(1,934,844)	6,859,416	4,924,572	34,838,231	8,659,842	43,498,073
Net Assets - Beginning of Year	<u>58,783,222</u>	<u>269,992,121</u>	<u>328,775,343</u>	<u>23,944,991</u>	<u>261,332,279</u>	<u>285,277,270</u>
NET ASSETS - END OF YEAR	<u>\$ 56,848,378</u>	<u>\$ 276,851,537</u>	<u>\$ 333,699,915</u>	<u>\$ 58,783,222</u>	<u>\$ 269,992,121</u>	<u>\$ 328,775,343</u>

See accompanying Notes to Consolidated Financial Statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTAL FOR 2018)

	University Programs	Support	2019 Total	2018 Total
Salaries and Wages	\$ -	\$ 3,722,927	\$ 3,722,927	\$ 3,199,112
Payroll Taxes and Benefits	-	1,025,783	1,025,783	1,041,534
Student Directed (1)	5,277,605	-	5,277,605	4,972,605
Professional Fees	682,424	363,588	1,046,012	691,651
University Directed (2)	3,611,795	-	3,611,795	3,826,599
Athletics	5,019,008	-	5,019,008	4,765,797
Bookstore	4,845,442	-	4,845,442	4,787,804
Capital Outlay	246,764	-	246,764	208,558
Building Services	-	433,476	433,476	58,450
Donor Life Insurance Premiums	263,546	-	263,546	62,974
Purchased Services	1,523,511	2,531,149	4,054,660	3,281,674
Total Before Depreciation	<u>21,470,095</u>	<u>8,076,923</u>	<u>29,547,018</u>	<u>26,896,758</u>
Depreciation Expense	<u>-</u>	<u>818,503</u>	<u>818,503</u>	<u>449,606</u>
Total	<u>\$ 21,470,095</u>	<u>\$ 8,895,426</u>	<u>\$ 30,365,521</u>	<u>\$ 27,346,364</u>

(1) Scholarships, Student Aid, Student Awards, Student Events

(2) Salary Reimbursements, Speakers, Supplies, Meetings, Events, Research, Sponsorships

See accompanying Notes to Consolidated Financial Statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 4,924,572	\$ 43,498,073
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	818,503	449,606
Contributions Held as Endowments	(4,408,310)	(2,106,781)
Provisions for Uncollectible Contributions, Net of Actuarial Adjustments on Annuity Obligations	3,460,293	2,656,065
Actuarial Adjustment on Contributions Receivable	782,004	(186,436)
Unrealized/Realized Gains on Investments	(228,507)	(15,239,213)
Loss on Sale of Fixed Assets	29,790	16,119
Change in Annuity Payable Obligation	337,239	482,949
Capital Transfers	7,123	-
Amortization of Debt Issuance Costs	17,855	17,855
Changes in Operating Assets and Liabilities Which Provided (Used) Cash:		
Accounts Receivable	(457,250)	551,550
Interest Receivable	(69,004)	26,392
Contributions Receivable	(4,863,154)	(25,692,962)
Prepaid Expenses and Other	30,430	(33,139)
Accounts Payable	457,313	145,445
Accrued Liabilities and Other	77,057	39,766
Cash Surrender Value of Life Insurance	63,547	52,020
Funds Held for Affiliates	(7,045,592)	13,316,591
Net Cash Provided (Used) by Operating Activities	(6,066,091)	17,993,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(182,414)	(93,983)
Purchases of Investments	(6,521,442)	(24,097,377)
Proceeds from Sale of Property and Equipment	-	480,900
Proceeds from Sales and Maturities of Investments	8,866,225	3,955,940
Payments to Annuitants	(394,108)	(382,391)
Net Cash Provided (Used) by Investing Activities	1,768,261	(20,136,911)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Outstanding Senior Secured Notes	(290,317)	(276,463)
Contributions Held as Endowments	4,408,310	2,106,781
Capital Transfer	(7,123)	-
Net Cash Provided by Financing Activities	4,110,870	1,830,318
NET DECREASE IN CASH AND CASH EQUIVALENTS	(186,960)	(312,693)
Cash and Cash Equivalents - Beginning of Year	1,179,529	1,492,222
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 992,569	\$ 1,179,529

See accompanying Notes to Consolidated Financial Statements.

**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 451,106</u>	<u>\$ 465,018</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Receipt of Pledged Property	<u>\$ 30,396,521</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Toledo Foundation and Subsidiaries (collectively, the Foundation) is a nonprofit 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 University).

The consolidated financial statements for the Foundation include accounts of wholly owned subsidiaries, the University of Toledo Foundation Real Estate Corporation and UTF Gateway Investments LLC. 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. UTF Gateway Investments LLC (Gateway Investments) was organized for the construction and leasing of real property to house The University of Toledo Gateway (The Gateway), a mixed-use facility to include the University bookstore, retail space, and student off-campus housing.

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

Net Assets Classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as donor restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at net realizable value. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No allowance was deemed necessary at June 30, 2019 and 2018.

Contributions Receivable

Unconditional promises to give are recognized as without donor restrictions, or with donor restrictions revenue based on the donor's intent when amounts are pledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions receivable are measured at fair value on a recurring basis in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-50, *Fair Value Measurements and Disclosures*, and FASB ASC 825-10-05-5, *Financial Instruments – Fair Value Option*.

In-Kind Gifts

In-kind gifts, when received, are reflected as contributions in the accompanying consolidated financial statements at the estimated fair value at the date of receipt. The Foundation received in-kind gifts in 2019 and 2018 valued at \$129,674 and \$259,348, respectively.

Investments

Investment securities are stated at fair value, in accordance with FASB ASC 820-10-50, *Fair Value Measurements and Disclosures*, following the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives priority from highest to lowest to quoted prices in active markets for identical assets (Level 1); inputs other than quoted prices included within Level 1 that are observable for the asset directly or indirectly (Level 2); and unobservable inputs for assets (Level 3). Investments valued at fair value using Level 1 inputs are cash equivalents, common stocks, and mutual funds that have observable quoted prices in active markets. Fair values determined by Level 2 inputs such as interest rates and yield curves are government bonds, government agency bonds, corporate bonds, and certain other funds. Hedge funds and partnerships are measured based on Level 3 inputs that are unobservable such as recent purchases and sales, underlying fund holdings, and information provided by fund managers and general partners including audited financial statements, unaudited financial statements, and net asset valuations.

Purchases and sales of investment securities are recorded on the trade date. Realized gains or losses from the 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 that reflects the ratio of the related funds invested in the pooled portfolio to total market value.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 fair market value of the trust assets, less any liabilities of the trust. Under a split-interest trust, the donor is paid specified distributions for a future period of time and upon termination of the trust, the Foundation receives all or a portion of the trust assets.

Life Insurance Cash Surrender Value

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

Property and Equipment

Property and equipment over \$25,000 are recorded at cost when purchased. Donated property is recorded at estimated fair market value at the date of acquisition. Depreciation is provided on the straight-line method 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. Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$818,503 and \$449,606, respectively.

Capitalized Software

Costs related to software purchased for internal use, which are required to be capitalized pursuant to FASB ASC 350-40, are included in property and equipment.

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. Payments to donors are expected to range from fiscal year 2019 to fiscal year 2052. The present value is determined by applying a discount rate and an annuity factor. The discount rate was 2.8% and 3.4% for fiscal years 2019 and 2018, respectively. Annuity adjustment factors based on IRS Publications 1457 and 1458 applied to annual payments of annuity trusts ranged from 1.0331 to 1.0236 in 2019 and 1.0127 to 1.0155 in 2018; unitrust factors applied to principal values ranged from 0.01 to 0.46 in 2019 and 2018, respectively; and factors applied to gift annuities ranged from 3.0 to 20.5 in 2019 and 3.1 to 19.2 in 2018.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held for Affiliates

FASB ASC 958-605 deals with transfers of assets to a nonprofit organization or charitable trust that raises or holds contributions for others. FASB ASC 958-605 specifies standards for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both, to another entity that is specified by the donors. Specifically, FASB ASC 958-605 requires that if the affiliate organization transfers funds to the Foundation using its own funds and for its own benefit, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to these as funds held for affiliates on the accompanying consolidated statements of financial position.

The Foundation continues to report these funds as assets of the Foundation; however, in accordance with FASB ASC 958-605, a liability has been established for the fair value of the funds. All financial activity related to the funds is recorded as adjustments to the funds held for affiliate's liability and is omitted from the consolidated statement of activities.

Administrative Fees

The Foundation charges a fee based on endowment 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 and The University of Toledo Alumni Association. The University investments include the board-designated reserves and endowments. In 2019 and 2018, the tiered fee ranged from 1.5% to .75%, of the fund balances and is computed on a rolling twelve quarter average. The amount charged to the University and The University of Toledo Alumni Association was approximately \$3.1 million and \$3.0 million in 2019 and 2018, respectively. Administrative fees charged to restricted funds of the Foundation are included in revenue without donor restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 estimated potential liability to unrelated business income tax to be nominal.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Foundation and Corporation are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Estimates

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

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented had no impact on previously reported net assets. The consolidated statement of functional expenses presents only for 2019, and comparative for 2018 and the liquidity disclosure (Note 2) present only 2019, as allowed by the standard.

Subsequent Events

We have evaluated subsequent events through September 30, 2019, the date the consolidated financial statements were available to be issued.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 992,569
Accounts Receivable - Operations	1,163,954
Operating Investments	10,088,147
Receipts from Administrative Fee	5,256,200
Endowment Spending-Rate Distributions	552,200
Total	<u>\$ 18,053,070</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes and are not available for general expenditure.

Our board-designated endowment of \$9,841,301 is subject to an annual spending rate of 4.0% as described in Note 8. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our board's annual budget approval and appropriation), these amounts could be made available if necessary.

Our non-endowed funds consist of donor-restricted funds and funds designated by the board for a specific purpose. The balances of those non-endowed funds with donor restrictions are not available for general expenditure.

The Foundation charges an annual administrative fee that ranges from 0.75% to 1.5% as described in Note 1 on the endowed fund balances and other investments under its management. This annual administrative fee is available over the course of the fiscal year for general expenditure.

As part of our liquidity management plan, the board designates a portion of any operating surplus to its operating reserve, which was \$3,749,536 as of June 30, 2019.

NOTE 3 CONTRIBUTIONS RECEIVABLE

As of June 30, 2019 and 2018, donors to the Foundation have made unconditional promises to give that are measured at fair value. A risk premium has been estimated by management based on uncertainty factors to determine expected future cash flows from unconditional promises to give that are discounted to a net present value based on a risk-free interest rate. Write-offs of uncollectible pledges for the years ended June 30, 2019 and 2018 amounted to \$2,221,231 and \$1,922,996, respectively.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 CONTRIBUTIONS RECEIVABLE (CONTINUED)

Contributions receivable at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Within One Year	\$ 6,082,419	\$ 34,916,195
Over One to Five Years	8,198,865	12,590,580
More than Five Years	408,211	1,200,681
Total	<u>14,689,495</u>	<u>48,707,456</u>
Risk Premium	(1,135,018)	(4,595,311)
Present Value Discount	(457,640)	(1,239,644)
Net Contributions Receivable	<u>13,096,837</u>	<u>42,872,501</u>
Net Due in One Year	\$ 5,504,529	\$ 31,123,303
Net Due in Excess of One Year	7,592,308	11,749,198
Total Contributions Receivable	<u>\$ 13,096,837</u>	<u>\$ 42,872,501</u>

In September 2017, the Foundation received a letter of intent for a gift of real property at an estimated value of \$30.3 million, which is reflected above as contributions receivable due in one year at June 30, 2018. The transfer of the property occurred during fiscal year 2019. In May 2006, the Foundation received a pledge of \$15 million to establish three endowed funds to support the University. 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 Foundation has received payments of \$11.9 million on the aforementioned pledge, leaving a remaining balance of \$3.1 million as of June 30, 2019. The pledge balance due is recorded at fair value as a long-term contribution receivable with a net present value of \$2.8 million and \$4.6 million as of June 30, 2019 and 2018, respectively.

NOTE 4 INVESTMENTS

Certain investments of The University of Toledo and The University of Toledo Alumni Association (the Alumni Association) are pooled with investments of the Foundation. The pooled investments are managed by the Foundation. The following are the pooled investments at June 30:

	<u>2019</u>		<u>2018</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Mutual Funds, Index Funds, and EFTs - Equity	\$ 197,407,134	\$ 161,267,647	\$ 197,010,919	\$ 153,214,982
Mutual Funds, ETFs - Fixed Income	56,694,686	55,995,485	54,001,536	55,773,737
Common Stock	82,132,916	73,012,064	79,900,442	69,364,034
Hedge Funds	55,516,624	54,504,661	73,686,454	69,740,501
Partnerships	78,910,926	66,993,665	67,232,940	58,772,569
U.S. Government and Agency Issues	14,093,930	13,951,891	14,276,322	14,406,255
Corporate Bonds	1,574,683	1,502,285	1,491,413	1,502,285
Cash Equivalents	2,771,727	2,771,727	1,307,530	1,307,530
Total Pooled Investments	<u>\$ 489,102,626</u>	<u>\$ 429,999,425</u>	<u>\$ 488,907,556</u>	<u>\$ 424,081,893</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 INVESTMENTS (CONTINUED)

At its March 2016 meeting, the Foundation Board of Trustees approved funding by the pooled investment portfolio of up to \$6 million for University capital projects. This 10-year loan was approved by the University in July 2016 with \$5.7 million drawn in fiscal year 2017. The current balance owed to the pool as of June 30, 2019 is \$4,636,206.

The Foundation holds other investments that do not participate in the investment pool. The following are the Foundation's nonpooled investments at June 30:

	2019		2018	
	Market	Cost	Market	Cost
Common Stock	\$ 972,028	\$ 536,809	\$ 1,040,514	\$ 675,390
Accrued Interest	3,457	3,392	-	-
Private Closely Held	2,044,549	2,044,549	2,044,549	2,044,549
Mutual Funds and EFTs - Fixed Income	983,255	979,735	968,748	992,124
Corporate Bonds	401,257	402,534	425,874	431,146
Mutual Funds, Index Funds, and EFTs - Equity	2,844,681	2,557,086	2,408,409	2,186,655
Cash Equivalents	173,946	173,944	133,553	132,984
Total Nonpooled Investments	<u>\$ 7,423,173</u>	<u>\$ 6,698,049</u>	<u>\$ 7,021,647</u>	<u>\$ 6,462,848</u>

The Foundation holds investments as beneficiary of irrevocable remainder trust agreements. The following are the investments' holdings related to the remainder trusts at June 30:

	2019		2018	
	Market	Cost	Market	Cost
Common Stock	\$ 1,868,684	\$ 974,663	\$ 1,841,358	\$ 1,038,600
Accrued Interest	4,007	4,007	4,364	4,364
Mutual Funds and EFTs - Fixed Income	867,997	839,778	855,233	862,245
Mutual Funds, Index Funds, and EFTs - Equity	1,013,927	720,252	1,186,212	821,463
Corporate Bonds	257,268	251,724	250,081	252,854
Cash Equivalents	127,353	127,352	52,879	52,879
Total Remainder Trust Investments	<u>\$ 4,139,236</u>	<u>\$ 2,917,776</u>	<u>\$ 4,190,127</u>	<u>\$ 3,032,405</u>

The Foundation had the following sources of unrealized and realized gains and losses reported on the accompanying 2019 statement of activities:

	Pooled	Nonpooled	Remainder	
			Trusts	Total
Unrealized Gains:				
Ending Balance	\$ 26,015,507	\$ 687,687	\$ 1,221,460	\$ 27,924,654
Beginning Balance	29,132,297	517,400	1,157,722	30,807,419
Unrealized Gains (Losses)	(3,116,790)	170,287	63,738	(2,882,765)
Realized Gains (Losses)	5,671,768	32,131	140,546	5,844,445
Total Realized and Unrealized Gains (Losses)	<u>\$ 2,554,978</u>	<u>\$ 202,418</u>	<u>\$ 204,284</u>	<u>\$ 2,961,680</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 INVESTMENTS (CONTINUED)

The Foundation had the following sources of unrealized and realized gains and losses during reported on the accompanying 2018 statement of activities:

	Pooled	Nonpooled	Remainder Trusts	Total
Unrealized Gains:				
Ending Balance	\$ 29,132,297	\$ 517,400	\$ 1,157,722	\$ 30,807,419
Beginning Balance	24,535,564	586,487	1,290,524	26,412,575
Unrealized Gains (Losses)	4,596,733	(69,087)	(132,802)	4,394,844
Realized Gains (Losses)	10,282,504	219,197	342,668	10,844,369
Total Realized and Unrealized Gains (Losses)	<u>\$ 14,879,237</u>	<u>\$ 150,110</u>	<u>\$ 209,866</u>	<u>\$ 15,239,213</u>

Investment and custody fees of \$653,899 and \$771,213 relating to the Foundation's investments were incurred for the years ended June 30, 2019 and 2018, respectively.

The Foundation holds real estate that is classified as investments on the consolidated statement of financial position. Real estate held as investments is recorded at cost and totaled \$593,476 as of June 30, 2019 and 2018.

On March 30, 2016, the University of Toledo entered into a Grantor Trust Agreement with the Foundation to allow the Foundation to hold title to 8,554.8 shares of VHA-UHC Alliance Newco, Inc. (now known as Vizient Inc.). The purpose for this trust rests in the fact that Vizient, Inc. is a for-profit entity and Ohio law does not permit state entities to hold title or ownership interests in for-profit entities. The initial gift was recorded based on a valuation analysis of the common stock at \$2,000,000 as of June 30, 2016, and a corresponding liability payable to the University of Toledo is recorded. The University's interest in Vizient (a private company) is less than 1% and the cost basis is used to record the asset and corresponding liability and the investment is reviewed annually for impairment.

The aggregate carrying amount of the investments measured on a nonrecurring basis included in the nonpooled investments on the consolidated statements of financial position is \$2,044,549 as of June 30, 2019 and 2018, respectively. The fair value of these investments is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

The pooled investments provided funding to Gateway Investments in the total amount of \$4.85 million as of June 30, 2019 and 2018. The Foundation's portion of the funding from the pooled investments was approximately \$2.75 million and \$2.67 million as of June 30, 2019 and 2018, respectively. The Foundation's contributions, have been eliminated in the consolidating financial statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 INVESTMENTS (CONTINUED)

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

NOTE 5 LEASE COMMITMENTS

The Foundation's operations were formerly conducted in facilities leased from the University. Rental expense charged to operations under the lease was \$29,225 and \$58,450 for fiscal years 2019 and 2018, respectively.

In January 2019, The Foundation occupied the donated property aforementioned in Note 3. The Foundation is the landlord to the previous owner of the property, and such lease has a term of five years. Total rent revenue related to this lease was \$465,968 in 2019.

NOTE 6 PENSION PLANS

The Foundation has noncontributory defined contribution retirement plans covering all permanent employees who have at least 1,000 hours of service in a 12-consecutive-month period. Contributions are based on a percentage of gross wages. Several employees that were originally covered by the Ohio Public Employees Retirement System (OPERS) prior to the Foundation having its own employees were grandfathered into OPERS. There is one active employee covered by OPERS at June 30, 2019 and 2018. Employees participate in only one of the retirement plans. Total pension expense for the years ended 2019 and 2018 was \$248,490 and \$220,987, respectively.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Academics	\$ 17,795,125	\$ 17,235,847
Student Aid	3,434,137	2,609,883
Capital Projects	3,030,080	2,954,619
Athletic Programs	6,573,200	6,661,604
Research	2,638,021	2,326,743
General Support	1,602,336	1,538,315
Total	<u>35,072,899</u>	<u>33,327,011</u>
Endowments:		
Subject to the Passage of Time:		
Academics	52,856,292	53,349,497
Student Aid	47,173,479	48,455,045
Capital Projects	4,849,977	4,922,845
Athletic Programs	194,846	191,765
Research	3,784,822	3,672,484
General Support	2,293,628	2,315,965
Restricted by Donors in Perpetuity for:		
Academics	47,975,859	48,793,542
Student Aid	60,887,459	56,395,947
Capital Projects	3,720,598	3,707,360
Athletic Programs	756,789	741,857
Research	14,178,168	11,080,019
General Support	3,106,721	3,038,784
Total Endowments	<u>241,778,638</u>	<u>236,665,110</u>
Total Net Assets with Donor Restrictions	<u>\$ 276,851,537</u>	<u>\$ 269,992,121</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Satisfaction of Time and Purpose Restrictions:		
Academics	\$ 4,592,162	\$ 4,350,001
Student Aid	4,792,479	4,377,176
Capital Projects	411,793	447,332
Athletic Programs	4,851,610	4,682,608
Research	419,469	548,036
General Support	300,200	247,340
Total Net Assets Released from Donor Restrictions	<u>\$ 15,367,713</u>	<u>\$ 14,652,493</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 8 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

Changes in endowment net assets for the fiscal year ended June 30, 2019 are as follows:

	Board- Endowed Net Assets Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 9,996,779	\$ 236,665,110	\$ 246,661,889
Investment Return:			
Investment Income	155,106	3,703,513	3,858,619
Net Appreciation	107,630	2,997,664	3,105,294
Total Investment Return	<u>262,736</u>	<u>6,701,177</u>	<u>6,963,913</u>
Contributions and Board Transfers to Endowment Funds	49,045	4,359,265	4,408,310
Other Income/Transfers to Endowment Funds	-	115,329	115,329
Administrative Fees	(95,488)	(2,617,077)	(2,712,565)
Capital Transfers	-	2,726,050	2,726,050
Other Transfers	<u>(371,771)</u>	<u>(6,171,216)</u>	<u>(6,542,987)</u>
Change in Net Assets	<u>(155,478)</u>	<u>5,113,528</u>	<u>4,958,050</u>
Endowment Net Assets - End of Year	<u>\$ 9,841,301</u>	<u>\$ 241,778,638</u>	<u>\$ 251,619,939</u>

The above schedule and balances reflect contributions receivable of approximately \$7,152,800 for endowed net assets with donor restrictions, for the fiscal year ended June 30, 2019. Other transfers include appropriates in accordance with the 4% spending policy and satisfaction of donor restrictions.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows:

	Board- Endowed Net Assets Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 8,762,448	\$ 226,785,433	\$ 235,547,881
Investment Return:			
Investment Income	121,417	3,073,838	3,195,255
Net Depreciation	498,268	12,377,334	12,875,602
Total Investment Return	619,685	15,451,172	16,070,857
Contributions and Board Transfers to Endowment Funds	19,702	2,087,079	2,106,781
Other Income/Transfers to Endowment Funds	-	66,499	66,499
Administrative Fees	(93,990)	(2,494,229)	(2,588,219)
Other Transfers	688,934	(5,230,844)	(4,541,910)
Change in Net Assets	<u>1,234,331</u>	<u>9,879,677</u>	<u>11,114,008</u>
Endowment Net Assets - End of Year	<u>\$ 9,996,779</u>	<u>\$ 236,665,110</u>	<u>\$ 246,661,889</u>

The above schedule and balances reflect contributions receivable of approximately \$9,383,500 for endowed net assets with donor restrictions, for the fiscal year ended June 30, 2018.

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

Other transfers of net assets with donor restrictions relate mainly to transfers of endowed spendable earnings to operating net assets, as well as reclassifications due to changes in donor intent through revised fund agreements or other communications.

Interpretation of Relevant Law

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

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

- Duration and preservation of the endowment fund
- Purpose of the Foundation and the endowment fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Foundation
- Investment policy of the Foundation

Funds with Deficiencies

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

US Equity: Russell 3000

International Equity: MCSCI ACWI ex-US

Global Fixed Income: Bloomberg Barclays US Aggregate Index

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions or continued appropriation for certain programs deemed prudent by the board. In accordance with FAS ASU 2016-14, these deficiencies (none in 2019 and 2018) are reported in net assets with donor restrictions.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy based on a three-year moving market value average of invested funds. The Foundation appropriated 4% for fiscal years 2019 and 2018. In establishing this policy, the Foundation considered the long-term expected total return on endowment assets. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to accumulate capital sufficient to maintain its purchasing power.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 RELATED PARTY TRANSACTIONS

During 2015, the Corporation purchased a residence for \$922,000 and entered into a contract to renovate the residential property. The total cost to purchase, renovate, and furnish the residence was recorded in the fixed assets of the Corporation. Immediately following renovations, the Corporation and the University entered into a 20-year lease agreement commencing on July 1, 2015. During 2016, the residence was transferred from the Corporation to the Foundation at the carrying value. The lease agreement was amended and restated on January 1, 2016 and requires an annual payment of \$1 from the University to the Foundation until the 2035 maturity.

During fiscal year 2019, the Foundation Real Estate Corporation transferred land to the University in the amount of \$2,733,173.

The Foundation formerly leased its office space from the University (see Note 5). The University transferred endowed funds to the Foundation at the request of the donor.

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.

As further documented at Note 4, the Foundation Board of Trustees approved funding by the pooled investment portfolio of up to \$6 million for University capital projects. This 10-year loan was approved by the University in July 2016 with the first draw of \$2.15 million in August 2016. The balance owed to the pool as of June 30, 2019 and 2018 is \$4,636,206 and \$5,211,608, respectively.

NOTE 10 REAL ESTATE CORPORATION

The Corporation entered into a Ground Lease Agreement (the lease) for property on Dorr Street, effective July 1, 2010. The lease has an initial term of 20 years and provides for four additional option periods with each option period including five additional years. During the initial term, base rent of \$32,000 was paid per year for the first five years. Each sequential five years will include an 8% increase to the base rent. As of July 1, 2015, the effective base rate is \$34,560. After the initial 20-year term, the base rent will be determined by the prevailing fair market rental value.

NOTE 11 UTF GATEWAY INVESTMENTS

Gateway Investments entered into an amended and restated ground lease agreement with the University on July 26, 2011. The University agreed to lease Gateway Investments land for an initial term of 40 years commencing on July 1, 2011, with two optional 10-year extension periods. Gateway Investments developed and constructed The Gateway on the premises.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 UTF GATEWAY INVESTMENTS (CONTINUED)

On November 17, 2011, Gateway Investments and the Foundation, as guarantor, issued senior secured notes in the amount of \$10.8 million in connection with the long-term financing of The Gateway. The notes are secured through the open-end mortgage, security agreement, assignment of leases, and rents and fixture filings. The notes were privately placed with a bank. The notes bear an interest rate of 4.9% and mature on November 1, 2027. Annual principal payments range from \$304,868 to \$6,159,592, and are payable on November 1. As part of the note purchase agreement, the Foundation is required under the guarantor covenant to maintain total net assets in excess of \$140 million.

In connection with the issuance of the senior notes, Gateway Investments incurred costs of approximately \$271,000 that are amortized over the life of the notes through 2027 on a straight-line basis.

Minimum principal and interest payments on the notes to maturity as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 287,013	\$ 437,742	\$ 724,755
2021	302,291	422,464	724,755
2022	318,335	406,419	724,754
2023	335,185	389,571	724,756
2024	352,877	371,878	724,755
2025 and Thereafter	7,327,520	1,124,639	8,452,159
Total	<u>\$ 8,923,221</u>	<u>\$ 3,152,713</u>	<u>\$ 12,075,934</u>

The following summarizes the notes payable the Foundation has secured with balances due as of June 30:

	<u>2019</u>	<u>2018</u>
Senior Secured Notes Payable	\$ 9,072,013	\$ 9,362,330
Less: Unamortized Debt Issuance Costs	148,792	166,647
Total Notes Payable, Net	8,923,221	9,195,683
Less: Current Maturities	304,868	290,318
Total Notes Payable, Less Current Maturities	<u>\$ 8,618,353</u>	<u>\$ 8,905,365</u>

Interest expense consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest	\$ 451,106	\$ 465,018
Amortization of Bond Issuance Costs	17,855	17,855
Total	<u>\$ 468,961</u>	<u>\$ 482,873</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
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NOTE 11 UTF GATEWAY INVESTMENTS (CONTINUED)

Bond issuance costs consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Loan Acquisition Costs	\$ 271,000	\$ 271,000
Less: Accumulated Amortization	122,208	104,353
Net Loan Acquisition Costs	<u>\$ 148,792</u>	<u>\$ 166,647</u>

During fiscal year 2015, a board resolution established a Bond Sinking Fund to invest funds to meet the balloon principal payment of approximately \$6.1 million that matures November 1, 2027. After an initial investment of \$330,000 on December 22, 2014, quarterly transfers of \$82,500 from operating accounts commenced.

The Foundation entered into a lease agreement with Gateway Investments on August 31, 2011, to occupy retail space for a collegiate bookstore. The term of the agreement is 15 years with three five-year renewal options. The minimum annual rent is approximately \$293,000 for lease years 1 through 5; \$302,000 for lease years 6 through 10; \$311,000 for lease years 11 through 15; \$320,000 for lease years 16 through 20; \$329,000 for lease years 21 through 25; and \$339,000 for lease years 26 through 30.

The Foundation has a management agreement with Barnes & Noble to provide services to manage the collegiate bookstore and provide the bookstore inventory located within The Gateway through June 30, 2027, with an automatic renewal for one additional five-year term. The bookstore is operated under the Barnes & Noble trade name. Under the terms of the agreement, Barnes & Noble pays the Foundation a variable fee on aggregate collectible sales. The variable fee is 11% of collectible sales up to \$ 10 million; 12.5% of collectible sales between \$10 million and \$12 million; and 14% of collectible sales in excess of \$12 million. Revenue recognized related to the operation of the bookstore was approximately \$5,224,000 in fiscal year 2019 and approximately \$5,302,000 in fiscal year 2018 and is included in bookstore revenue on the consolidated statement of activities. Related expense recognized was approximately \$4,845,000 in fiscal year 2019 and approximately \$4,788,000 in fiscal year 2018 and is included in bookstore expenses on the consolidated statements of activities.

Gateway Investments is the landlord for nine other leases, and such leases include renewal options that include terms from three to ten years. Total rent revenue related to these leases was approximately \$573,000 in 2019 and \$545,000 in 2018.

The following table summarizes the expected rent receipts during the initial terms of contracts:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 601,464
2021	610,801
2022	628,861
2023	643,134
2024	619,705
2025 and Thereafter	1,865,515
Total	<u>\$ 4,969,480</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
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NOTE 12 FUNDS HELD FOR AFFILIATES

Transactions in agency funds are summarized below for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Contributions - Affiliates	\$ 3,031	\$ 128,706
Investment Income, Net	5,330,308	17,379,199
Distributions - Affiliates	<u>(12,378,931)</u>	<u>(4,191,314)</u>
Change in Balance	(7,045,592)	13,316,591
Balance in Affiliate Funds - Beginning of Year	<u>219,958,079</u>	<u>206,641,488</u>
Balance in Affiliate Funds - End of Year	<u><u>\$ 212,912,487</u></u>	<u><u>\$ 219,958,079</u></u>

NOTE 13 FAIR VALUE MEASUREMENTS

The Foundation complies with FASB ASC 820-10-50, *Fair Value Measurements*. FASB ASC 820-10-50 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measures. This standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements.

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

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

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Disclosures concerning assets measured at fair value on a recurring basis for June 30, 2019 are as follows:

ASSETS	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Pooled Investments:				
Mutual Funds, Index Funds, and ETFs - Equities	\$ 197,407,134	\$ -	\$ -	\$ 197,407,134
Mutual Funds and ETFs - Fixed Income	56,694,686	-	-	56,694,686
Common Stock	82,132,916	-	-	82,132,916
U.S. Government and Agency Issues	-	14,093,930	-	14,093,930
Corporate Bonds	-	1,574,683	-	1,574,683
Hedge Funds	-	-	-	55,516,624
Partnerships	-	-	-	78,910,926
Total Pooled Investments	336,234,736	15,668,613	-	486,330,899
Nonpooled Investments:				
U.S. Government and Agency Issues	3,457	-	-	3,457
Corporate Bonds	-	401,257	-	401,257
Mutual Funds and ETFs - Fixed Income	983,255	-	-	983,255
Mutual Funds, Index Funds, and ETFs - Equities	2,844,681	-	-	2,844,681
Common Stock	972,028	-	-	972,028
Total Nonpooled Investments	4,803,421	401,257	-	5,204,678
Other Assets:				
Assets Held in Remainder Trusts	-	-	4,139,236	4,139,236
Contributions Receivable	-	-	13,096,837	13,096,837

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Disclosures concerning assets measured at fair value on a recurring basis for June 30, 2018 are as follows:

ASSETS	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Pooled Investments:				
Mutual Funds, Index Funds, and ETFs - Equities	\$ 197,010,919	\$ -	\$ -	\$ 197,010,919
Mutual Funds and ETFs - Fixed Income	54,001,536	-	-	54,001,536
Common Stock	79,900,442	-	-	79,900,442
U.S. Government and Agency Issues	-	14,276,322	-	14,276,322
Corporate Bonds	-	1,491,413	-	1,491,413
Hedge Funds	-	-	-	73,686,454
Partnerships	-	-	-	67,232,940
Total Pooled Investments	330,912,897	15,767,735	-	487,600,026
Nonpooled Investments:				
Corporate Bonds	-	425,874	-	425,874
Mutual Funds and ETFs - Fixed Income	968,748	-	-	968,748
Mutual Funds, Index Funds, and ETFs - Equities	2,408,409	-	-	2,408,409
Common Stock	1,040,514	-	-	1,040,514
Total Nonpooled Investments	4,417,671	425,874	-	4,843,545
Other Assets:				
Assets Held in Remainder Trusts	-	-	4,190,127	4,190,127
Contributions Receivable	-	-	42,872,501	42,872,501

During 2018, the Foundation applied Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*. The amendments remove the requirement to categorize within the fair value hierarchy and make certain disclosure for all investments for which fair value is measured using net asset value per share practical expedient. The Foundation has processes in place to select appropriate valuation techniques. These processes include quarterly meetings with the Foundation's investment committee for collaboration and review of the hedge funds and partnerships, monthly or quarterly net asset valuation statements, and annual audited financial statements. The Foundation cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market. The Foundation utilizes third-party investment consultants to monitor activity and markets, participate in fund manager calls, and obtain underlying financial information on the hedge funds and partnerships.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation complies with FASB ASC 825-10-05-5, *Financial Instruments – Fair Value Option*. This codification permits entities to choose to measure many financial instruments and certain other items at fair value.

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

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018 are as follows:

<u>Year Ended June 30, 2019</u>	<u>Assets Held in Remainder Trusts</u>	<u>Contributions Receivable</u>
Balance at July 1, 2018	\$ 4,190,127	\$ 42,872,501
Income Distributions	119,171	-
Distributions and Fees	(376,486)	-
Pledges Received	-	3,311,808
Payments Received	-	(37,329,769)
Change in Present Value	-	782,004
Change in Allowance	-	3,460,293
Total Realized Gains (Losses)	142,966	-
Total Unrealized Gains (Losses)	63,458	-
Balance at June 30, 2019	<u>\$ 4,139,236</u>	<u>\$ 13,096,837</u>
	<u>Assets Held in Remainder Trusts</u>	<u>Contributions Receivable</u>
<u>Year Ended June 30, 2018</u>	<u>Assets Held in Remainder Trusts</u>	<u>Contributions Receivable</u>
Balance at July 1, 2017	\$ 4,890,733	\$ 19,649,168
Income Distributions	124,216	-
Distributions and Fees	(1,036,550)	-
Pledges Received	-	34,455,456
Payments Received	-	(8,389,623)
Change in Present Value	-	(186,436)
Change in Allowance	-	(2,656,064)
Total Realized Gains (Losses)	345,436	-
Total Unrealized Gains (Losses)	(133,708)	-
Balance at June 30, 2018	<u>\$ 4,190,127</u>	<u>\$ 42,872,501</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The realized and unrealized gains and losses as well as the changes in present value and allowance in the above tables are reported in net realized and unrealized gains on the consolidated statement of activities.

Qualitative information for Level 3 assets not valued using net asset valuations is as follows:

	Fair Value at June 30, 2019	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets:				
Contributions Receivable	\$ 13,096,837	Discounted Cash Flow	Risk-Free Rate Default Factor Past Due Allowance	0.6 - 1.5% 10% 10% - 90%
Assets Held in Remainder Trusts	4,139,236	Market Value of Underlying Assets	None	None
	Fair Value at June 30, 2018	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets:				
Contributions Receivable	\$ 42,872,501	Discounted Cash Flow	Risk-Free Rate Default Factor Past Due Allowance	0.6 - 1.5% 10% 10% - 90%
Assets Held in Remainder Trusts	4,190,127	Market Value of Underlying Assets	None	None

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

The Foundation's policy is to recognize transfers in and out of the fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. For the years ended June 30, 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following summarizes fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30:

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Siguler Guff Distressed Opportunities Fund III, LP	A partnership assembled as a Portfolio of funds representing a full spectrum of distressed investment approaches, including short-term and medium-term trading strategies, taking an influencing role in the reorganization process, investing for control in the class of the securities to affect the reorganization process, or acquiring the issuer.	\$ 769,000	\$ 136,164	\$ 911,000	\$ 136,164	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
Metropolitan Real Estate Partners VII, LP	A private real estate fund of funds focused primarily on value-added and opportunistic private real estate funds, most of which are niche funds that do not utilize operating partners. The fund seeks exposure to a broad set of underlying funds with differing sector and geographic allocations.	390,000	141,679	745,000	152,282	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
Robeco Sam Clean Tech Private Equity II, LP	A partnership assembled as a portfolio of funds seeking the most attractive Clean Tech private equity managers and co-investments, focusing on development and late-stage deployment of proven technologies and on project development.	1,606,000	160,280	1,935,000	160,280	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.

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JUNE 30, 2019 AND 2018

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Aether Real Assets II, LP	A partnership that strives for superior risk-adjusted returns by focusing on its primary sectors of oil and natural gas, metals, and minerals, and agriculture and timber. Other sectors of focus include traditional and alternative energy assets, infrastructure and capital assets, and water and other investments.	\$ 1,978,000	\$ 50,136	\$ 2,258,000	\$ 170,201	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
Kayne Anderson Energy Fund VI, LP	The partnership's principal strategy is to establish significant investment positions in privately issued securities, of public and private energy companies or in certain assets of those companies, influence the creation of wealth and the growth of the business of those companies, and maintain control over its disposition of those securities in order to achieve its investment objective.	1,105,000	548,017	1,465,000	271,259	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
FEG Private Opportunities Fund, LP.	A fund of funds structure to invest in three key market segments: global private equity, special situations, and real assets. The funds will identify other private investment funds in which to invest. The funds are expected to invest in twelve to fifteen private equity funds, five to eight real asset funds, and five to eight special situation funds.	47,866,000	12,261,500	41,032,000	21,711,500	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
FEG Private Opportunities Fund II, LP.							
FEG Private Opportunities Fund III, LP.							

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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Falcon Strategic Partners IV, LP	The partnership has a differentiated disciplined approach to mezzanine investing that seeks inefficiencies in the lower middle market; Falcon Strategic encourages a partnership approach; identifies price potential transactions in a calibrated risk/return framework; and supports long-term value creation.	\$ 3,480,000	\$ -	\$ 3,760,000	\$ -	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
Hoplite Offshore LTD	A fundamental long/short equity hedge fund utilizing an absolute return philosophy centered on long/short equity investments which a bottom-up stock selection process that is based on rigorous fundamental analysis and married with to-down industry trend analysis. A global fund with the majority of exposure in North America and Europe, predominately all-cap, but usually avoiding small and micro-cap names. Sector-focused industries include industrial, energy, financial services, real estate, consumer, technology, and media. The fund seeks to achieve maximum absolute returns as measured by the HFRI Equity Hedge Index while minimizing risk and volatility.	-	-	6,568,000	-	Quarterly	60 Days

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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Marble Arch LP	A fundamental, bottom-up long/short equity hedge fund that tends to invest in small- and mid-capitalization companies, and special situations with a dedicated value approach. The fund tends to invest in areas of the market that arise in often overlooked companies. It is run with a low net market exposure to limit the influence of the broader stock market direction on the portfolio. The fund seeks to produce significant both long and short alpha as measured against the HFRI Equity Hedge Index.	\$ -	\$ -	\$ 10,481,000	\$ -	Semiannual	60 Days
Pennant Windward LLC	A fundamental based long/short equity hedge fund utilizing a research driven approach to investing. The fund generally includes a macro hedging component and will opportunistically invest in nonequity securities when relevant. The fund will be predominately invested in the U.S. but will have some exposure to international markets. The fund seeks to outperform returns as measured by the HFRI Equity Hedge Index and S&P 500, with a lower level of volatility.	799,000	-	823,000	-	Quarterly	60 Days

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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Graham Capital Management Fund II	A global macro hedge fund that specializes in both systematic and discretionary macro strategies. The fund employs a trend-based trading approach comprised of multiple sub-models, trading using several factors including price, volatility, and trade duration.	\$ 2,738,000	\$ -	\$ 2,722,000	\$ -	Close of business each Wednesday and last business day of each month.	3 Days (Written)
Strategic Value Partners Fund	A hedge fund focusing on distressed, event-driven deals with impending restructurings along with other deep-value investments. The fund is global in nature primarily in the U.S. and Europe. Target investments are typically 65-80% senior debt and 20-35% subordinated debt/equity. The fund generally does not employ leverage at the fund level.	8,778,000	-	9,010,000	-	Quarterly	95 Days
Kepos Alpha Fund	A hedge fund specializing in Quantitative strategies. The fund allocates to three main strategies: macro statistical arbitrage, volatility trading, and systematic event driven, with a heavy reliance on identifying short-term price movements; and forecasting based on underreaction and overreaction of such price movements.	-	-	3,536,000	-	Quarterly	65 Days

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Rimrock	A fixed-income hedge fund. The fund strategy is multi-sector fixed-income relative value that utilizes modest leverage, is actively hedged, and encompasses income and total return strategies. The fund focuses on short average life securities due to their relatively low amount of price sensitivity, including mortgage-backed securities, asset-backed securities, corporate credit, government and agency securities, and non-U.S. and emerging market securities.	\$ 11,376,000	\$ -	\$ 11,013,000	\$ -	Annually	120 Days
Falcon Strategic Partners V, LP	The Partnership invests primarily in mezzanine securities issued by lower middle market companies located in North America. Pursues an opportunistic approach, investing across a wide variety of industry sectors and transaction types alongside entrepreneurs, management teams, nontraditional sponsors, and private equity funds; combining creative and flexible investment structures with carefully calibrated, risk-adjusted pricing. Active return comparisons used the S&P 500 Index and the Barclays five to seven-year High Field Index.	5,647,000	626,359	3,811,000	3,347,628	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Fir Tree International Value Fund	The multi-strategy hedge fund utilizes an opportunistic, value oriented approach. Investing on a global basis, across multiple asset classes, sectors, capital structures, and public and private markets, migrates to less efficient parts of the market looking for undiscovered value including various structured products overlooked by the marketplace. The Fund has generated returns significantly above the HFRI Weighted Composite Index and Barclays Aggregate Bond Index.	\$ 6,429,000	\$ -	\$ 6,805,000	\$ -	Biennial	90 Days
HBK Fund, LP	A diversified multi-strategy fund with a button-up process approach. Investment opportunities are sought on a global basis believing that international, especially emerging markets, are less efficient and therefore contain a wealth of arbitrage opportunities mostly on the credit, special situations and risk arbitrage side.	11,729,000	-	11,324,000	-	Quarterly	90 Days
Rocket Venture II	A limited liability company with the objective of investing in privately held technology related businesses generally in the imagining, incubating, and demonstrating phases of development, located in the State of Ohio.	290,000	300,000	179,000	420,000	No Restrictions	90 Days (Written to the President)
Harvest	A limited liability company organized for the purpose of trading and investing in securities.	10,691,000	-	10,494,000	-	Monthly	Monthly

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2019		June 30, 2018		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
HCI Equity Partners	A partnership that makes private investments in lower middle market industrial products and services companies; Target sound businesses with proven products or services that are in need of an institutional partner to help position the company for continued long-term growth.	\$ 2,510,000	\$ 5,253,139	\$ 642,000	\$ 7,252,434	No Restrictions	Requires notification to the general partner. Redemption is subject to written consent of general partner.
Indus Asia	A hedged equity manager that invests long and short in Asian equities excluding Japan. Net exposure will typically range from 30-70%.	1,951,000	-	2,375,000	-	Quarterly	30 Days
Pelham	A hedged equity manager that invests long and short in European equities. Net exposure will typically range from 70-90%.	5,706,000	-	6,356,000	-	Monthly	90 Days
Pleiad Asia	A hedged equity manager that invests long and short in Asian equities. Net exposure will typically range from 0-30%.	2,511,000	-	2,674,000	-	Quarterly	60 Days
MAP Renewable Energy 2018	A hedge fund seeking to capture value from structured inefficiencies and price anomalies in the global volatility markets. The fund invests in volatility risk premium, statistically long volatility and special situations. Malachite aims to be a market neutral, but can tilt marginally long or short	2,580,000	3,004,794	-	-	No Restrictions	Subject to consent of GP
Malachite class A2	A Partnership that invests in opportunistic real estate, targeting assets that are out of favor at a discount. Value is added through deal structuring, legal analysis, and acquisitions. They draw on resources of Oak Hill where the team formerly ran the real estate group.	3,500,000	-	-	-	Quarterly	30 Days
		<u>\$ 134,429,000</u>	<u>\$ 22,482,068</u>	<u>\$ 140,919,000</u>	<u>\$ 33,621,748</u>		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The total approximate fair value of the hedge funds and partnership funds listed in the preceding table is \$134,427,550 and \$140,919,394 at June 30, 2019 and 2018, respectively. These investments are managed by the Foundation; however, the Foundation's portion of the pool of these investments is 56.6% and 55.2% at June 30, 2019 and 2018, or approximately \$76,086,000 and \$77,745,000, respectively.

The total unfunded commitments listed in the preceding table are \$22,482,068 and \$33,621,748 at June 30, 2019 and 2018, respectively. The Foundation's portion of these commitments is approximately \$12,725,000 and \$18,559,000 at June 30, 2019 and 2018, respectively.

Investments recorded at fair value in accordance with FASB ASC 820-10 have the following allocation between type and market:

	2019		2018	
	Market	Cost	Market	Cost
Pooled Investments:				
Cash Equivalents - United States	\$ 2,771,727	\$ 2,771,727	\$ 1,307,530	\$ 1,307,530
Common Stock:				
United States	77,931,294	69,882,270	75,971,846	66,174,653
Ireland - USD	441,894	204,706	333,976	151,282
Canada - USD	217,990	208,947	777,283	668,827
United Kingdom	187,423	161,177	82,843	46,014
Israel - USD	332,230	193,260	342,795	249,122
Argentina - USD	66,371	67,443	-	-
Brazil - USD	261,404	269,259	-	-
India - USD	224,368	123,653	165,932	92,849
Netherlands - USD	276,207	154,315	242,814	143,381
Switzerland - USD	727,066	640,117	1,037,710	1,038,088
Denmark - USD	329,329	203,896	230,159	229,116
France - USD	794,509	547,435	715,083	570,703
Belgium - USD	309,880	289,624	-	-
Korea, Republic of - USD	32,951	65,962	-	-
Government Bonds - United States	14,093,930	13,951,891	14,276,322	14,406,255
Corporate Bonds:				
United States	1,474,353	1,402,680	1,389,556	1,402,680
Netherlands - USD	100,330	99,605	101,857	99,605
Fixed-Income Mutual Funds - United States	56,694,686	55,995,485	54,001,536	55,773,737
Equity Mutual Funds, Indexes, ETFs:				
United States - USD	66,895,955	40,922,401	64,722,580	41,582,332
International Region - USD	26,052,714	23,376,171	26,666,900	23,458,154
Global Region - USD	36,675,236	26,580,192	36,138,501	23,668,060
United Kingdom - USD	23,485,626	27,793,505	25,055,348	23,081,816
Emerging Markets - USD	44,297,603	42,595,378	44,427,591	41,424,619
Hedge Funds:				
Hedge Equity - Multi National	11,729,073	10,000,000	11,404,510	11,000,000
Hedge Equity - International	35,009,319	37,504,661	45,880,293	43,672,012
Fund of Funds - International	8,778,232	7,000,000	16,401,651	15,068,489
Partnerships - Global	1,606,056	1,573,959	1,935,106	1,800,745
Partnerships - North America Region	5,646,985	5,423,737	3,811,102	3,536,805
Partnerships - United States	71,657,885	59,995,969	61,486,732	53,435,019
Total Pooled Investments	<u>\$ 489,102,626</u>	<u>\$ 429,999,425</u>	<u>\$ 488,907,556</u>	<u>\$ 424,081,893</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

	2019		2018	
	Market	Cost	Market	Cost
Nonpooled Investments:				
Cash Equivalents - United States	\$ 173,946	\$ 173,944	\$ 133,553	\$ 132,984
Government Bonds - United States	3,457	3,392		
Fixed-Income Mutual Funds - United States	983,255	979,735	968,748	992,124
Corporate Bonds - United States	401,257	402,534	425,874	431,146
Common Stocks - United States	972,028	536,809	1,040,514	675,390
Equity Mutual Funds, Indexes, ETFs:				
United States - USD	2,586,797	2,322,049	2,408,409	2,186,655
Emerging Markets - USD	142,220	132,020	-	-
International - USD	115,664	103,017	-	-
Total Nonpooled Investments	<u>\$ 5,378,624</u>	<u>\$ 4,653,500</u>	<u>\$ 4,977,098</u>	<u>\$ 4,418,299</u>
Annuity Trusts:				
Cash Equivalents - United States	\$ 131,360	\$ 131,359	\$ 57,243	\$ 57,243
Fixed-Income Mutual Funds:				
United States	867,997	839,778	798,709	803,742
International	-	-	56,524	58,503
Corporate Bonds - United States	257,268	251,724	250,081	252,854
Common Stocks - United States	1,868,684	974,663	1,841,358	1,038,600
Equity Mutual Funds, Indexes, ETFs:				
United States - USD	821,794	525,972	930,700	635,828
Emerging Markets - USD	59,464	59,808	46,633	46,708
International - USD	132,669	134,472	208,879	138,927
Total Annuity Trusts	<u>\$ 4,139,236</u>	<u>\$ 2,917,776</u>	<u>\$ 4,190,127</u>	<u>\$ 3,032,405</u>

NOTE 14 CONCENTRATION OF CREDIT RISK

The Foundation and Corporation have noninterest-bearing accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation maintains other cash balances at several financial institutions. Other cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the fiscal years ended June 30, 2019 and 2018, the Foundation maintained balances that exceeded insurable limits.

NOTE 15 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. As a Foundation, programs are charged a tiered administrative fee ranging from 1.5% to .75% of the fund balances computed on a twelve quarter average. As a result, expenses are not allocated directly, as the indirect method is used.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
The University of Toledo Foundation and Subsidiaries
Toledo, Ohio

We have audited the consolidated financial statements of The University of Toledo Foundation as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated September 30, 2019, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Toledo, Ohio
September 30, 2019

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	<u>The University of Toledo Foundation</u>	<u>The University of Toledo Foundation Real Estate Corp.</u>	<u>UTF Gateway Investments LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 520,427	\$ 203,827	\$ 268,315	\$ -	\$ 992,569
Accounts Receivable	2,041,454	2,700	22,391	(757,500)	1,309,045
Contributions Receivable, Net of Allowance for Uncollectible Contributions	5,504,529	-	-	-	5,504,529
Interest Receivable	179,507	-	-	-	179,507
Prepaid Expense	(35,394)	-	120,000	-	84,606
Total Current Assets	<u>8,210,523</u>	<u>206,527</u>	<u>410,706</u>	<u>(757,500)</u>	<u>8,070,256</u>
NONCURRENT ASSETS					
Investments:					
Pooled Investments	491,849,780	-	-	(2,747,154)	489,102,626
Nonpooled Investments	5,342,480	-	2,080,693	-	7,423,173
Real Estate	593,476	-	-	-	593,476
Asses Held in Charitable Remainder Trusts	4,139,236	-	-	-	4,139,236
Total Investments	<u>501,924,972</u>	<u>-</u>	<u>2,080,693</u>	<u>(2,747,154)</u>	<u>501,258,511</u>
Due from Real Estate Corporation	8,303,504	-	-	(8,303,504)	-
Contributions Receivable, Net of Allowance for Uncollectible Contributions and Present Value Adjustments	7,592,308	-	-	-	7,592,308
Cash Value of Life Insurance and Annuities	1,327,283	-	-	-	1,327,283
PROPERTY AND EQUIPMENT					
Land and Land Improvements	5,323,851	1,898,134	-	-	7,221,985
Gateway	-	-	15,523,459	-	15,523,459
Rental Property	1,501,727	171,229	-	-	1,672,956
Equipment	25,932,646	-	185,108	-	26,117,754
Total Property and Equipment	<u>32,758,224</u>	<u>2,069,363</u>	<u>15,708,567</u>	<u>-</u>	<u>50,536,154</u>
Less: Accumulated Depreciation	1,448,296	261,810	2,727,558	-	4,437,664
Net Property and Equipment	<u>31,309,928</u>	<u>1,807,553</u>	<u>12,981,009</u>	<u>-</u>	<u>46,098,490</u>
Total Assets	<u>\$ 558,668,518</u>	<u>\$ 2,014,080</u>	<u>\$ 15,472,408</u>	<u>\$ (11,808,158)</u>	<u>\$ 564,346,848</u>

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	<u>The University of Toledo Foundation</u>	<u>The University of Toledo Foundation Real Estate Corp.</u>	<u>UTF Gateway Investments LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
CURRENT LIABILITIES					
Accounts Payable	\$ 1,396,894	\$ 4,957	\$ 801,855	\$ (757,500)	\$ 1,446,206
Accrued Liabilities	202,162	1,399	179,965	-	383,526
Deferred Revenue	-	6,510	39,688	-	46,198
Senior Secured Notes Payable	-	-	304,868	-	304,868
Total Current Liabilities	<u>1,599,056</u>	<u>12,866</u>	<u>1,326,376</u>	<u>(757,500)</u>	<u>2,180,798</u>
NONCURRENT LIABILITIES					
Due to University of Toledo Foundation	-	8,303,504	-	(8,303,504)	-
Senior Secured Notes Payable	-	-	8,618,353	-	8,618,353
Gateway Funding from Pooled Investments	-	-	2,102,846	-	2,102,846
Grantor Trust Payable to a Related Party	2,012,824	-	-	-	2,012,824
Annuities Payable	2,819,625	-	-	-	2,819,625
Funds held for Affiliates	212,912,487	-	-	-	212,912,487
Total Liabilities	<u>219,343,992</u>	<u>8,316,370</u>	<u>12,047,575</u>	<u>(9,061,004)</u>	<u>230,646,933</u>
NET ASSETS (DEFICIT)					
Without Donor Restrictions:					
Operating Funds:					
Undesignated	31,570,904	-	-	-	31,570,904
Designated:					
Real Estate	8,303,504	(6,302,290)	-	-	2,001,214
Gateway	-	-	3,424,833	(2,747,154)	677,679
Board	12,757,280	-	-	-	12,757,280
Total Unrestricted Operating Funds	<u>52,631,688</u>	<u>(6,302,290)</u>	<u>3,424,833</u>	<u>(2,747,154)</u>	<u>47,007,077</u>
Board Endowed	9,841,301	-	-	-	9,841,301
Total Without Donor Restrictions	<u>62,472,989</u>	<u>(6,302,290)</u>	<u>3,424,833</u>	<u>(2,747,154)</u>	<u>56,848,378</u>
With Donor Restrictions	276,851,537	-	-	-	276,851,537
Total Net Assets (Deficit)	<u>339,324,526</u>	<u>(6,302,290)</u>	<u>3,424,833</u>	<u>(2,747,154)</u>	<u>333,699,915</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 558,668,518</u>	<u>\$ 2,014,080</u>	<u>\$ 15,472,408</u>	<u>\$ (11,808,158)</u>	<u>\$ 564,346,848</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	The University of Toledo Foundation	UTF Real Estate Corp.	UTF Gateway Investments	Eliminating Entries	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	The University of Toledo Foundation and Subsidiaries
SUPPORT, REVENUE, AND GAINS (LOSSES)							
Contributions	\$ 9,465,430	\$ -	\$ -	\$ -	\$ 2,334,118	\$ 7,131,312	\$ 9,465,430
Unconditional Promises to Give	7,554,235	-	-	-	51,551	7,502,684	7,554,235
Administrative Fees	3,051,190	-	-	-	5,676,949	(2,625,759)	3,051,190
Annuities and Trusts, Net of Actuarial Adjustments)	(342,761)	-	-	-	-	(342,761)	(342,761)
Ancillary and Non-gift	1,027,892	-	-	-	11,384	1,016,508	1,027,892
Bookstore Revenue	5,223,986	-	-	-	5,223,986	-	5,223,986
Center for Alumni and Donor Engagement	465,968	-	-	-	465,968	-	465,968
Income - UTF Gateway Investments	-	-	1,204,847	-	1,204,847	-	1,204,847
Income - Real Estate Corp.	-	60,971	-	-	60,971	-	60,971
Interest and Dividends	5,277,677	-	-	-	1,043,261	4,234,416	5,277,677
Investment Fees	(653,899)	-	-	-	(136,528)	(517,371)	(653,899)
Net Realized and Unrealized Losses	2,893,782	-	67,898	-	(43,359)	3,005,039	2,961,680
Satisfaction of Program and Donor Restrictions	-	-	-	-	15,367,713	(15,367,713)	-
Other Transfers	-	-	-	-	(97,011)	97,011	-
Total Support, Revenue, and Gains (Losses)	<u>33,963,500</u>	<u>60,971</u>	<u>1,272,745</u>	<u>-</u>	<u>31,163,850</u>	<u>4,133,366</u>	<u>35,297,216</u>
EXPENSES							
University Program Services:							
Academics	5,637,390	-	-	-	5,637,390	-	5,637,390
Athletics Programs and Projects	5,019,008	-	-	-	5,019,008	-	5,019,008
Student Aid	5,112,183	-	-	-	5,112,183	-	5,112,183
Capital Projects	246,764	-	-	-	246,764	-	246,764
Research	345,762	-	-	-	345,762	-	345,762
Bookstore Expenses	5,119,045	-	-	(273,603)	4,845,442	-	4,845,442
Donor Life Insurance Premiums	263,546	-	-	-	263,546	-	263,546
Management and General	3,862,914	57,461	1,451,211	-	5,371,586	-	5,371,586
Fundraising	3,523,840	-	-	-	3,523,840	-	3,523,840
Total Expenses	<u>29,130,452</u>	<u>57,461</u>	<u>1,451,211</u>	<u>(273,603)</u>	<u>30,365,521</u>	<u>-</u>	<u>30,365,521</u>
INCREASE (DECREASE) IN NET ASSETS, BEFORE TRANSFERS	4,833,048	3,510	(178,466)	273,603	798,329	4,133,366	4,931,695
CAPITAL TRANSFERS	<u>-</u>	<u>(2,733,173)</u>	<u>71,193</u>	<u>(71,193)</u>	<u>(2,733,173)</u>	<u>2,726,050</u>	<u>(7,123)</u>
INCREASE (DECREASE) IN NET ASSETS	4,833,048	(2,729,663)	(107,273)	202,410	(1,934,844)	6,859,416	4,924,572
Net Assets (Deficit) - Beginning of Year	<u>331,765,430</u>	<u>(3,572,627)</u>	<u>3,258,504</u>	<u>(2,675,964)</u>	<u>58,783,222</u>	<u>269,992,121</u>	<u>328,775,343</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 336,598,478</u>	<u>\$ (6,302,290)</u>	<u>\$ 3,151,231</u>	<u>\$ (2,473,554)</u>	<u>\$ 56,848,378</u>	<u>\$ 276,851,537</u>	<u>\$ 333,699,915</u>

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	<u>The University of Toledo Foundation</u>	<u>The University of Toledo Foundation Real Estate Corp.</u>	<u>UTF Gateway Investments LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 826,707	\$ 154,666	\$ 198,156	\$ -	\$ 1,179,529
Accounts Receivable	1,080,556	49,009	22,230	(300,000)	851,795
Contributions Receivable, Net of Allowance for Uncollectible Contributions	31,123,303	-	-	-	31,123,303
Interest Receivable	110,503	-	-	-	110,503
Prepaid Expense	90,965	-	120,071	(96,000)	115,036
Total Current Assets	<u>33,232,034</u>	<u>203,675</u>	<u>340,457</u>	<u>(396,000)</u>	<u>33,380,166</u>
NONCURRENT ASSETS					
Investments:					
Pooled Investments	491,583,518	-	-	(2,675,962)	488,907,556
Nonpooled Investments	5,403,030	-	1,618,617	-	7,021,647
Real Estate	593,476	-	-	-	593,476
Assets Held in Charitable Remainder Trusts	4,190,127	-	-	-	4,190,127
Total Investments	<u>501,770,151</u>	<u>-</u>	<u>1,618,617</u>	<u>(2,675,962)</u>	<u>500,712,806</u>
Due from Real Estate Corporation	8,303,504	-	-	(8,303,504)	-
Contributions Receivable, Net of Allowance for Uncollectible Contributions and Present Value Adjustments	11,749,198	-	-	-	11,749,198
Cash Value of Life Insurance and Annuities	1,390,830	-	-	-	1,390,830
PROPERTY AND EQUIPMENT					
Land and Land Improvements	58,420	4,631,307	-	-	4,689,727
Gateway	-	-	15,341,045	-	15,341,045
Rental Property	1,468,175	171,229	-	-	1,639,404
Equipment	864,898	-	185,108	-	1,050,006
Total Property and Equipment	<u>2,391,493</u>	<u>4,802,536</u>	<u>15,526,153</u>	<u>-</u>	<u>22,720,182</u>
Less: Accumulated Depreciation	<u>1,023,067</u>	<u>261,225</u>	<u>2,334,869</u>	<u>-</u>	<u>3,619,161</u>
Net Property and Equipment	<u>1,368,426</u>	<u>4,541,311</u>	<u>13,191,284</u>	<u>-</u>	<u>19,101,021</u>
Total Assets	<u>\$ 557,814,143</u>	<u>\$ 4,744,986</u>	<u>\$ 15,150,358</u>	<u>\$ (11,375,466)</u>	<u>\$ 566,334,021</u>

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	<u>The University of Toledo Foundation</u>	<u>The University of Toledo Foundation Real Estate Corp.</u>	<u>UTF Gateway Investments LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
CURRENT LIABILITIES					
Accounts Payable	\$ 940,913	\$ 5,038	\$ 342,942	\$ (300,000)	\$ 988,893
Accrued Liabilities	260,404	2,551	103,218	(96,000)	270,173
Deferred Revenue	1	6,520	75,973	-	82,494
Senior Secured Notes Payable	-	-	290,318	-	290,318
Total Current Liabilities	<u>1,201,318</u>	<u>14,109</u>	<u>812,451</u>	<u>(396,000)</u>	<u>1,631,878</u>
NONCURRENT LIABILITIES					
Due to University of Toledo Foundation	-	8,303,504	-	(8,303,504)	-
Senior Secured Notes Payable	-	-	8,905,365	-	8,905,365
Gateway Funding from Pooled Investments	-	-	2,174,038	-	2,174,038
Grantor Trust Payable to a Related Party	2,012,824	-	-	-	2,012,824
Annuities Payable	2,876,494	-	-	-	2,876,494
Funds Held for Affiliates	219,958,079	-	-	-	219,958,079
Total Liabilities	<u>226,048,715</u>	<u>8,317,613</u>	<u>11,891,854</u>	<u>(8,699,504)</u>	<u>237,558,678</u>
NET ASSETS (DEFICIT)					
Without Donor Restrictions:					
Operating Funds:					
Undesignated	33,310,784	-	-	-	33,310,784
Designated:					
Real Estate	8,303,504	(3,572,627)	-	-	4,730,877
Gateway	-	-	3,258,504	(2,675,962)	582,542
Board	10,162,240	-	-	-	10,162,240
Total Unrestricted Operating Funds	<u>51,776,528</u>	<u>(3,572,627)</u>	<u>3,258,504</u>	<u>(2,675,962)</u>	<u>48,786,443</u>
Board Endowed	9,996,779	-	-	-	9,996,779
Total Without Donor Restrictions	<u>61,773,307</u>	<u>(3,572,627)</u>	<u>3,258,504</u>	<u>(2,675,962)</u>	<u>58,783,222</u>
With Donor Restrictions	269,992,121	-	-	-	269,992,121
Total Net Assets (Deficit)	<u>331,765,428</u>	<u>(3,572,627)</u>	<u>3,258,504</u>	<u>(2,675,962)</u>	<u>328,775,343</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 557,814,143</u>	<u>\$ 4,744,986</u>	<u>\$ 15,150,358</u>	<u>\$ (11,375,466)</u>	<u>\$ 566,334,021</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	The University of Toledo Foundation	UTF Real Estate Corp.	UTF Gateway Investments	Eliminating Entries	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	The University of Toledo Foundation and Subsidiaries
SUPPORT, REVENUE, AND GAINS (LOSSES)							
Contributions	\$ 9,765,738	\$ -	\$ -	\$ -	\$ 1,925,681	\$ 7,840,057	\$ 9,765,738
Unconditional Promises to Give	31,618,956	-	-	-	30,332,672	1,286,284	31,618,956
Administrative Fees	3,023,957	-	-	-	5,527,006	(2,503,049)	3,023,957
Annuities and Trusts, Net of Actuarial Adjustments)	(355,608)	-	-	-	-	(355,608)	(355,608)
Ancillary and Non-gift	1,367,017	-	-	-	(12,463)	1,379,480	1,367,017
Bookstore Revenue	5,302,158	-	-	-	5,302,158	-	5,302,158
Income - UTF Gateway Investments	-	-	1,397,597	(373,174)	1,024,423	-	1,024,423
Income - Real Estate Corp.	-	60,970	-	-	60,970	-	60,970
Interest and Dividends	4,568,826	-	-	-	849,309	3,719,517	4,568,826
Investment Fees	(771,213)	-	-	-	(137,423)	(633,790)	(771,213)
Net Realized and Unrealized Losses	15,224,135	-	15,078	-	2,812,872	12,426,341	15,239,213
Satisfaction of Program and Donor Restrictions	-	-	-	-	14,652,493	(14,652,493)	-
Other Transfers	-	-	-	-	(153,103)	153,103	-
Total Support, Revenue, and Gains (Losses)	69,743,966	60,970	1,412,675	(373,174)	62,184,595	8,659,842	70,844,437
EXPENSES							
University Program Services:							
Academics	5,345,935	-	-	-	5,345,935	-	5,345,935
Athletics Programs and Projects	4,765,797	-	-	-	4,765,797	-	4,765,797
Student Aid	4,804,703	-	-	-	4,804,703	-	4,804,703
Capital Projects	208,558	-	-	-	208,558	-	208,558
Research	454,772	-	-	-	454,772	-	454,772
Bookstore Expenses	5,160,978	-	-	(373,174)	4,787,804	-	4,787,804
Donor Life Insurance Premiums	62,974	-	-	-	62,974	-	62,974
Management and General	2,722,482	70,886	1,374,426	-	4,167,794	-	4,167,794
Fundraising	2,748,027	-	-	-	2,748,027	-	2,748,027
Total Expenses	26,274,226	70,886	1,374,426	(373,174)	27,346,364	-	27,346,364
INCREASE (DECREASE) IN NET ASSETS, BEFORE TRANSFERS	43,469,740	(9,916)	38,249	-	34,838,231	8,659,842	43,498,073
CAPITAL TRANSFERS	-	-	43,573	(43,573)	-	-	-
INCREASE (DECREASE) IN NET ASSETS	43,469,740	(9,916)	81,822	(43,573)	34,838,231	8,659,842	43,498,073
Net Assets (Deficit) - Beginning of Year	288,295,690	(3,562,711)	3,176,682	(2,632,391)	23,944,991	261,332,279	285,277,270
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 331,765,430</u>	<u>\$ (3,572,627)</u>	<u>\$ 3,258,504</u>	<u>\$ (2,675,964)</u>	<u>\$ 58,783,222</u>	<u>\$ 269,992,121</u>	<u>\$ 328,775,343</u>



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
The University of Toledo Foundation
Toledo, Ohio

We have audited, in accordance with the 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, the financial statements of The University of Toledo Foundation, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The University of Toledo Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The University of Toledo Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The University of Toledo Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The University of Toledo Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Toledo, Ohio
September 30, 2019

OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF TOLEDO FOUNDATION

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 19, 2019