

FINANCIAL STATEMENTS AND SUPPLEMENTAL  
INFORMATION

The University of Toledo

Years ended June 30, 2004 and 2003  
with Report of Independent Auditors





**Auditor of State  
Betty Montgomery**

Board of Trustees  
University of Toledo  
2801 W. Bancroft St.  
Rocket Hall Room 174  
Toledo, OH 43606

We have reviewed the Independent Auditor's Report of the University of Toledo, Lucas County, prepared by Ernst & Young LLP, for the audit period July 1, 2003 through June 30, 2004. 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 is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 9, 2004

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The University of Toledo  
Financial Statements  
and Supplemental Information

Years ended June 30, 2004 and 2003

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## Report of Independent Auditors on Basic Financial Statements and Schedule of Expenditures on Federal Awards

The Board of Trustees  
The University of Toledo

We have audited the accompanying statements of net assets of The University of Toledo (the University), a component unit of the State of Ohio, and its discretely presented component unit as of June 30, 2004 and 2003 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2004 and 2003 and the respective changes in financial position, and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 1 to the financial statements, in fiscal 2004 the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which required the discrete presentation of The University of Toledo Foundation financial statements as a component unit of the University.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2004 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



October 4, 2004

# THE UNIVERSITY OF TOLEDO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the University of Toledo's (University) financial position and activity during the fiscal years ended June 30, 2004, 2003 and 2002. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion have been prepared by and are the responsibility of university management.

### Using the Annual Financial Report

The annual financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. Financial statements prescribed by GASB Statement No. 35 (the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

On July 1, 2003, the University implemented GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the University's financial report. The University has determined that the University of Toledo Foundation meets the GASB 39 criteria for inclusion in the University's financial statements.

The Statements of Net Assets include all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statements of Revenues, Expenses and Changes in Net Assets present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on State support could result in operating deficits because State appropriations are required by GASB to be classified as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the University's ability to meet financial obligations as they mature.

## Noteworthy Financial Activity

The University's financial position, as a whole, changed during the fiscal year ended June 30, 2004 compared to the previous year as evidenced by the following:

- The University's total assets increased over the prior year by \$13.6 million or 2.9% due primarily to an increase in capital assets.
- Total liabilities decreased by \$4.6 million or 2.1% due to reductions in accounts payable and accrued liabilities and long term liabilities.
- The University's net assets increased by \$18.2 million from \$250.8 million to \$269 million or 7.3%, of which net investment in capital assets increased by \$7.2 million or 4.4%, unrestricted net assets increased \$3.1 million or 10.3% and expendable restricted net assets increased by \$7.9 million or 16.8%.
- Operating revenues increased \$14.7 million or 7% during fiscal year ended June 30, 2004. Increased revenues were realized in student tuition and fees, and grants and contracts.
- Operating expenses have increased by \$11 million or 3.7% with the largest changes in the areas of instruction and research.
- Nonoperating revenues, expenses and other changes increased by \$3.9 million or 4.2% due to an increase in investment income, state grants and contracts and gift income.

Both the Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information on the University as a whole. Over time, increases or decreases in the University's net assets are one indicator of whether its financial health is improving or deteriorating. Many other non-financial factors must also be considered in assessing the overall health of the University, such as the trend and quality of applicants, freshman class size, student retention, strength of the faculty, condition of the buildings and the safety of the campus.

## Statements of Net Assets

The Statements of Net Assets (SNA) presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The purpose of the SNA is to present the readers of the financial statements with a financial snapshot of the University of Toledo taken as a whole.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in capital assets. The next category is restricted net assets, which is divided into nonexpendable and expendable. The corpus of the nonexpendable restricted net assets is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The last category is unrestricted net assets, which are available to the University for any lawful purpose of the institution.

From the data presented in the SNA, the readers are able to determine the assets available for continued operations. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the SNA provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Following are condensed Statements of Net Assets of the University as of June 30, 2004, 2003 and 2002 (in thousands)

	2004	2003	Variance 2004 to 2003		2002	Variance 2003 to 2002		
			Amount	Percentage		Amount	Percentage	
<b>Assets:</b>								
Current assets	\$ 71,630	\$ 93,521	\$(21,891)	-23.4%	\$ 62,633	\$ 30,888	49.3%	
Capital assets, net	301,880	281,790	20,090	7.1%	270,831	10,959	4.0%	
Other assets	106,347	90,954	15,393	16.9%	67,874	23,080	34.0%	
<b>Total Assets</b>	<b>479,857</b>	<b>466,265</b>	<b>13,592</b>	<b>2.9%</b>	<b>401,338</b>	<b>64,927</b>	<b>16.2%</b>	
<b>Liabilities</b>								
Current liabilities	45,759	46,212	(453)	-1.0%	45,100	1,112	2.5%	
Noncurrent liabilities	165,089	169,235	(4,146)	-2.4%	120,328	48,907	40.6%	
<b>Total Liabilities</b>	<b>210,848</b>	<b>215,447</b>	<b>(4,599)</b>	<b>-2.1%</b>	<b>165,428</b>	<b>50,019</b>	<b>30.2%</b>	
<b>Net Assets</b>								
Investment in capital assets, net of debt	170,894	163,704	7,190	4.4%	156,648	7,056	4.5%	
Restricted - nonexpendable	10,028	9,997	31	0.3%	10,008	(11)	-0.1%	
Restricted - expendable	54,888	47,008	7,880	16.8%	47,598	(590)	-1.2%	
Unrestricted	33,199	30,109	3,090	10.3%	21,656	8,453	39.0%	
<b>Total Net Assets</b>	<b>\$ 269,009</b>	<b>\$ 250,818</b>	<b>\$ 18,191</b>	<b>7.3%</b>	<b>\$ 235,910</b>	<b>\$ 14,908</b>	<b>6.3%</b>	

### Fiscal Year 2004 Compared to 2003

At June 30, 2004, total University assets were \$479.9 million increasing \$13.6 million or 2.9%. The University's largest asset, investment in capital assets, increased from \$281.8 million to \$301.9 million or 7.1% and current assets decreased \$21.9 million or 23.4% due to the purchase of long term investments and the use of bond investments for construction related projects.

In fiscal 2004, the University's current assets of \$71.6 million were sufficient to cover current liabilities of \$45.7 million (current ratio of 1.57:1 compared to 2.02:1).

University liabilities were \$210.8 million at June 30, 2004. Long-term debt of \$167.4 million consisted of bonds, notes, and leases payable, of which \$158.3 million is bonds payable and comprises the largest portion of noncurrent liabilities.

Total net assets increased from \$250.8 million to \$269 million. Unrestricted net assets totaled \$33.2 million, of which 71.2% or \$23.8 million is internally designated for ongoing academic and research programs, capital projects and other initiatives.

#### Fiscal Year 2003 Compared to 2002

At June 30, 2003, total University assets were \$466.3 million increasing \$64.9 million or 16.2%. The University's largest asset, capital assets, increased from \$270.8 million to \$281.8 million or 4.1% and current assets increased \$30.9 million or 49.3% of which \$26.9 million are investments related to the issuance of the 2002 bonds.

In fiscal 2003, the University's current assets of \$93.5 million were sufficient to cover current liabilities of \$46.2 million (current ratio of 2.02:1 compared to 1.39:1).

University liabilities were \$215.4 million at June 30, 2003. Long-term debt of \$172.6 million consisted of bonds, notes, and leases payable, of which \$161.7 million is bonds payable and comprises the largest portion of noncurrent liabilities.

Total net assets increased from \$235.9 million to \$250.8 million. Unrestricted net assets totaled \$30.1 million, of which 78.4% or \$23.6 million is internally designated for ongoing academic and research programs, capital projects and other initiatives.

#### Statements of Revenues, Expenses and Changes in Net Assets

Changes in total net assets are based on the activity reflected in the Statements of Revenues, Expenses and Changes in Net Assets (SRECNA). These statements present operating and nonoperating revenues and expenses recognized or incurred by the University.

In general, operating revenues and expenses result from providing goods and services to the various customers of the University in order to carry out the University mission. Nonoperating revenues are received without an exchange of goods or services. For example, state appropriations are considered nonoperating as they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

Following are condensed statements of revenues, expenses and changes in net assets for the three years ended June 30, 2004 (in thousands)

	2004	2003	Variance 2004 to 2003		2002	Variance 2003 to 2002	
			Amount	Percentage		Amount	Percentage
Operating revenues							
Student tuition and fees	\$ 130,816	\$ 117,387	\$ 13,429	11.4%	\$ 98,441	\$ 18,946	19.2%
Grants and Contracts	43,182	41,663	1,519	3.6%	36,404	5,259	14.4%
Auxiliary enterprises	45,715	45,819	(104)	-0.2%	41,836	3,983	9.5%
Other operating revenue	5,256	5,412	(156)	-2.9%	3,750	1,662	44.3%
Total operating revenues	224,969	210,281	14,688	7.0%	180,431		
Operating expenses							
Educational and general	242,163	230,575	11,588	5.0%	219,471	11,104	5.1%
Auxiliary enterprises	47,513	48,623	(1,110)	-2.3%	46,660	1,963	4.2%
Depreciation	15,956	15,445	511	3.3%	13,730	1,715	12.5%
Total operating expenses	305,632	294,643	10,989	3.7%	279,861	14,782	5.3%
Operating loss	(80,663)	(84,362)	3,699	-4.4%	(99,430)	15,068	-15.2%
Nonoperating revenues, expenses and other changes							
State share of instruction	79,921	79,938	(17)	0.0%	83,175	(3,237)	-3.9%
Other nonoperating revenues	18,163	11,752	6,411	54.6%	16,384	(4,632)	-28.3%
Capital appropriations	8,482	12,654	(4,172)	-33.0%	4,819	7,835	162.6%
Nonoperating expenses	(7,712)	(9,435)	1,723	-18.3%	(7,441)	(1,994)	26.8%
Total nonoperating revenues, expenses and other changes	98,854	94,909	3,945	4.2%	96,937		
Reallocation of state unfunded workers' compensation liability		4,361					
Increase (decrease) in net assets	18,191	14,908	3,283	22.0%	(2,493)	17,401	-698.0%
Net assets at beginning of year	250,818	235,910			238,403		
Net assets at end of year	\$ 269,009	\$ 250,818	\$ 18,191	7.3%	\$235,910	\$ 14,908	6.3%

### Fiscal Year 2004 Compared to 2003

The most significant sources of operating revenues for the University are tuition and fees of \$130.8 million, grants and contracts of \$43.2 million, and auxiliary enterprises sales of \$45.7 million, compared to \$117.4 million, \$41.7 million and \$45.8 million from the prior year.

Operating expenses totaled \$305.6 million compared to \$294.6 million, which includes depreciation of \$15.9 million compared to \$15.4 million. Further, research and instruction functional categories have increased proportionally to the additional revenue from grants and contracts.

State appropriations were the most significant source of nonoperating revenue, totaling \$79.9 million for both years.

Other changes reflect a decrease in capital appropriations of \$4.2 million due to the timing of use in the University's ongoing capital improvement program.

### Fiscal Year 2003 Compared to 2002

The most significant sources of operating revenues for the University are tuition and fees of \$117.4 million, grants and contracts of \$41.7 million, and auxiliary enterprises sales of \$45.8 million, compared to \$98.4 million, \$36.4 million and \$41.8 million from the prior year.

Operating expenses totaled \$294.6 million compared to \$279.9 million, which includes depreciation of \$15.4 million compared to \$13.7 million. Further, research and instruction functional categories have increased proportionally to the additional revenue from grants and contracts. Auxiliary enterprises have also increased expenditures in proportion to revenue.

State appropriations were the most significant source of nonoperating revenue, totaling \$79.9 million compared to \$83.1 million, a decrease of \$3.2 million or 3.9%.

Other changes reflect an increase in capital appropriations of \$7.8 million for use in the University's on going capital improvement program and the reallocation of state unfunded workers' compensation liability of \$4.4 million.

### Statements of Cash Flows

The primary purpose of the Statements of Cash Flows (SCF) are to provide relevant information about the cash receipts and payments during the year. The SCF helps users assess the University's ability to generate future net cash flows, meet its obligations as they come due, and the needs for external financing.

The SCF is split into five sections. The first section includes operating cash flows (the net cash provided/used in operating activities). The second section cash flows from noncapital financing activities reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section includes cash flows from capital and related financing activities including the cash used for capital acquisition and construction. The fourth section includes the cash flows from investing which reflects the purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash to operating income (loss) as reflected in the Statements of Revenues, Expenses, and Changes in Net Assets.

Following are condensed statements of cash flows for the three years ended June 30, (in thousands):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash provided by (used in):			
Operating activities	\$ (67,490)	\$ (70,778)	\$ (85,005)
Noncapital financing activities	89,661	85,074	95,997
Capital and related financing activities	(16,776)	(16,932)	(11,364)
Investing activities	<u>(1,580)</u>	<u>2,654</u>	<u>(131)</u>
Net change in cash	3,815	18	(503)
Cash and cash equivalents at beginning of year	<u>290</u>	<u>272</u>	<u>775</u>
Cash and cash equivalents at end of year	<u>\$ 4,105</u>	<u>\$ 290</u>	<u>\$ 272</u>

#### Fiscal Year 2004 Compared to 2003

Major sources of cash included student tuition and fees (\$130.1 million compared to \$118.6 million), state appropriations (\$79.9 million in each year), auxiliary activities (\$45.1 million compared to \$46 million), and grants and contracts (\$43.4 million compared to \$40.2 million). The largest payments were for suppliers and employees (\$291 million compared to \$278.5 million).

#### Fiscal Year 2003 Compared to 2002

Major sources of cash included student tuition and fees (\$118.6 million compared to \$98.4 million), state appropriations (\$79.9 million compared to 83.2 million), auxiliary activities (\$46 million compared to \$42.6 million), and grants and contracts (\$40.2 million compared to \$34 million). The largest payments were for suppliers and employees (\$278.5 million compared to \$262.6 million).

#### Capital Assets and Debt Administration

##### Capital Assets

The University has an on going capital improvement program consisting of new construction and the renovation of existing facilities. During the fiscal year ended June 30, 2004, renovation projects were completed on Bowman Oddy, the Residence Halls of Parks Tower and McComas Village, Nitschke Hall, Palmer Hall, Student Union and Libbey Hall.

The University has planned capital improvements for the fiscal year ending June 30, 2005 of approximately \$26.4 million. Renovation projects are scheduled for Palmer Hall, University Computer Center, University Hall, Gillham Hall, Bowman Oddy, North Engineering, McMaster Hall, Student Recreation Center, Center for Performing Arts, Law Center, MacKinnon, Wolfe Hall, and the utility distribution system. Construction on the new residence hall is estimated to cost \$43.6 million with planned completion for fall of 2005. Capital improvement projects are expected to be funded from a variety of sources including gifts, State capital appropriations, debt financing, and University funds.

The University had \$302 million in capital assets, net of accumulated depreciation of \$222.6 million at June 30, 2004 compared to \$281.8 million in capital assets for the prior fiscal year. The charges for depreciation included in the SRECNA total \$15.9 million and \$15.4 million for the fiscal years ended June 30, 2004 and 2003 respectively. Detailed information about the University's capital assets is presented in the notes to the financial statements.

#### Debt Administration

The University has a strong financial position and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects. Standard & Poor's Rating Services assigns an underlying rating ranging from A to AAA on rated insured bond issues. Moody's Investor Services, Inc. also assigns an underlying rating ranging from A1 to A3. The University's underlying ratings are AAA and A2, respectively.

#### Economic Factors That Will Affect the Future

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support, and the cost of employee compensation, health care, and utilities.

The economic position of the University is closely tied to the economic condition of the State, as all state universities in Ohio receive State financial assistance for both operations and designated capital improvements through appropriations by the Legislature. These appropriations contribute substantially to the successful maintenance and operation of the University.

The Board of Trustees approved a 9.9% increase in student fees. Enrollment numbers as of the census day indicated a decrease in students for the Fall semester of 5.4%.

#### Requests for Information

This financial report is designed to provide a general overview of The University of Toledo finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Thomas H. Page, Controller, Mail Stop 325, Rocket Hall 1740, 2801 W. Bancroft Street, Toledo, Ohio 43606.

**The University of Toledo**  
**Statements of Net Assets**  
**As of June 30, 2004 and 2003**  
**(Dollars in thousands)**

	<u>University</u>		<u>Foundation</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>				
Current Assets				
Cash and cash equivalents (note 2)	\$ 4,105	\$ 290	\$ 1,042	\$ 1,453
Short-term investments (note 2)	3,317	34,476		
Accounts receivable, net (note 3)	21,429	21,073	295	285
Contributions receivable, net allowance for uncollectible			1,657	967
Inventories	383	362		
Investments held by bond trustee (note 2)	37,245	33,344		
Notes receivable, net (note 3)	2,438	2,188	137	166
Other assets	2,712	1,788	68	59
<b>Total Current Assets</b>	<b>71,630</b>	<b>93,521</b>	<b>3,199</b>	<b>2,930</b>
Noncurrent Assets				
Endowment and loan investments (note 2)	36,310	30,463	89,900	75,821
Notes receivable, net (note 3)	13,009	13,533	155	293
Long-term investments (note 2)	53,553	43,666	33	
Contributions receivable, net allowance for uncollectible			3,057	3,677
Deferred bond issuance costs	3,475	3,292		
Capital assets, net (note 4)	301,880	281,790	245	641
<b>Total Noncurrent Assets</b>	<b>408,227</b>	<b>372,744</b>	<b>93,390</b>	<b>80,432</b>
<b>Total Assets</b>	<b>479,857</b>	<b>466,265</b>	<b>96,589</b>	<b>83,362</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable and accrued liabilities	19,688	18,736	992	1,040
Deferred revenue	11,464	11,949		
Deposits	381	233		
Compensated absences - current portion (note 5)	9,145	8,879		
Long-term liabilities - current portion (note 5)	5,081	6,415	137	166
<b>Total Current Liabilities</b>	<b>45,759</b>	<b>46,212</b>	<b>1,129</b>	<b>1,206</b>
Noncurrent Liabilities				
Compensated absences (note 5)	2,803	3,073		
Long-term liabilities (note 5)	162,286	166,162	4,024	4,081
<b>Total Noncurrent Liabilities</b>	<b>165,089</b>	<b>169,235</b>	<b>4,024</b>	<b>4,081</b>
<b>Total Liabilities</b>	<b>210,848</b>	<b>215,447</b>	<b>5,153</b>	<b>5,287</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	170,894	163,704	245	641
Restricted:				
Nonexpendable	10,028	9,997	46,593	44,008
Expendable	54,888	47,008	36,300	27,955
Unrestricted	33,199	30,109	8,298	5,471
<b>Total Net Assets</b>	<b>\$269,009</b>	<b>\$250,818</b>	<b>\$91,436</b>	<b>\$78,075</b>

See notes to financial statements

**The University of Toledo**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**As of June 30, 2004 and 2003**  
(Dollars in thousands)

	University		Foundation	
	2004	2003	2004	2003
<b>Revenues</b>				
Operating revenues:				
Student tuition and fees, net of student aid of \$22,135 and \$22,220	\$ 130,816	\$ 117,387		
Federal grants and contracts	29,323	26,446		
State grants and contracts	6,833	6,341		
Local grants and contracts	1,508	1,999		
Private grants and contracts	5,518	6,877		
Sales and services	3,380	2,948		
Auxiliary enterprises , net of student aid of \$2,987 and \$2,730	45,715	45,819		
Gifts			\$ 6,138	\$ 4,025
Other operating revenues	1,876	2,464	644	472
Total operating revenues	224,969	210,281	6,782	4,497
<b>Expenses</b>				
Operating expenses:				
Instruction	120,917	113,045		
Research	16,268	14,386	118	132
Public service	4,736	4,945		
Academic support	28,964	28,451	2,750	2,761
Student services	18,848	18,983		
Institutional support	24,021	23,973	1,607	1,565
Student aid	12,907	12,370	1,285	1,719
Operation and maintenance of plant	15,502	14,422	1,840	990
Depreciation	15,956	15,445	55	55
Auxiliary enterprises	47,513	48,623	698	629
Total operating expenses	305,632	294,643	8,353	7,851
Operating loss	(80,663)	(84,362)	(1,571)	(3,354)
<b>Nonoperating Revenues (Expenses)</b>				
State share of instruction	79,921	79,938		
Loss after state share of instruction	(742)	(4,424)	(1,571)	(3,354)
State grants and contracts	6,624	4,852		
Gifts	3,898	3,367		
Investment income	6,900	2,180	12,900	
Interest on debt	(5,901)	(6,729)		
Other nonoperating (expenses)	(1,794)	(2,608)	431	313
Total other nonoperating revenues	9,727	1,062	13,331	1,051
Income (Loss) before other changes	8,985	(3,362)	11,760	(2,303)
<b>Other Changes</b>				
Capital appropriations	8,482	12,654		
Capital grants, gifts, and contracts	734	1,351		
Addition to permanent endowment	7	2	1,601	1,832
Asset disposal	(17)	(98)		
Total other changes	9,206	13,909	1,601	1,832
Reallocation of state unfunded workers' compensation liability		4,361		
Increase (Decrease) in Net Assets	18,191	14,908	13,361	(471)
<b>Net assets</b>				
Net assets at beginning of year	250,818	235,910	78,075	78,546
Net assets at end of year	\$ 269,009	\$ 250,818	\$ 91,436	\$ 78,075

See notes to financial statements

**The University of Toledo**  
**Statements of Cash Flows**  
**Year Ended June 30, 2004 and 2003**  
(Dollars in thousands)

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 130,162	\$ 118,584
Grants and contracts	43,372	40,194
Sales and services of educational activities	3,279	1,971
Payments to suppliers	(145,918)	(139,779)
Payments to employees	(145,138)	(138,770)
Loans issued to students	(2,752)	(4,063)
Collection of loans from students	2,493	2,639
Auxiliary enterprise charges	45,136	45,983
Other	1,876	2,463
	<hr/>	<hr/>
Net cash from operatin gactivities	(67,490)	(70,778)
<b>Cash flows from noncapital financing activities</b>		
State share of instruction	79,921	79,938
Student direct lending receipts	81,611	69,599
Student direct lending disbursements	(82,415)	(72,719)
Gifts, grants, and contracts	10,529	8,221
Agency Transactions	15	35
	<hr/>	<hr/>
Net cash from noncapital financing activities	89,661	85,074
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(33,939)	(25,325)
Principal paid on capital debt	(6,076)	(6,010)
Capital appropriations	9,751	11,888
Proceeds from debt issuance	18,137	8,669
Capital grants and gifts	1,220	545
Interest paid on capital debt	(5,869)	(6,699)
	<hr/>	<hr/>
Net cash from capital and related financing activities	(16,776)	(16,932)
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	321,037	218,476
Interest on investments	2,235	1,496
Purchase of investments	(324,852)	(217,318)
	<hr/>	<hr/>
Net cash from investing activities	(1,580)	2,654
Net increase in cash	3,815	18
Cash and cash equivalents - beginning of year	290	272
	<hr/>	<hr/>
Cash and cash equivalents - end of year	<u>\$ 4,105</u>	<u>\$ 290</u>

See notes to financial statements

**The University of Toledo**  
**Statements of Cash Flows – Continued**  
**Year Ended June 30, 2004 and 2003**  
(Dollars in thousands)

	<u>2004</u>	<u>2003</u>
Reconciliation of net operating revenues (expenses) to net cash used in operating activities:		
Operating loss	\$ (80,663)	\$ (84,362)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	15,956	15,445
(Increase) decrease in assets:		
Accounts receivable, net	(660)	(1,133)
Inventories	22	(60)
Other current assets	(1,019)	49
Notes receivable, net	(274)	(1,390)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(1,339)	(1,345)
Deferred revenue	484	536
Compensated absences	3	1,482
	<u>3</u>	<u>1,482</u>
Net cash used in operating activities	<u>\$ (67,490)</u>	<u>\$ (70,778)</u>

See notes to financial statements

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

Note 1 - Reporting Entity, Basis of Presentation, and Summary of Significant Accounting Policies

The accompanying financial statements consist of the University of Toledo (University) and the University of Toledo Foundation (Foundation)

Reporting Entity - The University is a component unit of the State of Ohio, as established by the General Assembly of the State of Ohio (State) in 1967 by statutory act under Chapter 3360 of the Revised Code of the State. Prior to that time, the University was a municipal university. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations, grants from various state agencies, Ohio workers' compensation program and payments to the State retirement programs for certain University employees.

The University is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501 (c) (3), and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

In 2004, the University retroactively implemented GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*, which requires the University to reflect the Foundation as a discretely presented component unit in the financial statements based on the significance of its relationship with the University. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organizations to supplement the resources that are available to the University in support of its programs. The twenty-eight member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipt from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2004 and 2003 the Foundation transferred approximately \$5,399 and \$4,304, respectively, to the University for both restricted and unrestricted purposes. Certain marketable investments of the University are pooled with marketable investments of the Foundation. The Foundation manages these funds and receives from the University a management fee equal to 1.35% of the fair market value of the University's share of the pooled investments. For the years ended June 30, 2004 and 2003, the University incurred management fees paid or payable to the Foundation of \$409 and \$529, respectively. Requests for additional information or financial statements should be addressed to The University of Toledo Foundation, Driscoll Center MS 318, 2801 W Bancroft Street, Toledo, Ohio 43606.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

Basis of Presentation - The financial statements have been prepared to incorporate all fund groups utilized by the University. These statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB and require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Operating revenues and expenses generally result from providing educational and instructional services in connection with the University's principal ongoing operations. The principal source of operating revenues of the University is student tuition. The University also recognizes as operating revenue auxiliary enterprises and exchange transactions. Operating expenses include educational and instructional costs, administrative expenses and depreciation expense. All items not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted as they are needed.

Summary of Significant Accounting Policies

1. Cash and cash equivalents consist of cash on hand and demand deposits with banks. All investments with maturities less than 90 days are considered cash equivalents.
2. Investments in marketable securities are carried at fair value as established by major securities markets. Investment income includes realized and unrealized gains and losses on investments, amortization of premium and discount, interest income, and dividends.
3. Inventories are stated at the lower of cost (first in, first out basis) or market.
4. Capital assets are stated at historical cost or fair value at date of donation in the case of gifts. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation. Depreciation has been recorded in accordance with GASB. The University has a rare book collection and manuscript collection in the library that is not capitalized since it represents historical works of art that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.
5. Deferred bond issuance costs for the 2004, 2003, 2001, 1998, and 1992 Series General Receipts Bonds have been capitalized in the Other Assets category on the Statements of Net Assets and are being amortized over the life of the bonds on the straight-line method, which approximates the interest method.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

6. University employees earn vacation and sick leave based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitation are forfeited. The liability and expense incurred are recorded at year-end as long-term and short-term liabilities in the Statements of Net Assets, and as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Assets.
7. Compensatory time may be given in lieu of overtime pay to classified employees who work in excess of the regular schedule. Management estimates that the future cost associated with the payment of compensatory time earned as of June 30, 2004 is not significant to the financial statements as a whole and will not have a material impact on the future operations when paid.
8. Summer term tuition and fees, and corresponding expenses relating to various sessions falling in the fiscal year are recognized in the fiscal year they occur. The portion of sessions falling into the next fiscal year are recorded as deferred revenue and prepaid expenses in the Statements of Net Assets and will be recognized in the following year.
9. State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.

Note 2 – Cash, Cash Equivalents and Investments

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

The Board approved revisions to the University's investment policy effective November 2003. The policy establishes investment objectives, strategies and measures for evaluation. The University's policy complies with the State of Ohio regulations provided by legislation.

Cash balances are combined into one pool for making daily cash and investment transactions. GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, requires cash and cash equivalents and investments held by the University to be categorized into the following credit risk categories:

- (a) Cash and Cash Equivalents consisting of:
  1. Insured or collateralized with securities held by the University, or by its agent in the University's name.
  2. Collateralized with securities held by the pledging financial institution's trust department or agent in the University's name.
  3. Uncollateralized.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

(b) Investments consisting of:

1. Insured or registered, or securities held by the University, or by its agent in the University's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the University's name.
3. Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the University's name.

At June 30, 2004, the carrying amount of the University's cash and cash equivalents for all funds was \$4,105. Items in transit and outstanding checks cause the difference in the carrying amount of \$4,105 and the bank balance of \$211. Of the bank balance, \$100 was covered by federal depository insurance (category 1) and \$111 was insured by a financial institution collateral pool (category 3).

The cost and fair values, exclusive of accrued interest, of investments at June 30, consisted of the following:

	Category	2004		2003	
		Cost	Fair Value	Cost	Fair Value
Corporate bonds	2	\$ 9,140	\$ 9,495	\$ 6,119	\$ 6,590
Corporate stock	2	21,616	25,341	18,900	19,814
U.S. Government/agency obligations	2	87,180	86,526	24,812	25,160
		117,936	121,362	49,831	51,564
Common and collective trust funds		6,750	7,719	65,533	65,596
STAR Ohio		362	362	23,807	23,807
Real estate		982	982	982	982
		<u>\$ 126,030</u>	<u>\$ 130,425</u>	<u>\$ 140,153</u>	<u>\$ 141,949</u>

The University's investments in the State Treasurer's investment program, real estate, and common and collective trusts are not categorized because they are not evidence by securities that exist in physical or book entry form.

The fair value of the Foundation's investments were \$89,900 and \$75,621 at June 30, 2004 and 2003, respectively. Net realized and unrealized gains (losses) amounted to \$11,582 and (710) at June 30, 2004 and 2003, respectively.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2004  
(Dollars in Thousands)

Note 3 – Accounts and Notes Receivable

The accounts and notes receivable, shown net of allowances for uncollectible accounts at June 30, are summarized as follows:

	<u>2004</u>	<u>2003</u>
Accounts receivable		
Tuition and Fees	\$ 3,560	\$ 2,898
Sales and services	1,506	1,756
Auxiliary services	2,336	2,021
Grants and contracts	12,140	11,404
Interest receivable	466	162
Interest receivable - endowments	56	53
Plant fund	<u>1,365</u>	<u>2,779</u>
Total accounts receivable - net of allowances	21,429	21,073
Notes receivable:		
Current	2,438	2,188
Non current	<u>13,009</u>	<u>13,533</u>
Total notes receivable - net of allowances	<u>15,447</u>	<u>15,721</u>
Total accounts and notes receivables - net of allowances	<u>\$ 36,876</u>	<u>\$ 36,794</u>

Accounts receivable relate to several transactions including tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of allowance for uncollectible accounts of \$2,011 and \$1,767 for fiscal 2004 and 2003 respectively. Student loans receivable are recorded net of allowance for uncollectible accounts of \$760.

Note 4 – Capital Assets

Assets are capitalized with a cost of \$100 or greater with the exception of equipment, which is capitalized at a cost of \$5 or greater. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset, as follows:

<u>Classification</u>	<u>Life</u>
Infrastructure	15 to 25 years
Buildings	40 years
Building Additions	15 to 40 years
Equipment	5 years

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

Capital assets consist of the following as of June 30:

	<b>Balance</b>		<b>Reallocation/</b>	<b>Balance</b>
	<b>June 30, 2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2004</b>
Capital assets, not being depreciated:				
Land	\$ 18,008			\$ 18,008
Land improvements	1,706			1,706
Construction in progress	14,042	\$ 27,387	\$ (2,840)	38,589
Total capital assets, not being depreciated	33,756	27,387	(2,840)	58,303
Capital assets, being depreciated:				
Infrastructure	47,389	180	374	47,943
Buildings	375,090	4,444	2,318	381,852
Equipment	34,038	4,200	(1,832)	36,406
Total capital assets, being depreciated	456,517	8,824	860	466,201
Less accumulated depreciation:				
Infrastructure	18,492	2,069		20,561
Buildings	162,094	11,354		173,448
Equipment	27,897	2,533	(1,815)	28,615
Total	208,483	15,956	(1,815)	222,624
Total capital assets, being depreciated, net	248,034	(7,132)	2,675	243,577
<b>Capital Assets, net</b>	<b>\$ 281,790</b>	<b>\$ 18,334</b>	<b>\$ (165)</b>	<b>\$ 301,880</b>

Note 5 – Long-term Liabilities

On March 1, 2004, the University issued \$14.1 million General Receipt Bonds, Series 2004 to refund and redeem the General Receipt Bonds, Series 1994 in the amount of \$13.2 million with an effective interest rate of 4.35% and the remainder of the issue being used to fund the bond issuance cost and the call premium. The University will reduce the debt payments over the next 20 years by \$833,000 securing an economic gain of \$341,000.

On November 19, 2003, the University issued \$104.5 million General Receipt Bonds, Series 2003 to finance the construction of a residence hall, improve dining facilities and currently refund and redeem the General Receipts Bonds, Series 1992A in the amount of \$46.1 million with an effective interest rate of 5.88%. A total of \$47 million of the proceeds was utilized to pay the call premium of \$921,000 and redeem all of the outstanding 1992 bonds on December 1, 2003. As a result the 1992 bonds are no longer outstanding, and the liability for those bonds has been removed from the Statement of Net Assets. The University refunded and redeemed the 1992 bonds to reduce its total debt service payments over the next 20 years by \$7.4 million and to secure an economic gain of \$1.8 million.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

On December 1, 2003, the University entered into interest rate swap agreements with Bear Stearns & Co., Inc. and Bank One N.A. for \$104.5 million to hedge the exposure against interest rate fluctuations arising from the variable interest rates on the Series 2003 Bonds. Based on the swap agreements, the University owes interest calculated at an average fixed rate of 4.2% to the counterparties to the swap. In return, the counterparties owes the University interest based on two indices: (1) 67% of the London Interbank Offered Rate (LIBOR) rate on 45.5% of the notional amount; and (2) the Bond Market Association (BMA) rate on 54.5% of the notional amount. Only the net difference in interest payments is actually exchanged with the counterparties. The University continues to pay interest to the bondholders at the variable rate provided by the bonds, however, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. The swap agreements expire on June 20, 2020 (\$47.5 million) and June 1, 2032 (\$57 million) and can only be terminated by the University at its sole option. If the swap terminated at June 30, 2004 the University would be liable for a termination payment totaling \$5.2 million. The swaps fair value is estimated using the zero-coupon method, whereby the future net settlement payment as required by the swap is calculated, then discounted using the spot rates implied by the current yield curve. The University will be exposed to variable rates only if the counter-parties to the swap default or if the University terminates the swap agreement.

On February 1, 2001, the University issued \$35 million General Receipts Bonds, Series 2001 to finance construction of a residence hall.

On October 1, 1998, the University issued \$13.5 million General Receipts Bonds, Series 1998. Of this amount, \$10.4 million, with an average interest rate of 4.8%, were used to advance-refund \$9.5 million of outstanding Series 1992B Bonds with an average interest rate of 5.8%. The net proceeds of \$1.2 million (after payment of issuance costs of \$146) were deposited with an escrow trustee for all future debt service payments on the Series 1992B Bonds. As a result, the Series 1992B Bonds are considered defeased and the liability for those bonds has been removed from bonds outstanding as of June 30, 2004. The debt defeased remains outstanding as of June 30, 2004. The remaining \$3.1 million was used to finance capital projects.

The University issued General Receipts Bonds in the amount of \$15.5 million in February 1994 to finance construction of student housing. Series 1992A and 1992B General Receipt Bonds were issued in August 1992. The Series 1992A Bonds financed the advance refunding of Series 1990 Bonds and a portion of Series 1988 Bonds, and the Series 1992B Bonds financed capital projects. The balance of debt issuance defeased in substance in prior years that remains outstanding as of June 30, 2004 is \$27.6 million.

The principal and interest payments of the 2004, 2002, 2001, and 1998 Series General Receipts Bonds are collateralized by the pledge of the general receipts of the University. The bond indentures have various restrictive covenants with which the University management believes they have complied.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

The University entered into three debt agreements and a refinancing agreement during fiscal 2003. In September 2002, the University entered into a debt agreement to complete funding for the athletic training facility on the Scott Park campus, which bears an interest rate of 200 basis points over LIBOR for an estimated 3.96%. In November 2002, the University entered into two debt agreements for the purchase of video equipment and land, which bear interest rates of 5.35% and 4.75% respectively. In April 2003, existing debt and lease agreements were refinanced at an interest rate of 2.98% for the fiber optic network and equipment purchases.

The University entered into an agreement in September 1999 to finance the purchase of a scoreboard, which bears interest at 7.5%. These agreements are classified as notes payable. The University leases a building, fiber optic network, athletic turf, and equipment under capital lease agreements. An asset of \$14.8 million, representing the cost of the building and equipment, and a corresponding liability for the lease obligation are recorded in the financial statements.

Long-term liabilities consist of the following as of June 30:

	Due Dates	Interest Rate	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004	Current
General receipts series 1994, serial and term bonds:							
The International Center student housing	1996-2005	3.4 to 5.35%	\$ 13,245		\$ 13,245		
General receipts series 1998, serial and term bonds:							
Advance refund prior general receipt bonds (part of 1992), Student Union Renovations	1999-2020	3.6 to 5.0%	11,230		470	\$ 10,760	\$ 490
General receipts series 2001, serial and term bonds:							
Student housing	2002-2030	4.25 to 5.22%	34,210		735	33,475	760
General receipts series 2002, serial and term bonds:							
Student housing and advance refund general receipt series 1992	2003-2032	various	103,060		3,060	100,000	1,990
General receipts series 2004, serial and term bonds:							
Advance refund prior general receipt bond (1994)	2005-2025	2.0 to 4.125%		\$ 14,110		14,110	40
Lease obligations	1996-2015	various	10,230		1,636	8,594	1,657
Notes payable	1999-2009	various	602		174	428	144
Compensated absences			11,952	966	970	11,948	9,145
			184,529	\$ 15,076	\$ 20,290	179,315	\$ 14,226
Less current portion long-term liabilities			15,294			14,226	
Long-term liabilities			\$ 169,235			\$ 165,089	

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2004  
(Dollars in Thousands)

Principal and interest on long-term debt are payable from general receipts. The obligations are generally callable. The future amounts of principal and interest payments required by the bond agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 3,280	\$ 7,153	\$ 10,433
2006	3,810	6,874	10,684
2007	3,955	6,708	10,663
2008	4,235	6,530	10,765
2009	9,325	6,327	15,652
2010 - 2014	25,075	27,479	52,554
2015 - 2019	29,575	20,818	50,393
2020 - 2024	14,400	15,132	29,532
2025 - 2029	10,385	12,222	22,607
2030 - 2032	<u>54,305</u>	<u>6,195</u>	<u>60,500</u>
Total	<u>\$ 158,345</u>	<u>\$ 115,438</u>	<u>\$ 273,783</u>

The future amounts of principal and interest payments required by the lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,657	\$ 301	\$ 1,958
2006	1,630	243	1,873
2007	1,431	188	1,619
2008	1,279	140	1,419
2009	1,305	93	1,398
2010 - 2014	1,037	159	1,196
2015 - 2017	<u>255</u>	<u>15</u>	<u>270</u>
Total	<u>\$ 8,594</u>	<u>\$ 1,139</u>	<u>\$ 9,733</u>

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2004  
(Dollars in Thousands)

The future amounts of principal and interest payments required by the notes payable are as follows:

	Principal	Interest	Total
2005	\$ 144	\$ 17	\$ 162
2006	72	12	84
2007	75	9	84
2008	33	5	38
2009	9	5	14
2010 - 2014	54	17	71
2015 - 2018	41	3	43
	<hr/>	<hr/>	<hr/>
Total	\$ 428	\$ 68	\$ 496
	<hr/>	<hr/>	<hr/>

Note 6 – Retirement Benefits

The University contributes to two cost-sharing multiple-employer defined benefit plans: (1) Public Employees Retirement System of Ohio (PERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). PERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 466-2085 for PERS, and 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (614) 227-4090 for STRS.

The funding policy for the above plans is as follows:

*PERS:* The ORC provides statutory authority for employee and employer contributions. During 2004, PERS employees contributed 8.5% of their salary to the plan and the University contributed 13.31% of covered payrolls to the plan. Beginning in February 2002, law enforcement employees contributed 10.1% of their salary and the University contributed 16.7% of covered payrolls. The total employer contributions to PERS for the years ended June 30, 2002, 2003, and 2004 were \$6,623, \$6,840, and \$7,112, respectively, which were equal to 100% of the required contributions for each year.

*STRS:* The ORC provides statutory authority for employee and employer contributions. During 2004, STRS employees contributed 10% of their salary to the plan and the University contributed 14.0% of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2002, 2003, and 2004 were \$7,790, \$8,188, and \$8,290, respectively, which were equal to 100% of the required contributions for each year.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system (ARP) for academic and administrative university employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The University of Toledo board of trustees adopted such a plan effective April 1999. This plan is a defined contribution plan under IRS section 401(a). The total employer contribution to ARP for the years ended June 30, 2002, 2003, and 2004, were \$1,981, \$2,374, and \$2,731, respectively.

Eligible employees (those who are full-time and salaried) have 90 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS or PERS and who elect to participate in the alternate retirement program must contribute their share of retirement contributions (10% STRS or 8.5% PERS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio. The employer contribution is the lower of a rate determined by independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. PERS does not require an employer contribution for employees electing an ARP. The University plan provides these employees with immediate plan vesting.

Note 7 – Postemployment Benefits

In addition to the pension benefits described in note 6, the Ohio Revised Code provides the statutory authority requiring the University to fund postretirement health care through employer contributions to PERS and STRS.

PERS provides postretirement health care coverage to age-and-service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for state employers was 13.31% of covered payroll; 5% was the portion that was used to fund health care for the calendar year. The law enforcement employer rate for 2003 was 16.70% and 5% was used to fund health care.

OPEB's are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2004  
(Dollars in Thousands)

Expenditures for OPEB's during 2003 were \$908. As of December 31, 2003, the audited estimated net assets available for future OPEB payments were \$10,815. The number of active contributing participants for PERS was 369.

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, STRS has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employers contribution rate, currently 14% of covered payroll.

The STRS board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund, from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$2,798 at June 30, 2003.

For the year ended June 30, 2003, the net health care costs paid by STRS were \$376,624. There were 108 eligible benefit recipients.

Note 8 - Contingencies and Commitments

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University carries commercial insurance to cover various general liability risks and blanket business interruption and liability coverage through the Inter-University Council Insurance Consortium (IUCIC). Through this group, the University maintains a \$100 deductible and a pre-funded group deductible of \$350 per occurrence, with an annual aggregate stop loss of \$700. No material losses were reported during 2004.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the worker's compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the worker's compensation claims of participating State agencies and universities.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2004

(Dollars in Thousands)

The University is also self-insured for unemployment compensation and substantially all employee health benefits. Liabilities for estimates of losses retained by the University for outstanding claims and claims incurred but not reported under self-insurance programs have been based on the University's experience and actuarial valuation. Settlements have not exceeded insurance coverage in each of the past three years.

Changes in such liabilities are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims - July 1	\$ 3,537	\$ 2,537
Incurred claims	18,230	15,863
Claim payments	<u>(18,796)</u>	<u>(14,863)</u>
Unpaid claims - June 30	<u>\$ 2,971</u>	<u>\$ 3,537</u>

Note 9 – Natural Classification of Expenses

Operating expenses by natural classification for the year ended June 30 are summarized as follows:

	2004	2003
Salaries, wages, benefits	\$ 202,625	\$ 190,838
Compensation non-payroll	24,573	25,570
Supplies	16,239	16,018
Travel and entertainment	6,091	6,506
Information and communication	7,366	7,548
Occupancy	13,584	12,716
Scholarship expense	12,907	13,227
Depreciation	15,956	15,445
Other	<u>6,291</u>	<u>6,775</u>
Total operating expenses	<u>\$ 305,632</u>	<u>\$ 294,643</u>

# Supplemental Information

The University of Toledo  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Student Financial Aid—Cluster</b>			
<i>U.S. Department of Education:</i>			
Federal Supplemental Education Opportunity Grants	84.007	N/A	\$ 999,987
Federal Work-Study Program	84.003	N/A	1,261,785
Federal Perkins Loan Program	84.038	N/A	433,477
Federal Pell Grant Program	84.063	N/A	12,855,836
<b>Total Student Financial Aid—Cluster</b>			<u>15,551,085</u>
<b>Research and Development—Cluster</b>			
<i>U.S. Department of Agriculture:</i>			
Cooperative Forestry Research:			
Direct	10.202	01JV11231300-103	13,941
Direct	10.202	02JVH231300-011	97,204
			<u>111,145</u>
Grants for Agriculture Research—Special Research Grants			
Direct	10.200	200238870-01934	57,428
Direct	10.200	200138870-10386	870
Direct	10.200	200338870-02061	38,598
Direct	10.200	200338894-02032	24,283
Direct	10.200	200438898-02140	3,780
Pass-through from:			
Ohio State University Research Fund	10.200	740256/868404	(3,233)
			<u>121,726</u>
Grants for Agriculture Research—Competitive Research Grants			
Direct	10.206	35301-9276	2,909
Direct	10.206	200138873-11523	265,515
Pass-through from:			
Ohio State University Research Fund	10.206	OSURF 743441	132,133
			<u>400,557</u>
Grants for Agriculture Research—Basic and Applied Research			
Direct	10.001	58-3607-1193	611,092
Direct	10.001	58-3604-4209	10,378
Direct	10.001	58643530073	268,223
Pass-through from:			
Ohio State University Research Foundation	10.001	PO#RF0092114	11,117
			<u>900,810</u>
Higher Education Challenge Grants	10.217	02JV11272164-005	42,335
Biotechnology Risk Assessment Research			
Direct	10.219	200239454-12773	69,338
Direct	10.219	200333120-13957	42,846
			<u>112,184</u>
Trade Adjustment Assistance	10.642	SRS 04CA11301470	24,517
Forestry Research			
Direct	10.652	SRS 03CA11330124	4,400
Direct	10.652	SRS 03CA11330147	262,929
			<u>267,329</u>
Soil and Water Conservation	10.902	68-5E34-01-186	5,549
Total U.S. Department of Agriculture			<u>1,986,152</u>

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>U.S. Department of Commerce :</i>			
Pass Through From:			
Michigan Sea Grant	11.417		2,999
Ohio Department of Natural Resources:			
Coastal Zone Management Administration	11.419	06-4	2,724
University of Cincinnati:			
Economic Development - Technical Assistance	11.303		4,988
Center for Sponsored Coastal Ocean Research:			
Coastal Ocean Program	11.478	WC133R03-SE-1023	9,947
Total U.S. Department of Commerce			<u>20,658</u>
<i>U.S. Department of Navy:</i>			
Basic and Applied Scientific Research:			
Direct	12.300	N00014030533	132,771
Pass-through from:			
ADOPTTECH	12.300	PO 9969 TO 9972	4,103
Total U.S. Department of Navy			<u>136,874</u>
<i>U.S. Department of Army:</i>			
Navigation Projects	12.107	MIPRW81EU6224951	61,171
Pass-through from Orbital Research:			
Collaborative Research and Development	12.114		15,817
Military and Medical Research			
Direct	12.420	DAMD17-99-1-9408	(104)
Direct	12.420	DAMD17-00-1-0468	(216)
Direct	12.420	DAMD17-03-1-0743	21,585
Direct	12.420	DAMD17-02-1-0149	161,984
			<u>183,249</u>
Basic Scientific Research			
Direct	12.431	DAAD19-03-1-0012	855,186
Direct	12.431	DAAD19-03-1-0080	87,612
Pass-through from:			
Academy of Applied Sciences	12.431	DAAG55-98-1-0468	16,205
			<u>959,003</u>
Total U.S. Department of Army			<u>1,219,240</u>
<i>U.S. Department of Airforce:</i>			
Air Defense Research Sciences Program			
Direct	12.800	F29601-02-C-0304	489,942
Pass-through from:			
Universal Technologies Inc.	12.800		304,917
Air Force Defense Resrach Sciences Program	12.800		8,931
			<u>803,790</u>
Research Technology and Development			
Direct	12.910	VA- AFIT-01-01	7,596
Pass-through from:			
Advanced Technology Institute	12.910	2001-32	69,870
			<u>77,466</u>
Mathematical Sciences Grant Program	12.901	MDA 9040310027	12,581
Total U.S. Department of Airforce			<u>893,837</u>

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>U.S. Department of the Interior:</i>			
Wildlife Restoration:			
Pass-through from Ohio Department of Natural Resources	15.611		2,630
Assistance to State Water Resources Research Institutes			
Pass-through from Ohio State University Water Resource Center	15.805		3,349
National Cooperative Geologic Mapping Program			
Pass-through from National Geologic Mapping Program	15.810	02HQAG0146	8,687
Total U.S.Department of Interior			<u>14,666</u>
<i>National Aeronautics and Space Administration:</i>			
Aerospace Education Services Program:			
Direct	43.001	NAG5-8054	78,550
Direct	43.001	NAG5-8052	(18)
Direct	43.001	NAG5-12629	101
Direct	43.001	NCC5-673	35,315
Direct	43.001	NAG3-2565	1,973
Direct	43.001	NGT5-50469	18,671
Direct	43.001	NCC3-881	1,468
Direct	43.001	NAG8-1578	1,686
Direct	43.001	Govt. Training	25,515
Direct	43.001	EEC-0230588	66,699
<i>National Aeronautics and Space Administration (continued):</i>			
Pass-through from:			
Ohio Aeronautical Institute	43.001	R300100275-4018	39,956
Institute for Global Environmental Strategy	43.001	PO 011013	11,047
University of Alabama	43.001	01-92	261
			<u>281,224</u>
Technology Transfer:			
Direct	43.002	NAG5-3248	(139)
Direct	43.002	NAG5-8183	19,680
Direct	43.002	NAG8-1380	131
Direct	43.002	NNC04AA53A	14,999
Direct	43.002	NAG8-1838	184,952
Direct	43.002	NAG5-4957	721
Direct	43.002	NAG5-8671	20,990
Direct	43.002	NAG5-8794	25,721
Direct	43.002	NAG3-1380	(92)
Direct	43.002	NNC04AA38A	45,754
Direct	43.002	NAG5-9202	29,353
Direct	43.002	NAG5-9376	95,655
Direct	43.002	NNC04AA25A	80,332
Direct	43.002	NAG5-11440	87,057
Direct	43.002	NAG5-12320	18,815
Direct	43.002	NNC04AA24A	50,509
Direct	43.002	NCC3-719	(678)
Direct	43.002	NCC3-524	60,004
Direct	43.002	NCC3-774	1,190
Direct	43.002	NNC04AA19A	38,924
Direct	43.002	NAG32502	105
Direct	43.002	NAG32505	157,031
Direct	43.002	NNC04AA16A	82,844
Direct	43.002	NCC3774	(9,491)
Direct	43.002	NAG32338	21,746

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
Direct	43.002	NAG3-2269	3,985
Direct	43.002	NCC3-855	55,644
Direct	43.002	NCC3-605	44,237
Direct	43.002	NCC3-717	1,109
Direct	43.002	NAG3-2594	45,779
Direct	43.002	NAG32408	(24,775)
Direct	43.002	NAS3-01116	201,277
Direct	43.002	NGT3-52375	25,077
Direct	43.002	NCC3-907	(175)
Direct	43.002	NAG3-2646	69,759
Direct	43.002	NCC3-916	154,132
Direct	43.002	NCC3-922	105,396
Direct	43.002	NCC3-925	155,105
Direct	43.002	NCC3-924	112,444
Direct	43.002	NAG3-2674	18,983
Direct	43.002	NNC04GA24G	204,559
Direct	43.002	NCC3-923	162,676
Direct	43.002	NCC3-926	169,091
Direct	43.002	NCC3-939	65,100
Direct	43.002	NAG3-2756	109,944
Direct	43.002	NCC3-943	29,009
Direct	43.002	NCC3-954	108,769
Direct	43.002	NCC3-1012	173,540
Direct	43.002	NAG-2859	129,954
Direct	43.002	NCC3995	160,435
Direct	43.002	NCC3-1068	36,878
Direct	43.002	NAG3-2507	214
Direct	43.002	C73325A	30,882
Direct	43.002	NCC3-1046	38,817
Direct	43.002	NCC3-513	(3,400)
Direct	43.002	NCC3-1061	15,469
Direct	43.002	NNG04GD31G	27,504
Direct	43.002	NAG5-12186	30,436
Direct	43.002	NCCS-605	(145)
Direct	43.002		279,113
Pass-through from:			
American Astronomical Society	43.002	CH#19170	7,000
Bowling Green State University	43.002	NAG3-2790	17,558
Ohio Aeronautical Institute	43.002	R300100172-40108	52,516
Marlin Space Science	43.002	03-0032	26,881
Innovative Technologies	43.002		4,780
Ohio Aeronautical Institute	43.002	R700400300-40108	93,618
Jet Propulsion Laboratory	43.002	959451	7,665
Ohio Space Grant Consortium	43.002		11,621
Jet Propulsion Laboratory	43.002	2615-WD	80,253
Space Telescope Institute	43.002	AR083520197A	594
Ohio Space Telescope Insitute	43.002	HST-GO-08693.03-A	41,345
			4,106,766
Total National Aeronautics and Space Administration			4,387,990

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>National Science Foundation:</i>			
Engineering Grants:			
Direct	47.041	CTS-0331778	23,069
Direct	47.041	ECS-0238779	6,368
Direct	47.041	CTS-9975452	13,947
Direct	47.041	CTS-042316	15,000
Direct	47.041	BES-078748	9,810
Direct	47.041	DMI-0303838	25,987
Pass-through:			
Efficient Channel Coding	47.041	9901866	2,692
Embry Riddle Aeronautics	47.041	ESC-9896103	(404)
University of Texas	47.041	UTA02-040	43,448
			139,917
Mathematical and Physical Sciences:			
Direct	47.049	INT-9901383	38
Direct	47.049	AST-9819928	21,053
Direct	47.049	AST-0307686	58,019
Direct	47.049	SES-9988038	3,288
Direct	47.049	AST-0307307	33,855
Direct	47.049	MCB-0314034	34,119
Direct	47.049	CHE-0407542	25,459
Direct	47.049	PHY-0353899	29,486
Direct	47.049	PHY-0097367	26,082
Direct	47.049	DMR0219328	86,543
Direct	47.049	PHY-0140295	37,410
Direct	47.049	AST-0239881	157
Direct	47.049	PHY-9970791	10,692
Pass-through:			
ITN Energy Systems	47.049		40,994
AAAS	47.049		3,996
			411,191
Geosciences:			
Direct	47.050	GEO-0222905	116,770
Pass-through:			
Ohio State University Research Foundation	47.050	RF#849226	66,536
			183,306
<i>National Science Foundation (continued):</i>			
Computer and Information Science and Engineering:			
Direct	47.070	ANI-0228913	138,057
Biological Sciences:			
Direct	47.074	MCB-0196107	338
Direct	47.074	MCB-0196103	8,327
Direct	47.074	DEB0129405	99,410
Direct	47.074	MCB-0346960	33,538
Direct	47.074	IBN-0344105	1,043
Direct	47.074	IBN-0401758	24,160
Pass-through from:			
University of Notre Dame	47.074	43301	(1,492)
IES	47.074		9,164
			174,488

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
Social, Behavioral, and Economic Sciences:			
Direct	47.075	BCS-0116876	65,342
Direct	47.075	BCS-0126563	21,194
Direct	47.075	SES-0318239	1,758
Direct	47.075	BCS-136229	57,519
Direct	47.075	SES-0243872	73,921
			219,734
Education and Human Resources:			
Direct	47.076	ESI-9731306	155,204
Direct	47.076	DUE-0126910	68,878
Direct	47.076	EHR-0227899	222,514
Pass-through from:			
Ohio State University	47.076	HRD-0331560	10,000
Georgia Institute of Technology	47.076	C36-A98-G1	55,455
			512,051
Education and Human Resources	47.077	DUE-9750627	(26)
Total National Science Foundation			1,778,718
<i>Environmental Protection Agency:</i>			
Environmental Protection Consolidated Research:			
Direct	66.500	R-82820601-0	29,858
Air Pollution Control Program Support:			
Direct	66.606	XP-97558001	125,586
Pass-through from:			
University of Illinois	66.606		38,148
			163,734
Pollution Prevention Grants Program:			
Direct	66.708	NP-96502901-0	14,204
Direct	66.708	NP- 97529701-1	11,367
Direct	66.708	NP- 9759701-2	58,549
			84,120
Environmental Education and Training Program:			
Direct	66.950	X8-830760-01	17,505
State Indoor Random Grants:			
Pass-through from:			
Ohio Department of Health	66.032	48-4002-2-BA-04	5,691
Ohio Department of Health	66.032	48-4002-2-BA-03	21,873
			27,564
Training and Fellowships for the EPA:			
Pass-through from:			
DOE-Los Alamos Laboratory	66.607	CH#1012565	(6,413)
University of Illinois	66.607	UILL2530946	28,824
			22,411
Total Environmental Protection Agency			345,192
<i>U.S. Department of Energy:</i>			
Office of Science Financial Assistance Program:			
Direct	81.049	DEFG0200ER62998	45
Direct	81.049	DEFG02-94ER14461	17,216
Direct	81.049		92,700
Pass-through from:			
University of New Mexico	81.049		1,150
Wayne State University	81.049	446643	19,983
			131,094

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>U.S. Department of Energy (continued):</i>			
Energy-Related Inventions:			
Pass-through from:			
University of Hawaii - Manoa Natural Energy	81.036	PO#Z578912	64
Office of Scientific and Technical Information:			
Pass-through from:			
Midwestesrn Optoelectronics	81.064		12,925
Renewable Energy Research and Development:			
Pass-through from:			
First Solar Inc	81.087		41,002
First Solar Inc	81.087	ZDJ-2-30630-20	35,028
National Renewable Energy Laboratory	81.087	ZAX41401301	(108)
National Renewable Energy Laboratory	81.087	2AF81761914	(39)
National Renewable Energy Laboratory	81.087	AAT-1-30620-09	235,405
National Renewable Energy Laboratory	81.087	XAT-4-33624-06	15,244
National Renewable Energy Laboratory	81.087	NDS-1-30630-02	297,922
National Renewable Energy Laboratory	81.087	NDJ-2-30630-08	154,720
			<u>779,174</u>
Total U.S. Department of Energy			<u>923,257</u>
<i>U.S. Department of Health and Human Services (NIH):</i>			
Biological Response to Environmental Health Hazards:			
Direct	93.113	1R15ES11048-01	25,739
Oral Disease and Disorders Research:			
Direct	93.121	1R21DE14486-01A1	143,755
Research Related to Deafness and Communication Disorders			
Direct	93.173	5R01DC029600	64,288
Pass-through from:			
Wayne State University	93.173		131,167
Bowling Green State University	93.173	1R01 DC03577-05	50,233
			<u>245,688</u>
Pass-through from:			
Case Western University	93.242	N01MH32004	39,384
Pass-through from:			
Beaumont Hospital	93.257	R01CA091020001A1	13,917
Drug Abuse Research Programs:			
Direct	93.279	1R03DA14999-01A1	82,667
Pass-through from:			
Health Resources, Inc.	93.306	RR10742-09	21,882
Academic Research Enhancement Award			
Direct	93.390	7R15GM5762602	273
Cancer Biology Research			
Direct	93.396	7R01CA90837-02	191,493
Direct	93.396	7R01CA092172-02	213,227
Pass-through from:			
Ridgeway Biosystems	93.396	CH#003286	7,952
			<u>412,672</u>

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>U.S. Department of Health and Human Services (continued):</i>			
Heart and Vascular Diseases Research			
Direct	93.837	R01HL6030103	38,404
Arthritis, Musculoskeletal and Skin Diseases Research			
Direct	93.846	1R03AR4755990-01	45,295
Diabetes, Endocrinology and Metabolism Research			
Direct	93.847	1R15DK067059-01	9,189
Extramural Research Programs in the Neurosciences and Neurological Disorders			
Direct	93.853	2R15NS35305-02	37,538
Direct	93.853	2RO1NS03117308A1	3,767
Direct	93.853		12,124
			<u>53,429</u>
Microbiology and Infectious Diseases Research			
Direct	93.856	R15A14478201	(298)
Direct	93.856	2RO1AI18427-19	147,221
Direct	93.856	2RO1AI4514701A1	203,279
Direct	93.856	1R15AI50641-01A1	38,352
			<u>388,554</u>
Pharmacology, Physiology, and Biological Chemistry Research			
Direct	93.859	1R01GM62140-01	146,884
Center for Research for Mothers and Children			
Direct	93.865	1R03HD39412-01A1	129
Direct	93.865	1R15HD045296-01	28,344
			<u>28,473</u>
Aging Research			
Pass-through from:			
Institute for the Study of Aging	93.866	ISOA	(258)
Block Grants for Prevention and Treatment of Substance Abuse			
Pass-through from:			
Alcohol Drug Addiction Services	93.959	48-4392-02-HEDUC	(72)
Nursing Research			
Pass-through from:			
Medical College of Ohio	93.361	03-0421	7,785
University of Louisville	93.361	03-0161	48,400
			<u>56,185</u>
Allergy, Immunology and Transplantation Research:			
Pass-through from:			
University of Texas	93.855	1RO1A143061	106,276
Developmental Disabilities Projects of National Significance:			
Pass-through from:			
Medical College of Georgia	93.631	MCG0112178	(389)
Total U.S. Department of Health and Human Services			<u>1,857,947</u>
Total Research and Development-Cluster			13,564,531
<b>Other Programs</b>			
Trio Cluster			
<i>U.S. Department of Education:</i>			
Student Services Support Program	84.042	PO42A010487	223,702
Trio - Upward Bound	84.047	PO47A030119	277,223
Trio - Upward Bound	84.047	PO47A990864	65,339
Total U.S. Department of Education - Trio Cluster			<u>566,264</u>

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>U.S. Department of Transportation:</i>			
Highway Planning and Construction			
Pass-through from:			
Ohio Department of Transportation	20.205	8953	32,196
Ohio Department of Transportation	20.205	20313	17,455
Ohio Department of Transportation	20.205	ODOT-9797	46,032
Ohio Department of Transportation	20.205	ODOT-1478	64,001
Ohio Department of Transportation	20.205	20446	15,352
Ohio Department of Transportation	20.205	11236	28,897
Ohio Department of Transportation	20.205	20063	28,856
Total Highway Planning and Construction			<u>232,789</u>
University Transportation Centers Program			
Pass-through from:			
University Transportation Centers Program	20.701		(2,200)
Midwest Regional Transportation Center	20.701		68,218
			<u>66,018</u>
<i>U.S. Department of Health and Human Service:</i>			
Community Services Block Grant Discretionary Awards:			
Pass-through from:			
National Youth Sports Program	93.570	04-1177	26,400
National Youth Sports Program	93.570	NYSP 03-273	63,037
National Collegiate Athletic Association Youth Sports Program	93.570		49,120
			<u>138,557</u>
Family Support Payments to States: Assistance Payments (AFDC)			
Pass-through from:			
Northwest Ohio Workforce Investment	93.560		2,434
Lucas County Department of Jobs and Family Services	93.560	48-02-OP-25	1,976
Lucas County Department of Jobs and Family Services	93.560		372,099
Lucas County Department of Jobs and Family Services	93.560	48-02-WIA-08	33,622
			<u>410,131</u>
Social Services Block Grant (SSBG)			
Pass-through:			
Lucas County Department of Jobs and Family Services	93.667		(176)
Block Grants for Prevention and Treatment of Substance Abuse			
Pass-through:			
Lucas County Juvenile Court	93.959		18,718
Total U.S. Department of Health and Human Services			<u>567,230</u>
<b>Other Programs (continued)</b>			
<i>U.S. Department of Veteran Affairs:</i>			
<i>Airforce:</i>			
Post-Vietnam Era Veterans' Education Assistance			
Direct	64.120		13,233
Pass-through from:			
Ohio Air National Guard	64.120		1,099
Bowling Green State University	64.120		22,825
Total Airforce			<u>37,157</u>
<i>Army:</i>			
Post-Vietnam Era Veterans' Education Assistance			
Post-Vietnam Era Veterans' Education Assistance	64.120		8,313
Post-Vietnam Era Veterans' Education Assistance	64.120		266,063
Pass-through from Army Tank:			
Post-Vietnam Era Veterans' Education Assistance	64.120		26,589
Total Army			<u>300,965</u>

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>Navy</i>			
Post-Vietnam Era Veterans' Education Assistance	64.120		4,554
Post-Vietnam Era Veterans' Education Assistance	64.120		18,653
Total Navy			<u>23,207</u>
Total Department of Veteran Affairs			<u>361,329</u>
<i>U.S. Department of Justice:</i>			
Police Corps:			
Direct	16.712	2001-POR088	22,136
Direct	16.712	2003-PO-R-058	126,923
Direct	16.712	2001-PO-R008	259,577
			<u>408,636</u>
Drug-Free Communities Support Program Grants:			
Pass-through from:			
Alcohol Drug Addiction Services of Lucas County	16.729	02-C0346	12,880
Local Law Enforcement Grants Program:			
Pass-through from:			
Ohio Criminal Justice System	16.592	2002LE-LEB-3559	14,759
Executive Office for Weed and Seed:			
Pass-through from:			
Lagrange Development Corporation	16.595		4,835
Total U.S. Department of Justice			<u>441,110</u>
<i>U.S. Department of Labor:</i>			
WIA Incentive Grants:			
Pass-through from:			
Bureau of Workforce Services	17.267	G-04-15-0313	156,409
WIA Adult Program:			
Pass-through from:			
Lucas County Department of Jobs and Family Services	17.258	48-02-0P-26	(50)
Toledo Area Private Industry Council	17.258	135-20-97	375
Trade Adjustment Assistance Workers:			
Pass-through from:			
Toledo Area Private Industry Council	17.246		(91)
Total U.S. Department of Labor			<u>156,643</u>
Education Exchange:			
Fulbright Scholarships-Technical Teachers	19.418		2,503
<i>National Endowment for the Humanities:</i>			
Promotion of Humanities Federal State Partnership:			
Pass-through from:			
Ohio Humanities Council	45.129	OHC-02-088	1,000
Ohio Humanities Council	45.129	OHC-R02-205	2,140
<i>U.S. Department of Veteran Affairs:</i>			
Veterans Domiciliary Care	64.008	VETERNASAFF	1,352
Veterans Vocational Rehabilitation	64.124	Vet Voc	232,576
Total U.S. Department of Veteran Affairs			<u>233,928</u>
<i>U.S. Department of Education:</i>			
International: Overseas Group Projects Abroad	84.021	P021A020082	33,142
Adult Education-State Grant Program	84.003		234,496
Special Education-Grants to States	84.029	29A50006-97	99

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
Special Education - Research and Innovation to Improve Services and Results for Children with Disabilities:			
Direct	84.324	H324M980197	28,496
Direct	84.324	H324M980197	9,506
			38,002
Special Education - Personal Preparation to Improve Services and Results for Children with Disabilities:			
Direct	84.325	29A5022-97	(61)
Direct	84.325	H325N990053	11,729
Direct	84.325	H325N990053	(1,033)
Direct	84.325	H325A020104	307,811
			318,446
Direct	84.333	P333A020055	128,715
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A000134	667,283
Preparing Tomorrow's Teachers to Utilize Technology	84.342	P342A010125	266,652
Business and International Education Programs	84.153	P153A000003	(5)
Title I Grants to Local Educational Agencies			
Pass-through from:			
Ohio Board of Regents	84.010		21,300
Ohio Board of Regents	84.010	02-38	126,436
			147,736
Migrant Education:			
Pass-through from:			
Ohio Department of Education	84.011	6099	53,000
Ohio Department of Education	84.011	63099	14,758
			67,758
Vocational Education - Basic Grants to States:			
Pass-through from:			
Ohio Department of Education	84.048	CPIII-PO1	(531)
Ohio Department of Education	84.048	CPIII-P02	(70)
Ohio Department of Education	84.048		148,827
Toledo Public Schools	84.048		59,598
Toledo Public Schools	84.048	PO 608347	164
Toledo Public Schools	84.048	PO 823027	(42,087)
			165,901
National Vocation Education Research:			
Pass-through from:			
Ohio Department of Education	84.051	VEPD-2003-07	10,548
Rehabilitation Services - Vocational Rehabilitation Grants:			
Pass-through from:			
Ohio Bureau of Vocational Rehabilitation	84.126		930,344
Safe and Drug-Free Schools and Communities National Program:			
Pass-through from:			
Toledo Public Schools	84.184	PO#102131	96,285
Kent State University	84.184	EDS184H000040	2,160
			98,445
Safe and Drug-Free Schools and Communities States Program:			
Pass-through from:			
Ohio Department of Alcohol and Drug Addiction Srv	84.186		24,207

The University of Toledo  
Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<i>U.S. Department of Education (continued)</i>			
Tech-Prep Education:			
Pass-through from:			
Ohio Department of Education	84.243	VETP2002-23-FB	(9,876)
Ohio Department of Education	84.243	VETP2002-23-STP	(732)
Ohio Department of Education	84.243	VETP200223EEG-EC	(225)
Ohio Department of Education	84.243	VEYP200223EEGAT	80
Ohio Department of Education	84.243	VETP200223EEGIT	19,011
Ohio Department of Education	84.243	VETP200123FPI	10,526
Ohio Department of Education	84.243	VETP2002EEG-H	750
Ohio Department of Education	84.243	VETP2001-23-SB	(445)
Ohio Department of Education	84.243	VETP200423FB0630	255,464
Ohio Board of Regents	84.243	VETP2003-23-FB	(169)
			<u>274,384</u>
Eisenhower Professional Department State Grants:			
Pass-through from:			
Ohio Board of Regents	84.281	01-58	134
Ohio Board of Regents	84.281		4
			<u>138</u>
Special Education - State Program Improvement Grants for Children with Disabilities:			
Pass-through from:			
Ohio Department of Education	84.323	0630099-ST-S1-01	(548)
Ohio Department of Education	84.323	063099-ST-S1-02	20,578
			<u>20,030</u>
Special Education - Personal Preparation to Improve Services and Results for Children with Disabilities:			
Pass-through from:			
University of Connecticut Health Center	84.325		64,080
Gaining Early Awareness and Readiness fo Undergraduate Programs:			
Pass-through from:			
Bowling Green State University	84.334		102,581
Teacher Quality Enhancement Grants			
Pass-through from:			
Ohio Board of Regents	84.336	02-41	39,560
Ohio Board of Regents	84.336		(1,431)
Improving Teacher Quality State Grants:			
Pass-through from:			
Ohio Board of Regents	84.367	03-24	1,997
Ohio Board of Regents	84.367	03-44	3,369
Ohio Board of Regents	84.367	03-45	18,204
			<u>23,570</u>
Fund for the Improvement of Postsecondary Education:			
Pass-through from:			
Ohio Department of Education	84.116		(363)
Innovative Education Program Strategies:			
Pass-through from:			
National Writing Project	84.928	92-OH02 #8	33,181
Total U.S. Department of Education			<u>3,687,499</u>

The University of Toledo  
 Schedule of Expenditure of Federal Awards (continued)

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA</b>	<b>Agency or Pass-Through Number</b>	<b>Expenditures</b>
Community Development Block Grants/Entitlement Grants			
Pass-through from:			
City of Toledo	14.218	PO#152562-11	<u>7,661</u>
Total U.S. Department of Housing			<u>7,661</u>
<b>Total Other Programs</b>			<u>6,326,114</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><u>\$ 35,441,730</u></u>

# The University of Toledo

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2004

### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The University of Toledo (the University) and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with requirement of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the financial statements.

### **2. Family Education Loan Program (CFDA No. 84.032)**

The University acts as the intermediary for students obtaining Family Education Loans from lending institutions. The lending institution is responsible for billings and collections of the loans. The University assists the lending institution by processing the applications and forwarding checks from the lending institutions to the students. Loans advanced to students during the fiscal year ended June 30, 2004 totaled \$81,232,191.

### **3. Federal Perkins Loan Program (CFDA No. 84.038)**

Revolving loan funds are established to maintain Perkins loans. Repayments of principal and interest are deposited back into the program for new loans. The University is responsible for administering the program, including the approving, disbursing and collecting of the loans. The outstanding balance as of June 30, 2003 totaled \$15,649,506 and loan expenditures for the year ended June 30, 2004 totaled \$433,477. As of June 30, 2004, the outstanding Perkins loans totaled \$16,234,943.

# The University of Toledo

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2004

### 4. Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the University provided federal awards to subrecipients as follows:

<u>Sub-grantee</u>	<u>Federal CFDA number</u>	<u>Amount provided</u>
EISC Inc	47.046	\$1,513
Denison University	43.002	10,337
First Solar LLC	81.087	175,342
International Institute	81.087	1,000
University of Delaware	81.087	15,000
University of Delaware	81.087	25,000
University of Michigan	81.049	92,323
Ohio State University	10.206	27,476
Heidleberg College	66.606	2,440
Bowling Green State University	11.419	9,374
Miami University	10.200	20,545
Bowling Green State University	47.076	104,066
Toledo Public Schools	47.076	318,078
Owens Community College	84.324	9,814
Owens Community College	84.324	5,866
University of Tennessee	43.002	4,922
University of Cincinnati	47.076	26,317
CAMP Inc.	66.708	5,833
Tech Solve	66.708	9,486
EISC Inc	66.708	13,471
CAMP Inc.	66.708	4,788
Tech Solve	66.708	5,894
CAMP Inc.	66.708	4,000
EISC Inc	66.708	6,964
ERES	20.205	6,831
National Composite Center	12.431	20,717
Silvestri Farm	66.469	1,000
University of Kentucky	12.420	100
Stanford H Odesky	84.184	17,000

# The University of Toledo

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2004

Christina Dake	84.184	1,500
Joseph Dake	84.184	2,975
Toledo Symphony	84.048	350
Millstream Career Center	84.048	12,200
Washington Local School	84.048	9,700
Sylvania Schools	84.048	28,500
Rogers High School	84.048	5,000
Oregon City Schools	84.048	13,600
Toledo Public Schools	84.048	18,500
Penta Career Center	84.048	33,600
Owens Community College	84.048	3,000
Big Brothers Big Sisters	84.334	15,000

### 5. Indirect Costs

The University recovers indirect costs by means of predetermined fixed indirect cost rates. The predetermined fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The fixed rate effective for the period July 1, 2000 to June 30, 2004 for on-campus research is 42% of modified total direct costs, and the off-campus rate is 26% of modified total direct costs.

## 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

We have audited the financial statements of The University of Toledo as of and for the year ended June 30, 2004, and have issued our report thereon dated October 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The University of Toledo's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The University of Toledo's financial statements are free of 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*.

This report is intended solely for the information and use of the board of trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



October 4, 2004

## Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees  
The University of Toledo

### Compliance

We have audited the compliance of The University of Toledo with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The University of Toledo's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of The University of Toledo's management. Our responsibility is to express an opinion on The University of Toledo's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University of Toledo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The University of Toledo's compliance with those requirements.

In our opinion, The University of Toledo complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

## Internal Control Over Compliance

The management of The University of Toledo is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The University of Toledo's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 4, 2004

The University of Toledo  
 Schedule of Findings and Questioned Costs

June 30, 2004

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

- |  |                    |                       |
|--|--------------------|-----------------------|
| (i) Type of auditor's report issued:   | <u>Unqualified</u> |                       |
| (ii) Internal control over financial reporting:                              |                    |                       |
| Material weakness(es) identified?  | _____ yes          | ___X___ no            |
| Reportable condition(s) identified not considered to be material weaknesses? | _____ yes          | ___X___ none reported |
| (iii) Noncompliance material to financial statements noted?                  | _____ yes          | ___X___ no            |

**Federal Awards Section**

- |   |                    |                       |
|---|--------------------|-----------------------|
| (viii) Dollar threshold used to determine Type A programs:  | <u>\$1,063,252</u> |                       |
| (ix) Auditee qualified as low-risk auditee?   | ___X___ yes        | _____ no              |
| (v) Type of auditor's report on compliance for major programs?  | <u>Unqualified</u> |                       |
| (iv) Internal control over compliance:  |                    |                       |
| Material weakness(es) identified?   | _____ yes          | ___X___ no            |
| Were reportable condition(s) identified not considered to be material weakness(es)?                                     | _____ yes          | ___X___ none reported |
| (vi) Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))? | _____ yes          | ___X___ no            |

# The University of Toledo

## Schedule of Findings and Questioned Costs (continued)

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
(vii) Identification of major programs: 84.007, 84.032, 84.033, 84.038, 84.063, 93.364	Student Financial Aid Cluster

### **Part II—Financial Statement Findings Section**

This section identifies the reportable conditions, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standard* requires reporting in a Circular A-133 audit.

None

### **Part III—Federal Award Findings and Questioned Costs Section**

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 section \_\_.510. Where practical, findings should be organized by federal agency or pass-through entity.

None

## Independent Auditor's Report on Applying of Agreed-Upon Procedures

Dr. Daniel M. Johnson, President  
The University of Toledo:

We have performed the procedures enumerated below, which were agreed to by The University of Toledo (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you with respect to complying with NCAA bylaws for the year ended June 30, 2004. The University's management is responsible for the accompanying Schedule of Current Revenues, Expenditures and Other Changes. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

### **I. Schedule of Current Revenues, Expenditures and Other Changes and Internal Controls**

- a. We obtained the Schedule of Current Revenues, Expenditures and Other Changes (the Schedule) for the Department of Intercollegiate Athletics (the Department) for the year ended June 30, 2004, as prepared by management (Exhibit 1). We clerically tested the amounts on the Schedule and agreed the amounts on the Schedule to management's detailed worksheets and to the appropriate general ledger accounts. We found no exceptions as a result of these procedures.
- b. We performed a comparison of the operating revenues and expenditures per the Statement for fiscal years 2004 and 2003. We obtained management's explanation for variations greater than 10% of each revenue and expenditure line item in the aggregate. We found no exceptions as a result of these procedures.
- c. We performed a comparison of actual operating revenues and expenditures per the Schedule to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than 10% of each operating revenue and operating expense line item in the aggregate. We found no exceptions as a result of these procedures.
- d. We compared classifications of revenue and expenditures to NCAA guidelines. We found no exceptions as a result of these procedures.

- e. We reviewed and made inquiries of the organization chart prepared by management. We reviewed the extent of documentation of accounting systems procedures. We also made certain inquiries of management regarding controls consciousness, competence of personnel and protection of records and equipment. We found that the internal audit department had performed a review of the cash handling procedures related to athletics.
- f. We compared contributions, received directly by the Department in excess of 10% of total contributions, to the accounting records of the University of Toledo. We identified three contributions, \$62,223, \$83,240 and \$46,629 from The University of Toledo Foundation (the Foundation), that exceeded 10% of all contributions for the year ended June 30, 2004. We found such information to be in agreement. We also noted that the gift documentation indicated that the contribution was intended for the general use of the Department and was received directly by the University of Toledo Foundation and then distributed to the University.

**II. Booster Organizations**

- a. We obtained the following list of booster organizations from management and the related financial activities for the year ended June 30, 2004:

	<b>Beginning Cash Balance</b>	<b>Cash Receipts</b>	<b>Contributions To or On Behalf of program</b>		<b>Other</b>	<b>Ending Cash Balance</b>
The Rocket Fund	\$ 44,214	\$ 391,105	\$ 396,184			\$ 39,135
The Varsity T-Group	2,985	130,885	122,534			11,336
Downtown Coaches Association	1,095	116,018	46,578	\$ 68,626		1,909
Dugout Club	29,379	24,463	44,030			9,812
<b>Total All Funds</b>	<b>\$ 77,673</b>	<b>\$ 662,471</b>	<b>\$ 609,326</b>	<b>\$ 68,626</b>		<b>\$ 62,192</b>

- b. We confirmed directly with their officers, the financial activities of the booster organizations. We found no exceptions as a result of these confirmations.
- c. We agreed beginning cash balances to the prior year schedule. We compared total cash receipts and disbursements to the Treasurer’s reports prepared by listed organizations. The amounts included in the above schedule are not included in Exhibit 1 unless contributed directly to the University by the outside organization. We found no exceptions as a result of these procedures.
- d. We received the audited financial statements of The University of Toledo Foundation, which administers the Rocket Fund, Varsity T-Group, and the Dugout Club, for the year ended June 30, 2004, which reflected an unqualified opinion.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items, including Exhibit 1 and item II (a) above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of The University of Toledo and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.



October 4, 2004

## The University of Toledo

Schedule of Current Revenues, Expenditures, and other Changes  
Intercollegiate Athletics

Year ended June 30, 2004

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues:			
Sports:			
Basketball	\$ 433,007	\$ -	\$ 433,007
Football	1,343,825	-	1,343,825
Other sports	124,816	-	124,816
Concession sales, parking, and other miscellaneous revenues	845,678	10,158	855,836
Broadcasts and telecasts rights	67,495	-	67,495
Private gifts and grants	463,881	67,012	530,893
Advertising	622,496	-	622,496
Total revenues	<u>3,901,198</u>	<u>77,170</u>	<u>3,978,368</u>
Expenditures and mandatory transfers:			
Administrative and general:			
Salaries and wages	1,222,769	-	1,222,769
Staff benefits	293,890	-	293,890
Supplies	65,341	4,930	70,271
Guarantees	393,413	-	393,413
Travel and entertainment	196,717	1,676	198,393
Information and communications	317,829	146	317,975
Equipment	-	3,820	3,820
Other	43,440	20,108	63,548
Total administrative and general	<u>2,533,399</u>	<u>30,680</u>	<u>2,564,079</u>
Sports:			
Baseball	360,807	720	361,527
Basketball	919,219	9,765	928,984
Football	3,556,722	920	3,557,642
Swimming	86,243	4,893	91,136
Track	88,362	-	88,362
Golf	220,151	1,983	222,134
Tennis	187,859	255	188,114
Women's softball	439,804	3,336	443,140
Women's basketball	756,055	8,720	764,775
Women's track	382,897	3,822	386,719
Women's volleyball	535,472	1,098	536,570
Women's tennis	221,597	107	221,704
Women's swimming	523,023	(25)	522,998
Women's soccer	425,061	2,786	427,847
Women's golf	212,457	5,600	218,057
Cheerleading and other	43,980	-	43,980
Training and equipment	521,344	2,510	523,854
Total sports	<u>9,481,053</u>	<u>46,490</u>	<u>9,527,543</u>

## The University of Toledo

Schedule of Current Revenues, Expenditures, and other Changes  
Intercollegiate Athletics (continued)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Expenditures and mandatory transfers, continued:			
Operation and maintenance of plant:			
Salaries and wages	114,839	-	114,839
Staff benefits	33,784	-	33,784
Supplies	41,041	-	41,041
Repair and maintenance	35,760	-	35,760
Utilities	139,201	-	139,201
Other	40,462	-	40,462
Total operation and maintenance of plant	<u>405,087</u>	<u>-</u>	<u>405,087</u>
Total expenditures	12,419,539	77,170	12,496,709
Mandatory transfers to investment in plant fund	<u>117,096</u>	<u>-</u>	<u>117,096</u>
Total expenditures and mandatory transfers	<u>12,536,635</u>	<u>77,170</u>	<u>12,613,805</u>
Nonmandatory transfers and additions:			
Allocated fund	(582,641)	-	(582,641)
Interfund transfers	9,218,078	-	9,218,078
Excess of restricted disbursements over receipts	-	1,302	1,302
Net increase in fund balance	<u>\$ -</u>	<u>\$ 1,302</u>	<u>\$ 1,302</u>

The University of Toledo

Schedule of Intercollegiate Athletics Program Support by Outside Organizations  
Intercollegiate Athletics

Year ended June 30, 2004

	<b>Beginning Cash balance</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>		<b>Ending Cash Balance</b>
			<b>Contributions to or on Behalf of Program</b>	<b>Other</b>	
The Rocket Fund	\$ 44,214	\$391,105	\$ 396,184	\$ -	\$ 39,135
The Varsity T Progress Fund	2,985	130,885	122,534	-	11,336
Downtown Coaches Association	1,095	116,018	46,578	68,626	1,909
Dugout Club	29,379	24,463	44,030	-	9,812
	<u>\$ 77,673</u>	<u>\$662,471</u>	<u>\$ 609,326</u>	<u>\$68,626</u>	<u>\$ 62,192</u>



**Auditor of State  
Betty Montgomery**

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**UNIVERSITY OF TOLEDO**

**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 7, 2004**