

THE UNIVERSITY OF TOLEDO FOUNDATION
and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS



for
FISCAL YEARS
ENDING
JUNE 30, 2017
AND 2016



with
SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITORS' REPORT



Dave Yost • Auditor of State

Board of Trustees
The University of Toledo Foundation and Subsidiaries
2801 W. Bancroft Street
Toledo, Ohio 43606-3390

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, 2016 through June 30, 2017. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 4, 2017

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**THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	40
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION 2017	41
CONSOLIDATING STATEMENT OF ACTIVITIES 2017	43
CONSOLIDATING STATEMENT OF FINANCIAL POSITION 2016	44
CONSOLIDATING STATEMENT OF ACTIVITIES 2016	46

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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 statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, 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 audit. We conducted our audit 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 2017 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, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to the Prior Period Financial Statements

The 2016 financial statements were audited by other auditors, whose report dated October 12, 2016, expressed an unmodified opinion on those statements. As discussed in Note 15, the Foundation has restated its 2016 financial statements during the current year to appropriately account for pooled investments and the related funds held for affiliates in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2016 financial statements before the restatement. As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 15 that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

Emphasis of Matter

As discussed in Note 1 and 10 to the financial statements, the Foundation adopted a recently issued accounting standard related to the accounting for debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to this matter.

As described in notes 1 and 12, 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 totals \$128,196,741 (25.2% of total assets) and \$111,903,365 (23.7% of total assets) at June 30, 2017 and 2016, 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 October 10, 2017, 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

CliftonLarsonAllen LLP

Toledo, Ohio
October 10, 2017

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	<u>2017</u>	(As Restated) <u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,492,222	\$ 1,707,286
Accounts Receivable	1,403,345	728,747
Contributions receivable, Net of Allowance for Uncollectible contributions	4,164,386	3,820,925
Interest Receivable	136,895	105,844
Prepaid Expense	81,897	104,608
Total Current Assets	<u>7,278,745</u>	<u>6,467,410</u>
NONCURRENT ASSETS		
Investments:		
Pooled Investments	453,337,116	414,827,069
Nonpooled Investments	6,554,401	6,145,015
Real Estate	593,476	593,476
Assets Held in Charitable Remainder Trusts	4,890,733	5,330,519
Total Investments	<u>465,375,726</u>	<u>426,896,079</u>
Prepaid Rent	-	2,349
Contributions Receivable, Net of Allowance for Uncollectible Contributions and Present Value Adjustments	15,484,782	16,785,303
Cash Value of Life Insurance and Annuities	1,442,850	1,574,501
PROPERTY AND EQUIPMENT		
Land and Land Improvements	4,641,282	5,565,104
Gateway	15,329,295	15,295,528
Rental Property	1,609,614	1,592,762
Equipment	1,046,006	913,151
Total Property and Equipment	<u>22,626,197</u>	<u>23,366,545</u>
Less: Accumulated Depreciation	3,169,553	2,719,699
Net Property and Equipment	<u>19,456,644</u>	<u>20,646,846</u>
ASSETS HELD FOR RESALE	<u>497,019</u>	<u>497,019</u>
Total Assets	<u><u>\$ 509,535,766</u></u>	<u><u>\$ 472,869,507</u></u>

See accompanying Notes to Consolidated Financial Statements.

	2017	(As Restated) 2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 843,448	\$ 1,359,619
Accrued Liabilities	221,612	519,339
Deferred Revenue	91,289	75,168
Senior Secured Notes Payable	276,463	263,269
Total Current Liabilities	<u>1,432,812</u>	<u>2,217,395</u>
NONCURRENT LIABILITIES		
Senior Secured Notes Payable, Net of Debt Issuance Costs	9,177,828	9,436,436
Gateway Funding from Pooled Investments	2,217,608	2,276,716
Grantor Trust Payable to a Related Party	2,012,824	2,000,000
Annuities Payable	2,775,936	3,319,566
Funds Held for Affiliates	206,641,488	194,189,619
Total Liabilities	<u>224,258,496</u>	<u>213,439,732</u>
NET ASSETS		
Unrestricted:		
Operating Funds:		
Undesignated	470,867	(662,839)
Designated:		
Real Estate	5,176,613	5,971,575
Gateway	544,291	237,850
Board	8,990,772	6,696,381
Total Unrestricted Operating Funds	<u>15,182,543</u>	<u>12,242,967</u>
Board Endowed	8,762,448	7,970,809
Total Unrestricted	<u>23,944,991</u>	<u>20,213,776</u>
Temporarily Restricted	139,960,152	122,205,092
Permanently Restricted	121,372,127	117,010,907
Total Net Assets	<u>285,277,270</u>	<u>259,429,775</u>
Total Liabilities and Net Assets	<u>\$ 509,535,766</u>	<u>\$ 472,869,507</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND GAIN (LOSS)								
Contributions	\$ 215,177	\$ 5,429,912	\$ 3,839,756	\$ 9,484,845	\$ 230,635	\$ 6,581,375	\$ 2,421,975	\$ 9,233,985
Unconditional Promises to Give	28,644	3,134,269	(50,384)	3,112,529	68,572	3,552,795	2,213,788	5,835,155
Administrative Fees	5,193,612	(2,512,636)	(6,594)	2,674,382	5,229,839	(2,474,587)	(5,889)	2,749,363
Annuities and Trusts, Net of Actuarial Adjustments	-	(7,451)	118,051	110,600	-	(13,088)	(108,656)	(121,744)
Ancillary and Nongift	(3,671)	1,062,999	16,746	1,076,074	54,241	1,261,745	53,366	1,369,352
Bookstore Revenue	5,861,116	-	-	5,861,116	6,611,838	-	-	6,611,838
Income - UFT Gateway Investments	1,136,052	-	-	1,136,052	1,148,674	-	-	1,148,674
Income - Real Estate Corp.	61,942	-	-	61,942	110,952	-	-	110,952
Interest and Dividends	679,941	2,816,050	147,196	3,643,187	727,740	3,120,146	163,028	4,010,914
Investment Fees	(66,962)	(294,251)	(32,942)	(394,155)	(87,175)	(388,170)	(32,654)	(507,999)
Net Realized and Unrealized (Losses) Gains	4,834,065	21,250,375	556,006	26,640,446	(2,899,499)	(11,610,436)	(14,746)	(14,524,681)
Net Loss on sale of Real Estate	(657,128)	-	-	(657,128)	-	-	-	-
Satisfaction of Program and Donor Restrictions	13,384,630	(13,384,630)	-	-	13,715,640	(13,715,640)	-	-
Other Transfers	(33,808)	260,423	(226,615)	-	(350,373)	149,369	201,004	-
Total Support, Revenue, and Gain (Losses)	30,633,610	17,755,060	4,361,220	52,749,890	24,561,084	(13,536,491)	4,891,216	15,915,809
EXPENSES								
Program Services:								
Academics	5,411,009	-	-	5,411,009	6,293,061	-	-	6,293,061
Athletics Programs and Projects	3,476,461	-	-	3,476,461	3,327,510	-	-	3,327,510
Student Aid	4,326,341	-	-	4,326,341	3,999,090	-	-	3,999,090
Capital Projects	353,670	-	-	353,670	195,140	-	-	195,140
Research	528,169	-	-	528,169	538,629	-	-	538,629
Management and General	4,593,672	-	-	4,593,672	4,765,640	-	-	4,765,640
Fundraising	2,688,542	-	-	2,688,542	2,639,844	-	-	2,639,844
Bookstore Expenses	5,271,449	-	-	5,271,449	5,953,381	-	-	5,953,381
Total Expenses	26,649,313	-	-	26,649,313	27,712,295	-	-	27,712,295
INCREASE (DECREASE) IN NET ASSETS - BEFORE TRANSFERS	3,984,297	17,755,060	4,361,220	26,100,577	(3,151,211)	(13,536,491)	4,891,216	(11,796,486)
CAPITAL TRANSFER	(253,082)	-	-	(253,082)	-	207,293	-	207,293
INCREASE (DECREASE) IN NET ASSETS	3,731,215	17,755,060	4,361,220	25,847,495	(3,151,211)	(13,329,198)	4,891,216	(11,589,193)
Net Assets - Beginning of Year	20,213,776	122,205,092	117,010,907	259,429,775	23,364,987	135,534,290	112,119,691	271,018,968
NET ASSETS - END OF YEAR	\$ 23,944,991	\$ 139,960,152	\$ 121,372,127	\$ 285,277,270	\$ 20,213,776	\$ 122,205,092	\$ 117,010,907	\$ 259,429,775

See accompanying Notes to Consolidated Financial Statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 25,847,495	\$ (11,589,193)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	449,854	504,414
Contributions Held as Endowments	(4,870,489)	(5,693,841)
Provisions for Uncollectible Contributions, Net of Actuarial Adjustments on Annuity Obligations	193,452	906,407
Actuarial Adjustment on Contributions Receivable	(438,904)	(731,207)
Unrealized/Realized Losses (Gains) on Investments	(26,640,446)	14,524,681
Loss on Sale of Fixed Assets	910,210	-
Change in Annuity Payable Obligation	(165,261)	229,206
Capital Transfers	253,082	(207,293)
Amortization of Debt Issuance Costs	17,855	17,855
Changes in Operating Assets and Liabilities Which Provided (Used) Cash:		
Accounts Receivable	(674,598)	207,889
Interest Receivable	(31,051)	28,614
Contributions Receivable	1,202,512	(810,306)
Prepaid Expenses and Other	25,060	66,465
Accounts Payable	(516,171)	278,530
Accrued Liabilities and Other	(281,606)	80,721
Cash Surrender Value of Life Insurance	131,651	(8,783)
Funds held for Affiliates	12,451,869	(22,235,970)
Net Cash Provided (Used) by Operating Activities	7,864,514	(24,431,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(439,862)	(84,808)
Purchases of Investments	(25,261,500)	(9,127,211)
Proceeds from Sale of Property and Equipment	270,000	-
Proceeds from Sales and Maturities of Investments	13,376,015	28,549,854
Payments to Annuitants	(378,369)	(397,340)
Net Cash Provided (Used) by Investing Activities	(12,433,716)	18,940,495
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Outstanding Senior Secured Notes	(263,269)	(250,706)
Contributions Held as Endowments	4,870,489	5,693,841
Capital Transfer	(253,082)	207,293
Net Cash Provided by Financing Activities	4,354,138	5,650,428
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(215,064)	159,112
Cash and Cash Equivalents - Beginning of Year	1,707,286	1,548,174
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,492,222	\$ 1,707,286
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 496,120	\$ 508,736

See accompanying Notes to Consolidated Financial Statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Toledo Foundation and Subsidiaries (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.

Fund Accounting and Net Asset Classification

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

Unrestricted Net Assets – are not restricted by donors, or donor-imposed restrictions have expired. Unrestricted funds endowed by the governing board for the same purposes as permanently restricted funds are classified as unrestricted board endowment funds. The governing board has the right to decide at any time to expend the board endowment funds.

Temporarily Restricted Net Assets – contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Temporarily restricted quasi-endowed funds include donor endowments which are subject to the endowment policies outlined in Note 7 but do not contain donor restrictions as to the invasion of the corpus. Income from investments in temporarily restricted quasi-endowment funds is temporarily restricted until the donor-stipulated restrictions are met for spending of such income.

Permanently Restricted Net Assets – contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unrestricted purposes. The unexpended income from these donated assets is classified as temporarily restricted quasi-endowment funds.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are stated at net realizable value. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No allowance was deemed necessary at June 30, 2017 and 2016.

Contributions Receivable

Unconditional promises to give are recognized as unrestricted, temporarily restricted, or permanently restricted 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 FASB ASC 820-10-50 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 2017 and 2016 valued at \$30,800 and \$1,011,995, respectively.

Investments

Investment securities are stated at fair value, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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.

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 \$10,000 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 and accelerated methods over the estimated useful lives of the assets, which range from 5 to 39 years. Contributions of long-lived assets, such as property, are recognized as an increase in unrestricted net assets in the year the asset is received. Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$449,854 and \$504,414, 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.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017 to fiscal year 2039. The present value is determined by applying a discount rate and an annuity factor. The discount rate was 2.4% and 2.0% for fiscal years 2017 and 2016, respectively. Annuity factors based on IRS Publications 1457 and 1458 applied to annual payments of annuity trusts ranged from 1.0090 to 1.0110 in 2017 and 1.0075 to 1.0082 in 2016; unitrust factors applied to principal values ranged from 0.29 to 0.42 in 2017 and 2016; and factors applied to gift annuities ranged from 2.2 to 22.0 in 2017 and 2.2 to 25.26 in 2016.

Funds Held for Affiliates

Financial Accounting Standards Board ASC 958-605 (FASB ASC 958-605) deals with transfers of assets to a not-for-profit 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 affiliates liability and is omitted from the statement of activities and changes in net assets.

Administrative Fees

The Foundation charges a fee based on permanently restricted and quasi-endowed asset balances for managing and administering the investments under its control. In addition, the Foundation also charges administrative fees for pooled investments belonging to the University and The University of Toledo Alumni Association. The University investments include the board-designated reserves and endowments. In 2017 and 2016, the tiered fee ranged from 1.25% to .75% of the donor fund balances. The amount charged to the University and The University of Toledo Alumni Association was approximately \$2.7 million in 2017 and 2016. Administrative fees charged to restricted funds of the Foundation are included in unrestricted revenue.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expense

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

Income Tax Status

The Foundation and the Corporation are incorporated under the laws of the State of Ohio as nonprofit corporations and are exempt from state and local income taxes. The Internal Revenue Service has determined that the Foundation and the Corporation are tax-exempt organizations as defined under Section 501(c)(3) and Section 501(c)(25)(C), 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. 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, 2017 and 2016, 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. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2014.

Use of 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.

Change in Accounting Principle

As described in Note 10 the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through October 10, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to October 10, 2017 that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2017.

NOTE 2 CONTRIBUTIONS RECEIVABLE

As of June 30, 2017 and 2016, 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, 2017 and 2016 amounted to \$1,050,181 and \$753,145, respectively.

Contributions receivable at June 30 are as follows:

	2017	2016
Within One Year	\$ 4,166,107	\$ 4,700,861
Over One to Five Years	18,446,695	17,366,120
More than Five Years	28,820	899,345
Total	<u>22,641,622</u>	<u>22,966,326</u>
Risk Premium	(1,939,246)	(1,745,794)
Present Value Discount	(1,053,208)	(614,304)
Net Contributions Receivable	<u>\$ 19,649,168</u>	<u>\$ 20,606,228</u>
Net Due in One Year	\$ 4,164,386	\$ 3,820,925
Net Due in Excess of One Year	15,484,782	16,785,303
Total Contributions Receivable	<u>\$ 19,649,168</u>	<u>\$ 20,606,228</u>

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 \$7.1 million on the aforementioned pledge, leaving a remaining balance of \$7.9 million as of June 30, 2017. The pledge balance due is recorded at fair value as a long-term contribution receivable with a net present value of \$7.2 million and \$7.5 million as of June 30, 2017 and 2016, respectively. Subsequent to June 30, 2017 the Foundation received notice of a gift of real property at an estimated value of \$30 million, which is not reflected in the accompanying consolidated financial statements.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 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:

	2017		2016	
	Market	Cost	Market	Cost
Mutual Funds, Index Funds, and ETFs - Equities	\$ 182,055,171	\$ 139,732,398	\$ 160,725,627	\$ 143,854,394
Mutual Funds, ETFs - Fixed Income	54,073,940	54,733,379	54,317,712	53,773,780
Common Stocks	70,319,596	60,889,092	71,877,797	67,897,066
Hedge Funds	71,906,070	70,822,047	74,920,372	75,595,954
Partnerships	56,290,671	52,674,850	36,982,993	35,171,194
U.S. Government and Agency Issues	12,205,104	12,141,419	5,942,313	5,633,623
Corporate Bonds	1,849,357	1,772,739	2,030,316	1,871,758
Cash Equivalents	4,637,207	4,637,207	8,029,939	8,029,939
Total Pooled Investments	<u>\$ 453,337,116</u>	<u>\$ 397,403,131</u>	<u>\$ 414,827,069</u>	<u>\$ 391,827,708</u>

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, 2017 is \$5,797,648.

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

	2017		2016	
	Market	Cost	Market	Cost
Common Stocks	\$ 997,151	\$ 558,321	\$ 852,171	\$ 612,079
Private Closely Held	2,085,379	2,085,379	2,126,208	2,126,208
Mutual Funds and EFTs - Fixed Income	995,121	997,591	1,213,683	1,194,210
Corporate Bonds	247,580	247,570	402,279	334,257
Mutual Funds, Index Funds, and EFTs - Equity	1,965,139	1,815,024	1,470,403	1,443,570
Cash Equivalents	264,031	264,031	80,271	80,271
Total Nonpooled Investments	<u>\$ 6,554,401</u>	<u>\$ 5,967,916</u>	<u>\$ 6,145,015</u>	<u>\$ 5,790,595</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 INVESTMENTS (CONTINUED)

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:

	2017		2016	
	Market	Cost	Market	Cost
Common Stocks	\$ 2,169,020	\$ 1,207,034	\$ 3,098,236	\$ 1,916,566
Accrued Interest	7,570	7,570	8,038	8,038
Mutual Funds and EFTs - Fixed Income	703,295	691,015	917,130	915,062
Mutual Funds, Index Funds, and EFTs - Equity	924,458	611,778	950,425	647,895
Corporate Bonds	309,627	306,048	318,346	308,404
Cash Equivalents	776,763	776,764	38,344	38,344
Total Remainder Trust Investments	\$ 4,890,733	\$ 3,600,209	\$ 5,330,519	\$ 3,834,309

The Foundation had the following sources of unrealized and realized gains and losses reported on the accompanying 2017 statement of activities:

	Pooled	Nonpooled	Remainder Trusts	Other	Total
Unrealized Gains:					
Ending Balance	\$ 24,535,564	\$ 432,679	\$ 1,290,524	\$ 153,808	\$ 26,412,575
Beginning Balance	6,876,328	354,420	1,496,210	50,704	8,777,662
Unrealized Appreciation (Depreciation)	17,659,236	78,259	(205,686)	103,104	17,634,913
Realized Appreciation (Depreciation)	7,988,755	367,905	711,712	(62,839)	9,005,533
Total Realized and Unrealized Appreciation (Depreciation)	\$ 25,647,991	\$ 446,164	\$ 506,026	\$ 40,265	\$ 26,640,446

The Foundation had the following sources of unrealized and realized gains and losses during reported on the accompanying 2016 statement of activities:

	Pooled	Nonpooled	Remainder Trusts	Other	Total
Unrealized Gains:					
Ending Balance	\$ 6,876,328	\$ 354,420	\$ 1,496,210	\$ 50,704	\$ 8,777,662
Beginning Balance	26,343,858	387,019	1,797,621	-	28,528,498
Unrealized Appreciation (Depreciation)	(19,467,530)	(32,599)	(301,411)	50,704	(19,750,836)
Realized Appreciation (Depreciation)	4,968,482	(56,524)	323,945	(9,748)	5,226,155
Total Realized and Unrealized Appreciation (Depreciation)	\$ (14,499,048)	\$ (89,123)	\$ 22,534	\$ 40,956	\$ (14,524,681)

Investment and custody fees of \$382,919 and \$507,999 relating to the Foundation's investments were incurred for the years ended June 30, 2017 and 2016, respectively.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 INVESTMENTS (CONTINUED)

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, 2017 and 2016.

The Foundation entered into a subscription agreement to purchase membership interest in Rocket Venture Fund, LLC (Rocket Venture), an Ohio limited liability company, on June 30, 2008, with a total capital commitment of \$150,000 which has been paid in full at June 30, 2015. The contributed capital is classified as a nonpooled investment. Fair value of this membership interest at June 30, 2017 and 2016 is \$17,925 and \$71,578, respectively.

In 2011, the Foundation was gifted 100,000 common stock shares in Midwest Optoelectronics, LLC (Midwest), a privately held company and parent company of Xunlight Corporation. The initial gift was recorded based on an independent valuation analysis of Midwest's common stock at \$360,000. This stock was recorded at its estimated fair value of \$10,000 as of June 30, 2015. During 2016, the value of the common stock was fully impaired and written off.

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- VHC 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 value at June 30, 2017 is \$2,012,824.

The aggregate carrying amount of the investments measured on a nonrecurring basis included in the nonpooled investments on the consolidated statement of financial position is \$2,085,379 and \$2,126,208 as of June 30, 2017 and 2016, 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, 2017 and 2016. The Foundation's portion of the funding from the pooled investments was approximately \$2.63 million and \$2.57 million as of June 30, 2017 and 2016, respectively. The Foundation's contributions, as well as the affiliates', have been eliminated in the consolidating financial statements.

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 statement of financial position.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 LEASE COMMITMENTS

The Foundation's operations are conducted in facilities leased from the University. Rental expense charged to operations under the lease was \$58,450 for fiscal years 2017 and 2016. Future minimum rental payments will be \$58,450 annually during the 10-year renewal option period, which commenced in April 2008.

NOTE 5 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, 2017 and 2016. Employees participate in only one of the retirement plans. Total pension expense for the years ended 2017 and 2016 was \$235,005 and \$221,854, respectively.

NOTE 6 NET ASSETS CLASSIFICATION

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

	Purpose	Time and Purpose	Total
Academics	\$ 16,648,031	\$ 48,225,703	\$ 64,873,734
Student Aid	3,068,688	46,117,695	49,186,383
Capital Projects	2,704,785	5,389,561	8,094,346
Athletic Programs	7,738,469	151,617	7,890,086
Research	2,534,578	3,339,758	5,874,336
General Support	1,852,294	2,188,973	4,041,267
Total	<u>\$ 34,546,845</u>	<u>\$ 105,413,307</u>	<u>\$ 139,960,152</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 NET ASSETS CLASSIFICATION (CONTINUED)

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

	Purpose	Time and Purpose	Total
Academics	\$ 15,761,927	\$ 40,879,329	\$ 56,641,256
Student Aid	3,063,985	37,951,860	41,015,845
Capital Projects	3,269,202	4,601,747	7,870,949
Athletic Programs	7,152,680	186,654	7,339,334
Research	2,272,482	2,575,301	4,847,783
General Support	1,575,800	2,914,125	4,489,925
Total	<u>\$ 33,096,076</u>	<u>\$ 89,109,016</u>	<u>\$ 122,205,092</u>

Permanently Restricted Net Assets

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

	2017	2016
Student Aid	\$ 54,488,903	\$ 51,888,209
Academics	45,923,409	44,322,613
Research	10,859,008	10,848,362
General Support	4,617,066	4,566,324
Capital Projects	4,796,271	4,710,368
Athletic Programs	687,470	675,031
Total	<u>\$ 121,372,127</u>	<u>\$ 117,010,907</u>

Reclassification of Net Assets

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

	2017	2016
Academics	\$ 4,673,596	\$ 4,697,882
Student Aid	4,071,696	3,799,320
Capital Projects	549,883	1,425,300
Athletic Programs	3,427,426	3,091,375
Research	495,733	560,146
General Support	166,296	141,617
Total	<u>\$ 13,384,630</u>	<u>\$ 13,715,640</u>

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

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

Changes in endowment net assets for the fiscal year ended June 30, 2017 are as follows:

	Unrestricted Board- Endowed Net Assets	Unrestricted Transfer for Negative Endowments	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 7,970,809	\$ (117,455)	\$ 89,108,666	\$ 117,010,907	\$ 213,972,927
Investment Return:					-
Investment Income	103,802	-	2,511,196	114,254	2,729,252
Net Depreciation	871,521	-	21,160,958	556,006	22,588,485
Total Investment Return	975,323	-	23,672,154	670,260	25,317,737
Contributions and board					
Transfers to Endowment Funds	21,468	-	941,599	3,907,423	4,870,490
Other Income/Transfers to Endowment Funds	1,050	-	15,584	16,746	33,380
Administrative Fees	(95,145)	-	(2,503,165)	(6,594)	(2,604,904)
Investment Income to Restore Prior Deficiencies of Perpetual Endowments	-	117,455	-	-	117,455
Other Transfers	(111,058)	-	(5,821,532)	(226,615)	(6,159,205)
Change in Net Assets	<u>791,638</u>	<u>117,455</u>	<u>16,304,640</u>	<u>4,361,220</u>	<u>21,574,953</u>
Endowment Net Assets - End of Year	<u>\$ 8,762,447</u>	<u>\$ -</u>	<u>\$ 105,413,306</u>	<u>\$ 121,372,127</u>	<u>\$ 235,547,880</u>

The above schedule and balances reflect contributions receivable of approximately \$13.4 million and \$183,000 for permanently restricted endowed net assets and temporarily restricted endowed net assets, respectively, for the fiscal year ended June 30, 2017.

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	Unrestricted Board- Endowed Net Assets	Unrestricted Transfer for Negative Endowments	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 7,833,556	\$ (15,106)	\$ 103,896,320	\$ 112,119,691	\$ 223,834,461
Investment Return:					
Investment Income	100,838	-	2,719,885	130,374	2,951,097
Net Depreciation	(437,870)	-	(11,558,428)	(14,746)	(12,011,044)
Total Investment Return	(337,032)	-	(8,838,543)	115,628	(9,059,947)
Contributions and board					
Transfers to Endowment Funds	17,720	-	1,149,014	4,527,107	5,693,841
Other Income/Transfers to Endowment Funds	-	-	60,496	53,366	113,862
Administrative Fees	(96,253)	-	(2,465,018)	(5,889)	(2,567,160)
Investment Income to Restore Prior Deficiencies of Perpetual Endowments	-	(102,349)	-	-	(102,349)
Other Transfers	552,818	-	(4,693,603)	201,004	(3,939,781)
Change in Net Assets	<u>137,253</u>	<u>(102,349)</u>	<u>(14,787,654)</u>	<u>4,891,216</u>	<u>(9,861,534)</u>
Endowment Net Assets - End of Year	<u>\$ 7,970,809</u>	<u>\$ (117,455)</u>	<u>\$ 89,108,666</u>	<u>\$ 117,010,907</u>	<u>\$ 213,972,927</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

The above schedule and balances reflect contributions receivable of approximately \$14.1 million and \$300,000 for permanently restricted endowed net assets and temporarily restricted endowed net assets, respectively, for the fiscal year ended June 30, 2016.

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

Other transfers of temporarily restricted and permanently restricted net assets relate mainly to transfers of temporarily restricted endowed spendable earnings to temporarily restricted 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.

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

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$117,455 as of June 30, 2016 (none in 2017). These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs deemed prudent by the board.

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

US Equity: Russell 300
International Equity: MSCI ACWI ex-US
Global Fixed Income: Barclays Aggregate Bond

Strategies Employed for Achieving Objectives

To satisfy its long-term total return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments constructed with prudent risk constraints. 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 2017 and 2016. 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.

NOTE 8 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 is 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 and terminating on June 30, 2035 with four additional five-year renewal options. Lease income ranges from \$100,000 to \$130,477 annually. During 2016, the residence was transferred into the Foundation at the carrying value. The lease agreement was amended and restated on January 1, 2016 and will terminate on July 30, 2035 with four additional five-year renewal options. The annual lease income was restated to \$ 1 per year.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 RELATED PARTY TRANSACTIONS (CONTINUED)

During fiscal year 2016, the University transferred an endowment fund, as requested by the fund originators, to the Foundation in the amount of \$207,293.

During fiscal year 2017, the Foundation transferred land to the University in the amount of \$253,082.

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

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.

During fiscal year 2016, the University of Toledo entered into a Grantor Trust Agreement with the Foundation (see Note 3).

As further documented at note 3, 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 current balance owed to the pool as of June 30, 2017 is \$5,797,648.

NOTE 9 REAL ESTATE CORPORATION

The Corporation purchased property in 2009 and 2010 at a total cost of \$ 1,410,000 for future development. In 2015, the Corporation also obtained two residences.

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.

On May 11, 2016, the Foundation approved the sale of property conveyed from the University during 2015 with a recorded value of \$497,019. The Foundation met the criteria in FASB ASC 360-10-45-9, and has consequently classified the property as held for sale at June 30, 2016.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 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.

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 began in November 2012, and range from \$263,269 (2015) to \$6,159,592 (2027), 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, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 276,463	\$ 466,147	\$ 742,610
2019	290,318	452,292	742,610
2020	304,868	437,742	742,610
2021	320,146	422,464	742,610
2022	353,039	389,571	742,610
2023 and Thereafter	8,093,959	1,886,088	9,980,047
Total	<u>\$ 9,638,793</u>	<u>\$ 4,054,304</u>	<u>\$ 13,693,097</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 UTF GATEWAY INVESTMENTS (CONTINUED)

The following summarizes the notes payable the Foundation has secured with balances due as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Senior Secured Notes Payable	\$ 9,638,793	\$ 9,902,062
Less: Unamortized debt issuance costs	<u>184,502</u>	<u>202,357</u>
Total Notes Payable, Net Unamortized Debt Issuance Costs	9,454,291	9,699,705
Less: current Maturities	<u>276,463</u>	<u>263,269</u>
Total Bonds Payable, Less Current Maturities	<u>\$ 9,177,828</u>	<u>\$ 9,436,436</u>

Interest expense for the years ended June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest	\$ 478,265	\$ 490,881
Amortization of Bond Issuance Costs	<u>17,855</u>	<u>17,855</u>
Total	<u>\$ 496,120</u>	<u>\$ 508,736</u>

Bond issuance costs at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Loan Acquisition Costs	\$ 202,357	\$ 220,212
Less Accumulated Amortization	<u>17,855</u>	<u>17,855</u>
Net Loan Acquisition Costs	<u>\$ 184,502</u>	<u>\$ 202,357</u>

During fiscal year 2015, a board resolution established a Bond Sinking Fund to invest funds to meet the balloon principal payment of approximately \$6.0 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 one through five; \$302,000 for lease years six 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 UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 UTF GATEWAY INVESTMENTS (CONTINUED)

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 \$5,861,000 in fiscal year 2017 and approximately \$6,612,000 in fiscal year 2016 and is included in bookstore revenue on the consolidated statement of activities. Related expense recognized was approximately \$5,271,000 in fiscal year 2017 and approximately \$5,954,000 in fiscal year 2016 and is included in bookstore expenses on the consolidated statement of activities.

Gateway Investments is the landlord for eight other leases, and such leases include renewal options that include either one five-year term, two five-year terms, or one seven-year term. Total rent revenue related to these leases was approximately \$568,000 in 2017 and \$587,000 in 2016.

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2018	\$ 611,064
2019	622,564
2020	637,181
2021	644,977
2022	660,424
2023 and Thereafter	3,149,738
Total	<u>\$ 6,325,948</u>

NOTE 11 FUNDS HELD FOR AFFILIATES

Transactions in agency funds are summarized below for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contributions - Affiliates	\$ 4,161,509	\$ 1,377,572
Investment Income, Net	25,261,500	(7,049,641)
Distributions - Affiliates	<u>(16,971,140)</u>	<u>(16,563,901)</u>
Change in Balance	12,451,869	(22,235,970)
Balance in Affiliate Funds, Beginning of Year	<u>194,189,619</u>	<u>216,425,589</u>
Balance in Affiliate Funds, End of Year	<u>\$ 206,641,488</u>	<u>\$ 194,189,619</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 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.

Disclosures concerning assets measured at fair value for 2017 are as follows:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2017

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, 2017
Pooled Investments:				
Mutual Funds, Index Funds, and ETFs - Equities	\$ 182,055,171	\$ -	\$ -	\$ 182,055,171
Mutual Funds and ETFs - Fixed Income	54,073,940	-	-	54,073,940
Common Stock	70,319,596	-	-	70,319,596
Cash Equivalents	4,637,207	-	-	4,637,207
U.S. Government and Agency Issues	-	12,205,104	-	12,205,104
Corporate Bonds	-	1,849,357	-	1,849,357
Hedge Funds	-	-	71,906,070	71,906,070
Partnerships	-	-	56,290,671	56,290,671
Total Pooled Investments	311,085,914	14,054,461	128,196,741	453,337,116
Nonpooled Investments:				
Cash Equivalents	264,031	-	-	264,031
Corporate Bonds	-	247,580	-	247,580
Mutual Funds and ETFs - Fixed Income	995,121	-	-	995,121
Mutual Funds, Index Funds, and ETFs - Equities	1,965,139	-	-	1,965,139
Common Stocks	997,151	-	-	997,151
Total Nonpooled Investments	4,221,442	247,580	-	4,469,022
Other Assets:				
Assets Held in Remainder Trusts	-	-	4,890,733	4,890,733
Contributions Receivable	-	-	19,649,168	19,649,168

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Disclosures concerning assets measured at fair value for 2016 are as follows:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

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, 2016
Pooled Investments:				
Mutual Funds, Index Funds, and ETFs - Equities	\$ 160,725,627	\$ -	\$ -	\$ 160,725,627
Mutual Funds and ETFs - Fixed Income	54,317,712	-	-	54,317,712
Common Stock	71,877,797	-	-	71,877,797
Cash Equivalents	8,029,939	-	-	8,029,939
U.S. Government and Agency Issues	-	5,942,313	-	5,942,313
Corporate Bonds	-	2,030,316	-	2,030,316
Hedge Funds	-	-	74,920,372	74,920,372
Partnerships	-	-	36,982,993	36,982,993
Total Pooled Investments	294,951,075	7,972,629	111,903,365	414,827,069
Nonpooled Investments:				
Cash Equivalents	80,271	-	-	80,271
Corporate Bonds	-	402,279	-	402,279
Mutual Funds and ETFs - Fixed Income	1,213,683	-	-	1,213,683
Mutual Funds, Index Funds, and ETFs - Equities	1,470,403	-	-	1,470,403
Common Stocks	852,171	-	-	852,171
Total Nonpooled Investments	3,616,528	402,279	-	4,018,807
Other Assets:				
Assets Held in Remainder				
Trusts	-	-	5,330,519	5,330,519
Contributions Receivable	-	-	20,606,228	20,606,228

The Foundation has processes in place to select appropriate valuation techniques and unobservable inputs to perform Level 3 fair value measurements. These processes include quarterly meetings with the Foundation's investment committee for collaboration and review of Level 3 investments, 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 Level 3 investments.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2017 and 2016 are as follows:

Year Ended June 30, 2017	Partnerships	Hedge Funds	Assets Held in Remainder Trusts	Contributions Receivable
Balance at July 1, 2016	\$ 36,982,993	\$ 74,920,372	\$ 5,330,519	\$ 20,606,228
Purchases/Re-Invested Income	22,445,104	-	-	-
Withdrawals and Sales	(6,535,221)	(5,000,000)	-	-
Investment Pool Reallocation	-	-	-	-
Income Distributions	(58,680)	-	141,430	-
Distributions and Fees	-	-	(1,087,243)	-
Pledges Received	-	-	-	3,744,883
Payments Received	-	-	-	(4,069,587)
Change in Present Value	-	-	-	(438,904)
Change in Allowance	-	-	-	(193,452)
Total Realized Gains (Losses)	1,052,141	227,093	716,112	-
Total Unrealized Gains (Losses)	2,404,334	1,758,606	(210,085)	-
Balance at June 30, 2017	<u>\$ 56,290,671</u>	<u>\$ 71,906,071</u>	<u>\$ 4,890,733</u>	<u>\$ 19,649,168</u>
Year Ended June 30, 2016	Partnerships	Hedge Funds	Assets Held in Remainder Trusts	Contributions Receivable
Balance at July 1, 2015	\$ 28,845,807	\$ 62,289,337	\$ 5,581,695	\$ 19,971,122
Purchases/Re-Invested Income	9,408,723	17,000,000	-	-
Withdrawals and Sales	(1,059,153)	(5,046)	-	-
Investment Pool Reallocation	-	-	-	-
Income Distributions	(293,297)	-	156,473	-
Distributions and Fees	-	-	(429,123)	-
Pledges Received	-	-	-	6,010,353
Payments Received	-	-	-	(5,200,048)
Change in Present Value	-	-	-	731,206
Change in Allowance	-	-	-	(153,260)
Total Realized Gains (Losses)	(1,308,965)	59	316,125	(753,145)
Total Unrealized Gains (Losses)	1,389,878	(4,363,978)	(294,651)	-
Balance at June 30, 2016	<u>\$ 36,982,993</u>	<u>\$ 74,920,372</u>	<u>\$ 5,330,519</u>	<u>\$ 20,606,228</u>

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.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Fair Value at June 30, 2017	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets:				
Contributions Receivable	\$ 19,649,168	Discounted Cash Flow	Risk-Free Rate Default Factor Past Due Allowance	.6 - 1.5% 10% 10% - 90%
Assets Held in Remainder Trusts	4,890,733	Market Value of Underlying Assets	None	None
	Fair Value at June 30, 2016	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets:				
Contributions Receivable	\$ 20,606,228	Discounted Cash Flow	Risk-Free Rate Default Factor Past Due Allowance	.6 - 1.5% 10% 10% - 90%
Assets Held in Remainder Trusts	5,330,519	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.

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

The 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, 2017 and 2016, there were no transfers between levels of the fair value hierarchy.

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

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

Investment	Investment Strategy	June 30, 2017		June 30, 2016		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.	\$ 1,308,000	\$ 136,164	\$ 1,793,000	\$ 186,164	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.	793,000	172,806	1,149,000	213,168	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
Robeco Sam Clean Tech Private Equity III, 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.	1,616,000	303,032	1,544,000	429,643	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
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2017		June 30, 2016		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.	\$ 2,410,000	\$ 312,535	\$ 2,257,000	\$ 708,050	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.	2,162,000	360,000	2,866,000	1,080,000	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.	30,176,000	30,846,500	23,677,000	37,566,500	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.							

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2017		June 30, 2016		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
Falcon Strategic Partners IC, 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.	\$ 3,906,000	\$ -	\$ 3,497,000	\$ 7,888,592	No Restrictions	Requires notification to general partner. Redemption is subject to written consent of general partner.
Hopelite Offshore LTD	A fundamental long/short equity hedge fund utilizing a 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.	10,122,000	-	11,819,000	-	Quarterly	60 Days

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2017		June 30, 2016		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.	\$ 9,816,000	\$ -	\$ 10,707,000	\$ -	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.	8,808,000	-	10,728,000	-	Quarterly	60 Days

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2017		June 30, 2016		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.	\$ 3,067,000	\$ -	\$ 4,216,000	\$ -	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.	8,034,000	-	6,973,000	-	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.	3,571,000	-	4,098,000	-	Quarterly	65 Days

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2017		June 30, 2016		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.	\$ 10,704,000	\$ -	\$ 9,720,000	\$ -	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.	3,288,000	4,505,489	111,000	-	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
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2017		June 30, 2016		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.	6,945,000		6,448,000	-	Annual	30 Days

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment	Investment Strategy	June 30, 2017		June 30, 2016		Redemption Frequency	Redemption Notice Period
		Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments		
	products overlooked by the marketplace. The Fund has generated returns significantly above the HFRI Weighted Composite Index and Barclays Aggregate Bond Index.						
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.	\$ 10,839,000	\$ -	\$ 10,210,000	\$ -	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.	90,000	510,000	90,000	-	Quarterly	90 Days (Written to the President)
Harvest	A limited liability company organized for the purpose of trading and investing in securities.	10,543,000	-	-	-	Monthly	Monthly

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The total approximate fair value of the hedge funds and partnership funds listed in the preceding table is \$128,196,741 and \$111,903,365 at June 30, 2017 and 2016, respectively. These investments are managed by the Foundation; however, the Foundation's portion of the pool of these investments is 54.36% and 53.18% at June 30, 2017 and 2016, or approximately \$69,688,000 and \$59,510,000, respectively.

The total unfunded commitments listed in the preceding table are \$37,146,526 and \$48,582,117 at June 30, 2017 and 2016, respectively. The Foundation's portion of these commitments is approximately \$20,193,000 and \$25,836,000 at June 30, 2017 and 2016, respectively.

Charitable remainder trusts are measured based on the fair market value of the underlying asset net of liabilities; as such, the charitable remainder trust is considered to be determined based on Level 3 inputs.

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

	2017		2016	
	Market	Cost	Market	Cost
Pooled Investments:				
Cash Equivalents - United States	\$ 4,637,207	\$ 4,637,207	\$ 8,029,939	\$ 8,029,939
Common Stock:				
United States	66,278,962	57,329,166	68,459,441	64,218,342
Ireland - USD	344,710	135,624	278,990	133,785
Canada - USD	410,014	509,015	232,222	317,739
United Kingdom	1,212,865	1,044,999	1,175,059	1,507,193
Israel - USD	282,836	252,212	580,468	567,842
Argentina - USD	111,735	105,892	-	-
Brazil - USD	72,499	61,004	-	-
India - USD	216,468	180,246	-	-
Netherlands - USD	245,839	168,771	125,761	100,542
Switzerland - USD	827,093	800,905	535,340	555,014
China - USD	145,104	145,844	175,039	173,942
France - USD	-	-	315,477	322,667
Puerto Rico - USD	171,471	155,414	-	-
Government Bonds - United States	12,205,104	12,141,419	5,942,313	5,633,623
Corporate Bonds:				
United States	1,640,588	1,573,195	1,812,882	1,672,214
United Kingdom - USD	103,492	99,939	108,518	99,939
Netherlands - USD	105,277	99,605	108,916	99,605
Fixed-Income Mutual Funds:				
United States	37,100,609	38,215,556	42,755,422	42,610,756
International Region - USD	16,973,331	16,517,883	11,562,290	11,163,024
Equity Mutual Funds, Indexes, ETFs:				
United States - USD	56,793,143	33,522,424	59,480,939	40,369,410
International Region - USD	59,651,899	43,941,256	47,833,941	42,655,215
United Kingdom - USD	23,921,539	22,033,923	19,506,587	21,322,074
Emerging Markets - USD	41,688,590	40,234,795	33,904,160	39,507,695
Real Estate - United States	-	-	-	-
Hedge Funds:				
Hedge Equity - Multi National	18,930,491	20,150,035	22,546,839	23,600,000
Hedge Equity - International	44,941,214	43,672,012	45,400,134	44,994,954
Fund of Funds - International	8,034,365	6,999,940	6,973,399	7,000,000
Partnerships - Global	4,904,196	5,031,009	1,655,181	1,753,559
Partnerships - United States	51,386,475	47,643,841	35,327,812	33,417,635
Total Pooled Investments	<u>\$ 453,337,116</u>	<u>\$ 397,403,131</u>	<u>\$ 414,827,069</u>	<u>\$ 391,826,708</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	2017		2016	
	Market	Cost	Market	Cost
Nonpooled Investments:				
Cash Equivalents - United States	\$ 264,031	\$ 264,031	\$ 80,271	\$ 80,271
Fixed-Income Mutual Funds -				1,194,210
United States	995,121	997,591	1,213,683	334,257
Corporate Bonds - United States	247,580	247,570	402,279	612,079
Common Stocks - United States	997,151	558,321	852,171	1,443,570
Equity Mutual Funds, Indexes, ETFs	1,965,139	1,815,024	1,470,403	
Total Nonpooled Investments	\$ 4,469,022	\$ 3,882,537	\$ 4,018,807	\$ 3,664,387
Annuity Trusts:				
Cash Equivalents - United States	\$ 784,333	\$ 784,333	\$ 46,381	\$ 46,381
Fixed-Income Mutual Funds:				
United States	655,999	642,108	881,378	874,507
International	47,295	48,907	35,752	40,555
Corporate Bonds - United States	309,627	306,048	318,346	308,404
Common Stocks - United States	2,169,020	1,207,034	3,098,237	1,916,566
Equity Mutual Funds, Indexes, ETFs:				
United States - USD	629,159	372,811	476,342	228,193
Emerging Markets - USD	140,330	122,793		
International - USD	154,970	116,174	474,083	419,702
Total Annuity Trusts	\$ 4,890,733	\$ 3,600,208	\$ 5,330,519	\$ 3,834,308

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.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Contributions receivable are stated at fair value as described in Notes 1, 2, and 11.

Pooled investments and investments held in charitable remainder trusts are stated at fair value as described in Notes 1, 3, and 11.

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

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, 2017 and 2016, the Foundation maintained balances that exceeded insurable limits.

NOTE 15 PRIOR PERIOD ADJUSTMENT

Through June 30, 2016, only the portion of pooled investments related to the Foundation were recorded on the financial statements, however, in accordance with FASB ASC 958-605, all funds maintained in the pool would be recorded as an asset and a liability should be established for the fair value of the funds held by the Foundation for other entities. All financial activity related to the funds is recorded as adjustments to the funds held for affiliates liability and is omitted from the statement of activities and changes in net assets, therefore, there is no effect on the net assets of the Foundation for June 30, 2017 and 2016 related to the adjustment. The effect on assets and liabilities is as follows for June 30, 2016:

	<u>Assets</u>	
June 30, 2016 Assets		\$ 278,882,245
Pooled Investment Assets		<u>193,987,262</u>
June 30, 2016 Assets (Restated)		<u><u>\$ 472,869,507</u></u>
	<u>Liabilities</u>	
June 30, 2016 Liabilities		\$ 19,452,470
Funds Held for Affiliates		<u>193,987,262</u>
June 30, 2016 Liabilities (Restated)		<u><u>\$ 213,439,732</u></u>



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**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 year ended June 30, 2017, and have issued our report thereon dated October 10, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 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
October 10, 2017

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	The University of Toledo Foundation	The University of Toledo Foundation Real Estate Corp.	UTF Gateway Investments LLC	Eliminating Entries	Total
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,083,181	\$ 191,328	\$ 217,713	\$ -	\$ 1,492,222
Accounts Receivable	1,477,436	-	25,909	(100,000)	1,403,345
Contributions Receivable, Net of Allowance for Uncollectible Contributions	4,164,386	-	-	-	4,164,386
Interest Receivable	136,895	-	-	-	136,895
Prepaid Expense	58,955	-	22,942	-	81,897
Total Current Assets	<u>6,920,853</u>	<u>191,328</u>	<u>266,564</u>	<u>(100,000)</u>	<u>7,278,745</u>
NONCURRENT ASSETS					
Investments:					
Pooled Investments	458,187,116	-	-	(4,850,000)	453,337,116
Nonpooled Investments	5,315,348	-	1,239,053	-	6,554,401
Real Estate	593,476	-	-	-	593,476
Asses Held in Charitable Remainder Trusts	4,890,733	-	-	-	4,890,733
Total Investments	<u>468,986,673</u>	<u>-</u>	<u>1,239,053</u>	<u>(4,850,000)</u>	<u>465,375,726</u>
Due from Real Estate Corporation	8,739,322	-	-	(8,739,322)	-
Prepaid Rent	-	-	-	-	-
Contributions Receivable, Net of Allowance for Uncollectible Contributions and Present Value Adjustments	15,484,782	-	-	-	15,484,782
Cash Value of Life Insurance and Annuities	1,442,850	-	-	-	1,442,850
PROPERTY AND EQUIPMENT					
Land and Land Improvements	9,975	4,631,307	-	-	4,641,282
Gateway	-	-	15,329,295	-	15,329,295
Rental Property	1,438,385	171,229	-	-	1,609,614
Equipment	860,898	-	185,108	-	1,046,006
Total Property and Equipment	<u>2,309,258</u>	<u>4,802,536</u>	<u>15,514,403</u>	<u>-</u>	<u>22,626,197</u>
Less: Accumulated Depreciation	967,932	260,641	1,940,980	-	3,169,553
Net Property and Equipment	<u>1,341,326</u>	<u>4,541,895</u>	<u>13,573,423</u>	<u>-</u>	<u>19,456,644</u>
ASSETS HELD FOR RESALE	<u>-</u>	<u>497,019</u>	<u>-</u>	<u>-</u>	<u>497,019</u>
Total Assets	<u>\$ 502,915,806</u>	<u>\$ 5,230,242</u>	<u>\$ 15,079,040</u>	<u>\$ (13,689,322)</u>	<u>\$ 509,535,766</u>

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	The University of Toledo Foundation	The University of Toledo Foundation Real Estate Corp.	UTF Gateway Investments LLC	Eliminating Entries	Total
CURRENT LIABILITIES					
Accounts Payable	\$ 794,360	\$ 21,195	\$ 127,893	\$ (100,000)	\$ 843,448
Accrued Liabilities	177,899	25,026	18,687	-	221,612
Deferred Revenue	-	7,410	83,879	-	91,289
Senior Secured Notes Payable	-	-	276,463	-	276,463
Total Current Liabilities	<u>972,259</u>	<u>53,631</u>	<u>506,922</u>	<u>(100,000)</u>	<u>1,432,812</u>
NONCURRENT LIABILITIES					
Due to University of Toledo Foundation	-	8,739,322	-	(8,739,322)	-
Senior Secured Notes Payable	-	-	9,177,828	-	9,177,828
Gateway Funding from Pooled Investments	-	-	2,217,608	-	2,217,608
Grantor Trust Payable to a Related Party	2,012,824	-	-	-	2,012,824
Annuities Payable	2,775,936	-	-	-	2,775,936
Funds held for Affiliates	208,859,097	-	-	(2,217,609)	206,641,488
Total Liabilities	<u>214,620,116</u>	<u>8,792,953</u>	<u>11,902,358</u>	<u>(11,056,931)</u>	<u>224,258,496</u>
NET ASSETS (DEFICIT)					
Unrestricted:					
Operating Funds:					
Undesignated	470,867	-	-	-	470,867
Designated:					
Real Estate	8,739,322	(3,562,711)	-	-	5,176,611
Gateway	-	-	3,176,682	(2,632,391)	544,291
Board	8,990,774	-	-	-	8,990,774
Total Unrestricted Operating Funds	<u>18,200,963</u>	<u>(3,562,711)</u>	<u>3,176,682</u>	<u>(2,632,391)</u>	<u>15,182,543</u>
Board Endowed	8,762,448	-	-	-	8,762,448
Temporarily Restricted	139,960,152	-	-	-	139,960,152
Permanently Restricted	121,372,127	-	-	-	121,372,127
Total Net Assets (Deficit)	<u>288,295,690</u>	<u>(3,562,711)</u>	<u>3,176,682</u>	<u>(2,632,391)</u>	<u>285,277,270</u>
 Total Liabilities and Net Assets (Deficit)	 <u>\$ 502,915,806</u>	 <u>\$ 5,230,242</u>	 <u>\$ 15,079,040</u>	 <u>\$ (13,689,322)</u>	 <u>\$ 509,535,766</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	The University of Toledo Foundation	UTF Real Estate Corp.	UTF Gateway Investments	Eliminating Entries	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	The University of Toledo Foundation and Subsidiaries
SUPPORT, REVENUE, AND GAINS (LOSSES)								
Contributions	\$ 9,484,845	\$ -	\$ -	\$ -	\$ 215,177	\$ 5,429,912	\$ 3,839,756	\$ 9,484,845
Unconditional Promises to Give	3,112,529	-	-	-	28,644	3,134,269	(50,384)	3,112,529
Administrative Fees	2,674,382	-	-	-	5,193,612	(2,512,636)	(6,594)	2,674,382
Annuities and Trusts, Net of Actuarial Adjustments)	110,600	-	-	-	-	(7,451)	118,051	110,600
Ancillary and nongift	1,076,074	-	-	-	(3,671)	1,062,999	16,746	1,076,074
Bookstore Revenue	5,861,116	-	-	-	5,861,116	-	-	5,861,116
Income - UTF Gateway Investments	-	-	1,494,762	(358,710)	1,136,052	-	-	1,136,052
Income - Real Estate Corp.	-	61,942	-	-	61,942	-	-	61,942
Interest and Dividends	3,643,187	-	-	-	679,941	2,816,050	147,196	3,643,187
Investment Fees	(394,155)	-	-	-	(66,962)	(294,251)	(32,942)	(394,155)
Net Realized and Unrealized Losses	26,640,446	-	-	-	4,834,065	21,250,375	556,006	26,640,446
Net Loss on Sale of Real Estate	(657,128)	-	-	-	(657,128)	-	-	(657,128)
Satisfaction of Program and Donor Restrictions	-	-	-	-	13,384,630	(13,384,630)	-	-
Other Transfers	-	-	-	-	(33,808)	260,423	(226,615)	-
Total Support, Revenue, and Gains (Losses)	51,551,896	61,942	1,494,762	(358,710)	30,633,610	17,755,060	4,361,220	52,749,890
EXPENSES								
Program Services:								
Academics	5,411,009	-	-	-	5,411,009	-	-	5,411,009
Athletics Programs and Projects	3,476,461	-	-	-	3,476,461	-	-	3,476,461
Student Aid	4,326,341	-	-	-	4,326,341	-	-	4,326,341
Capital Projects	353,670	-	-	-	353,670	-	-	353,670
Research	528,169	-	-	-	528,169	-	-	528,169
Management and General	2,411,526	993,823	1,188,323	-	4,593,672	-	-	4,593,672
Fundraising	2,688,542	-	-	-	2,688,542	-	-	2,688,542
Bookstore Expenses	5,630,159	-	-	(358,710)	5,271,449	-	-	5,271,449
Total Expenses	24,825,877	993,823	1,188,323	(358,710)	26,649,313	-	-	26,649,313
INCREASE (DECREASE) IN NET ASSETS, BEFORE TRANSFERS	26,726,019	(931,881)	306,439	-	3,984,297	17,755,060	4,361,220	26,100,577
CAPITAL TRANSFERS	-	(253,082)	59,107	(59,107)	(253,082)	-	-	(253,082)
INCREASE (DECREASE) IN NET ASSETS	26,726,019	(1,184,963)	365,546	(59,107)	3,731,215	17,755,060	4,361,220	25,847,495
Net Assets (Deficit)- Beginning of Year	261,569,671	(2,377,748)	2,811,136	(2,573,284)	20,213,776	122,205,092	117,010,907	259,429,775
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 288,295,690</u>	<u>\$ (3,562,711)</u>	<u>\$ 3,176,682</u>	<u>\$ (2,632,391)</u>	<u>\$ 23,944,991</u>	<u>\$ 139,960,152</u>	<u>\$ 121,372,127</u>	<u>\$ 285,277,270</u>

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	The University of Toledo Foundation	The University of Toledo Foundation Real Estate Corp.	UTF Gateway Investments LLC	Eliminating Entries	Total
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,224,195	\$ 84,424	\$ 398,667	\$ -	\$ 1,707,286
Accounts Receivable	697,129	529	31,089	-	728,747
Contributions Receivable, Net of Allowance for Uncollectible Contributions	3,820,925	-	-	-	3,820,925
Interest Receivable	105,844	-	-	-	105,844
Prepaid Expense	104,608	-	-	-	104,608
Total Current Assets	<u>5,952,701</u>	<u>84,953</u>	<u>429,756</u>	<u>-</u>	<u>6,467,410</u>
NONCURRENT ASSETS					
Investments:					
Pooled Investments	419,677,069	-	-	(4,850,000)	414,827,069
Nonpooled Investments	5,287,136	-	857,879	-	6,145,015
Real Estate	593,476	-	-	-	593,476
Assets Held in Charitable Remainder Trusts	5,330,519	-	-	-	5,330,519
Total Investments	<u>430,888,200</u>	<u>-</u>	<u>857,879</u>	<u>(4,850,000)</u>	<u>426,896,079</u>
Due from Real Estate Corporation	8,349,321	-	-	(8,349,321)	-
Prepaid Rent	2,349	-	-	-	2,349
Contributions Receivable, Net of Allowance for Uncollectible Contributions and Present Value Adjustments	16,785,303	-	-	-	16,785,303
Cash Value of Life Insurance and Annuities	1,574,501	-	-	-	1,574,501
PROPERTY AND EQUIPMENT					
Land and Land Improvements	9,975	5,555,129	-	-	5,565,104
Gateway	-	-	15,295,528	-	15,295,528
Rental Property	1,427,378	165,384	-	-	1,592,762
Equipment	860,898	-	52,253	-	913,151
Total Property and Equipment	<u>2,298,251</u>	<u>5,720,513</u>	<u>15,347,781</u>	<u>-</u>	<u>23,366,545</u>
Less: Accumulated Depreciation	913,845	260,495	1,545,359	-	2,719,699
Net Property and Equipment	<u>1,384,406</u>	<u>5,460,018</u>	<u>13,802,422</u>	<u>-</u>	<u>20,646,846</u>
ASSETS HELD FOR RESALE	<u>-</u>	<u>497,019</u>	<u>-</u>	<u>-</u>	<u>497,019</u>
Total Assets	<u>\$ 464,936,781</u>	<u>\$ 6,041,990</u>	<u>\$ 15,090,057</u>	<u>\$ (13,199,321)</u>	<u>\$ 472,869,507</u>

THE UNIVERSITY OF TOLEDO FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	The University of Toledo Foundation	The University of Toledo Foundation Real Estate Corp.	UTF Gateway Investments LLC	Eliminating Entries	Total
CURRENT LIABILITIES					
Accounts Payable	\$ 1,302,084	\$ 23,844	\$ 33,691	\$ -	\$ 1,359,619
Accrued Liabilities	279,125	25,211	215,003	-	519,339
Deferred Revenue	-	21,360	53,808	-	75,168
Senior Secured Notes Payable	-	-	263,269	-	263,269
Total Current Liabilities	<u>1,581,209</u>	<u>70,415</u>	<u>565,771</u>	<u>-</u>	<u>2,217,395</u>
NONCURRENT LIABILITIES					
Due to University of Toledo Foundation	-	8,349,321	-	(8,349,321)	-
Senior Secured Notes Payable	-	-	9,436,436	-	9,436,436
Gateway Funding from Pooled Investments	-	-	2,276,716	-	2,276,716
Grantor Trust Payable to a Related Party	2,000,000	-	-	-	2,000,000
Annuities Payable	3,319,566	-	-	-	3,319,566
Funds Held for Affiliates	196,466,335	-	-	(2,276,716)	194,189,619
Total Liabilities	<u>203,367,110</u>	<u>8,419,736</u>	<u>12,278,923</u>	<u>(10,626,037)</u>	<u>213,439,732</u>
NET ASSETS (DEFICIT)					
Unrestricted:					
Operating Funds:					
Undesignated	(662,839)	-	-	-	(662,839)
Designated:					
Real Estate	8,349,321	(2,377,746)	-	-	5,971,575
Gateway	-	-	2,811,134	(2,573,284)	237,850
Board	6,696,381	-	-	-	6,696,381
Total Unrestricted Operating Funds	<u>14,382,863</u>	<u>(2,377,746)</u>	<u>2,811,134</u>	<u>(2,573,284)</u>	<u>12,242,967</u>
Board Endowed	7,970,809	-	-	-	7,970,809
Temporarily Restricted	122,205,092	-	-	-	122,205,092
Permanently Restricted	117,010,907	-	-	-	117,010,907
Total Net Assets (Deficit)	<u>261,569,671</u>	<u>(2,377,746)</u>	<u>2,811,134</u>	<u>(2,573,284)</u>	<u>259,429,775</u>
 Total Liabilities and Net Assets (Deficit)	 <u>\$ 464,936,781</u>	 <u>\$ 6,041,990</u>	 <u>\$ 15,090,057</u>	 <u>\$ (13,199,321)</u>	 <u>\$ 472,869,507</u>

THE UNIVERSITY OF TOLEDO FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	The University of Toledo Foundation	UTF Real Estate Corp.	UTF Gateway Investments	Eliminating Entries	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	The University of Toledo Foundation and Subsidiaries
SUPPORT, REVENUE, AND GAINS (LOSSES)								
Contributions	\$ 9,233,985	\$ -	\$ -	\$ -	\$ 230,635	\$ 6,581,375	\$ 2,421,975	\$ -
Unconditional Promises to Give	5,835,155	-	-	-	68,572	3,552,795	2,213,788	9,233,985
Administrative Fees	2,749,363	-	-	-	5,229,839	(2,474,587)	(5,889)	5,835,155
Annuities and Trusts, Net of Actuarial Adjustments)	(121,744)	-	-	-	-	(13,088)	(108,656)	2,749,363
Ancillary and nongift	1,369,352	-	-	-	54,241	1,261,745	53,366	(121,744)
Bookstore Revenue	6,611,838	-	-	-	6,611,838	-	-	1,369,352
Income - UTF Gateway Investments	-	-	1,513,488	(364,814)	1,148,674	-	-	6,611,838
Income - Real Estate Corp.	-	110,952	-	-	110,952	-	-	1,148,674
Interest and Dividends	4,010,914	-	-	-	727,740	3,120,146	163,028	110,952
Investment Fees	(507,999)	-	-	-	(87,175)	(388,170)	(32,654)	4,010,914
Net Realized and Unrealized Losses	(14,524,681)	-	-	-	(2,899,499)	(11,610,436)	(14,746)	(507,999)
Satisfaction of Program and Donor Restrictions	-	-	-	-	13,715,640	(13,715,640)	-	(14,524,681)
Other Transfers	-	-	-	-	(350,373)	149,369	201,004	-
Total Support, Revenue, and Gains (Losses)	14,656,183	110,952	1,513,488	(364,814)	24,561,084	(13,536,491)	4,891,216	15,915,809
EXPENSES								
Program Services:								
Academics	6,293,061	-	-	-	6,293,061	-	-	6,293,061
Athletics Programs and Projects	3,327,510	-	-	-	3,327,510	-	-	3,327,510
Student Aid	3,999,090	-	-	-	3,999,090	-	-	3,999,090
Capital Projects	195,140	-	-	-	195,140	-	-	195,140
Research	538,629	-	-	-	538,629	-	-	538,629
Management and General	3,148,198	187,187	1,430,255	-	4,765,640	-	-	4,765,640
Fundraising	2,639,844	-	-	-	2,639,844	-	-	2,639,844
Bookstore Expenses	6,318,195	-	-	(364,814)	5,953,381	-	-	5,953,381
Total Expenses	26,459,667	187,187	1,430,255	(364,814)	27,712,295	-	-	27,712,295
INCREASE (DECREASE) IN NET ASSETS, BEFORE TRANSFERS	(11,803,484)	(76,235)	83,233	-	(3,151,211)	(13,536,491)	4,891,216	(11,796,486)
CAPITAL TRANSFERS	207,293	-	50,734	(50,734)	-	207,293	-	207,293
INCREASE (DECREASE) IN NET ASSETS	(11,596,191)	(76,235)	133,967	(50,734)	(3,151,211)	(13,329,198)	4,891,216	(11,589,193)
Net Assets (Deficit)- Beginning of Year	273,165,862	(2,301,513)	2,677,169	(2,522,550)	23,364,987	135,534,290	112,119,691	271,018,968
NET ASSETS (DEFICIT) - END OF YEAR	\$ 261,569,671	\$ (2,377,748)	\$ 2,811,136	\$ (2,573,284)	\$ 20,213,776	\$ 122,205,092	\$ 117,010,907	\$ 259,429,775



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.

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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, 2017, 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 October 10, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiency in internal control, described below that we consider to be material weakness.

Finding 2017-001 – Investment Securities

FASB ASC 958-605 requires that when an affiliate organization transfers funds to the Foundation using its own funds and for its own benefit, the Foundation must include for the transfer of such in the internal investment pool. During the audit of the internal investment pool, we noted only the investment directly related to the Foundation, excluding the assets transferred from The University of Toledo and The University of Toledo Alumni Association, were recorded as assets on the

consolidated statement of financial position. As further discussed in Note 15 to the consolidated financial statement, this amounted to an adjustment of approximately \$206 million in 2017 and a prior period adjustment of approximately \$194 million were added as investment assets with a corresponding liability. We recommend that the Foundation review the pooled investment statements monthly and properly reflect the asset and liability for funds held for other affiliates accordingly.

The University of Toledo Foundation Response

We agree with the accounting for the investment pool as described above and the 2017 financial statements reflect the additional investments and liability and the 2016 financial statements have been restated to reflect the investments and corresponding liability.

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*.

The University of Toledo Foundation's Response to Findings

The University of Toledo Foundation's response described above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
October 10, 2017



Dave Yost • Auditor of State

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
DECEMBER 19, 2017