

THE UNIVERSITY OF TOLEDO

Financial Statements

June 30, 2001

(With Independent Auditors' Report Thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Board of Trustees
University of Toledo

We have reviewed the Independent Auditor's Report of the University of Toledo, Lucas County, prepared by KPMG LLP, for the audit period July 1, 2000 to June 30, 2001. 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.

JIM PETRO
Auditor of State

February 8, 2002

THE UNIVERSITY OF TOLEDO

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Independent Auditors' Report

The Board of Trustees
The University of Toledo:

We have audited the accompanying balance sheet of The University of Toledo (University), a component unit of the State of Ohio, as of June 30, 2001, and the related statements of changes in fund balances and current funds unallocated revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Toledo as of June 30, 2001, and the changes in its fund balances and its current funds unallocated revenues, expenditures, and other changes for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2001 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in note 14 to the financial statements, during the year ended June 30, 2001, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

KPMG LLP

October 15, 2001

THE UNIVERSITY OF TOLEDO

Balance Sheets

June 30, 2001

(with comparative figures at June 30, 2000)

Assets	<u>2001</u>	<u>2000</u>	Liabilities and Fund Balances	<u>2001</u>	<u>2000</u>
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
Educational and general:			Educational and general:		
Investments	\$ 54,067,163	38,508,858	Accounts payable	\$ 8,337,348	9,022,566
Accounts receivable, less allowance for doubtful accounts of \$1,349,382 in 2001 and \$2,231,358 in 2000	4,496,398	3,507,757	Accrued payroll	505,015	475,681
Accrued interest receivable	262,379	302,031	Accrued vacation pay	6,286,598	5,825,172
Inventories	109,364	68,625	Accrued sick leave	2,210,087	2,041,213
Prepaid expenses	6,965,350	6,761,373	Accrued retirement incentive plan	—	339,578
Deposits and deferred charges	25,228	22,246	Other accrued expense	4,536,714	3,905,730
			Deferred revenue and student deposits	13,049,463	12,027,464
			Due to other funds	7,547,490	6,112,966
			Fund balances:		
			Allocated	18,132,268	7,683,511
			Unallocated	5,320,899	1,737,009
				<u>65,925,882</u>	<u>49,170,890</u>
Total educational and general	<u>65,925,882</u>	<u>49,170,890</u>			
Auxiliary enterprises:			Auxiliary enterprises:		
Cash and cash equivalents	7,620	8,620	Accounts payable	638,794	1,136,197
Accounts receivable, less allowance for doubtful accounts of \$184,317 in 2001 and \$244,000 in 2000	2,585,858	2,195,938	Accrued payroll	146,232	130,702
Inventories	134,792	162,267	Accrued vacation pay	772,738	835,119
Prepaid expenses	127,818	34,784	Accrued sick leave	108,949	106,958
Due from other funds	2,701,521	5,447,541	Other accrued expenses	357,158	320,911
			Deferred revenue and student deposits	479,883	497,532
			Fund balance:		
			Allocated	3,053,855	4,821,731
				<u>5,557,609</u>	<u>7,849,150</u>
Total auxiliary enterprises	<u>5,557,609</u>	<u>7,849,150</u>	Total auxiliary enterprises	<u>5,557,609</u>	<u>7,849,150</u>
Total unrestricted	<u>71,483,491</u>	<u>57,020,040</u>	Total unrestricted	<u>71,483,491</u>	<u>57,020,040</u>
Restricted:			Restricted:		
Cash and cash equivalents	500	500	Accounts payable	468,507	305,557
Accounts receivable	4,870,082	6,405,010	Due to other funds	—	1,855,991
Prepaid expenses	39,890	693	Deferred revenue	4,088,437	2,805,060
Due from other funds	1,231,308	—	Fund balances:		
			Allocated	985,477	135,648
			Unallocated	599,359	1,303,947
				<u>6,141,780</u>	<u>6,406,203</u>
Total restricted	<u>6,141,780</u>	<u>6,406,203</u>	Total restricted	<u>6,141,780</u>	<u>6,406,203</u>
Total current funds	<u>\$ 77,625,271</u>	<u>63,426,243</u>	Total current funds	<u>\$ 77,625,271</u>	<u>63,426,243</u>

THE UNIVERSITY OF TOLEDO

Balance Sheets

June 30, 2001

(with comparative figures at June 30, 2000)

Assets	2001	2000	Liabilities and Fund Balances	2001	2000
Loan funds:			Loan funds:		
Investments	\$ 1,018,229	1,132,941	Accounts payable	\$ 4,765	4,231
Notes receivable, less allowance for doubtful loans of \$760,000 in 2001 and 2000, respectively	13,634,791	12,905,182	Fund balances:		
Due from other funds	512,525	408,822	Federal grant receivable	13,662,460	12,813,581
Total loan funds	\$ 15,165,545	14,446,945	University funds – restricted	1,498,320	1,629,133
			Total loan funds	\$ 15,165,545	14,446,945
Endowment and similar funds:			Endowment and similar funds:		
Investments	\$ 36,524,703	38,578,726	Accounts payable	\$ 133,840	132,368
Accrued interest receivable	86,639	124,654	Due to other funds	974,905	93,689
			Fund balances:		
			Endowment:		
			Allocated	7,063,781	7,028,253
			Unallocated	2,942,498	2,869,578
			Quasi-endowment:		
			Designated	19,415,786	21,920,318
			Unrestricted	6,080,532	6,659,174
Total endowment and similar funds	\$ 36,611,342	38,703,380	Total endowment and similar funds	\$ 36,611,342	38,703,380
Plant funds:			Plant funds:		
Unexpended:			Unexpended:		
Cash and cash equivalents	\$ 466,045	414,106	Accounts payable	\$ 2,044,660	1,531,075
Investments – unexpended bond proceeds	30,824,703	2,838,499	Accrued interest payable	378,253	361,236
State appropriations receivable	771,824	1,370,574	Bonds payable	38,000,000	3,000,000
Accounts receivable	129,060	—	Fund balances:		
Due from other funds	4,077,041	2,206,283	Restricted	(5,040,912)	2,738,507
Deferred bond issuance costs, net of amortization	1,845,078	1,771,356	Renewals and replacements	2,731,750	970,000
Total unexpended	38,113,751	8,600,818	Total unexpended	38,113,751	8,600,818
Investment in plant:			Investment in plant:		
Land	17,798,450	17,798,450	Obligations under capital leases	4,138,028	5,305,224
Improvements other than buildings	37,430,263	29,542,257	Bonds payable	73,075,000	76,460,000
Buildings	325,497,604	320,232,030	Other plant debt	6,478,411	6,702,497
Movable equipment, furniture, and library books	56,017,762	65,393,464	Net investment in plant	364,238,362	355,210,798
Construction in progress	11,185,722	10,712,318			
Total investment in plant	447,929,801	443,678,519	Total investment in plant	447,929,801	443,678,519
Total plant funds	\$ 486,043,552	452,279,337	Total plant funds	\$ 486,043,552	452,279,337
Agency funds:			Agency funds:		
Cash and cash equivalents	\$ 300,697	268,100	Accounts payable	\$ 38,863	34,422
Prepaid expenses	7,677	—	Deposits held in custody for others	269,511	233,678
Total agency funds	\$ 308,374	268,100	Total agency funds	\$ 308,374	268,100

See accompanying notes to financial statements.

THE UNIVERSITY OF TOLEDO

Statement of Changes in Fund Balances

Year ended June 30, 2001

	Current Funds – Unallocated						Total Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds		
	Unrestricted			Restricted						Unexpended	Retirement of Indebtedness	Investment in Plant
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted						
Revenues and other additions:												
Unrestricted current fund revenues	\$ 213,220,027	40,952,334	254,172,361	—	—	—	254,172,361	—	—	—	—	—
Federal grants and contracts – restricted	—	—	—	18,986,904	—	18,986,904	18,986,904	461,637	—	129,060	—	—
State grants and contracts – restricted	—	—	—	6,299,478	—	6,299,478	6,299,478	—	—	4,979,709	—	—
Local grants and contracts – restricted	—	—	—	875,012	—	875,012	875,012	—	—	—	—	—
Private gifts, grants, and contracts – restricted	—	—	—	7,875,728	136,554	8,012,282	8,012,282	—	112,448	270,062	—	—
Investment income	—	—	—	655,489	—	655,489	655,489	102,887	—	294,480	—	—
Net decrease in fair value of investments	—	—	—	—	—	—	—	(202,022)	(2,278,117)	—	—	—
Interest on notes receivable	—	—	—	—	—	—	—	194,533	—	—	—	—
Expended for plant facilities (including \$6,059,560 charged to current funds expenditures)	—	—	—	—	—	—	—	—	—	—	—	19,706,168
Retirement bonds	—	—	—	—	—	—	—	—	—	—	—	3,385,000
Retirement of obligations under capital leases	—	—	—	—	—	—	—	—	—	—	—	1,849,992
Other	—	—	—	241,542	38,184	279,726	279,726	543,066	21,772	63,283	—	—
Total revenues and other additions	213,220,027	40,952,334	254,172,361	34,934,153	174,738	35,108,891	289,281,252	1,100,101	(2,143,897)	5,736,594	—	24,941,160
Expenditures and other deductions:												
Educational and general expenditures	180,899,730	—	180,899,730	33,975,800	—	33,975,800	214,875,530	—	—	—	—	—
Auxiliary enterprises expenditures	—	46,301,001	46,301,001	—	134,261	134,261	46,435,262	—	—	—	—	—
Indirect costs recovered	—	—	—	1,955,336	—	1,955,336	1,955,336	—	—	—	—	—
Loan cancellation and write-offs	—	—	—	—	—	—	—	156,696	—	—	—	—
Expended for plant facilities (including \$5,068,826 on noncapitalized expenditures)	—	—	—	—	—	—	—	—	—	15,614,166	—	—
Disposals and write-offs of plant facilities	—	—	—	—	—	—	—	—	—	—	—	15,913,596
Retirement of bonds	—	—	—	—	—	—	—	—	—	—	3,385,000	—
Retirement of obligations under capital leases	—	—	—	—	—	—	—	—	—	—	1,849,992	—
Interest on bonds and capital lease obligations	—	—	—	—	—	—	—	—	—	—	4,857,978	—
Other	—	—	—	—	—	—	—	379,218	65,273	263,269	—	—
Total expenditures and other deductions	180,899,730	46,301,001	227,200,731	35,931,136	134,261	36,065,397	263,266,128	535,914	65,273	15,877,435	10,092,970	15,913,596
Transfers among funds – to (from):												
Mandatory:												
Principal and interest	(2,053,385)	(7,910,525)	(9,963,910)	—	—	—	(9,963,910)	—	—	(129,060)	10,092,970	—
Loan fund matching	(153,879)	—	(153,879)	—	—	—	(153,879)	153,879	—	—	—	—
College Work Study matching	(398,623)	—	(398,623)	398,623	—	398,623	—	—	—	—	—	—
Opportunity Grant matching	(294,546)	—	(294,546)	294,546	—	294,546	—	—	—	—	—	—
Nonmandatory:												
Allocated fund balances	(10,448,757)	1,767,229	(8,681,528)	(851,080)	1,251	(849,829)	(9,531,357)	—	—	—	—	—
Interfund – other	(15,387,217)	11,491,963	(3,895,254)	408,578	—	408,578	(3,486,676)	—	(765,556)	4,252,232	—	—
Net transfers among funds	(28,736,407)	5,348,667	(23,387,740)	250,667	1,251	251,918	(23,135,822)	153,879	(765,556)	4,123,172	10,092,970	—
Net increase (decrease) for the year	3,583,890	—	3,583,890	(746,316)	41,728	(704,588)	2,879,302	718,066	(2,974,726)	(6,017,669)	—	9,027,564
Fund balances (deficit) at beginning of year, as restated	1,737,009	—	1,737,009	1,333,345	(29,398)	1,303,947	3,040,956	14,442,714	38,477,323	3,708,507	—	355,210,798
Fund balances (deficit) at end of year	\$ 5,320,899	—	5,320,899	587,029	12,330	599,359	5,920,258	15,160,780	35,502,597	(2,309,162)	—	364,238,362

See accompanying notes to financial statements.

THE UNIVERSITY OF TOLEDO

Statement of Current Funds Unallocated Revenues, Expenditures, and Other Changes

Year ended June 30, 2001

(with comparative totals for the year ended June 30, 2000)

	Unrestricted			Restricted			Total Current Funds	
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted	2001	2000
Revenues:								
Tuition, fees, and other student charges	\$ 107,562,965	—	107,562,965	—	—	—	107,562,965	103,914,217
State appropriations	88,590,106	—	88,590,106	—	—	—	88,590,106	87,705,988
Federal grants and contracts	1,437,426	—	1,437,426	17,813,448	—	17,813,448	19,250,874	18,160,158
State grants and contracts	4,216,914	—	4,216,914	6,158,503	—	6,158,503	10,375,417	9,443,292
Local grants and contracts	542,885	—	542,885	836,083	—	836,083	1,378,968	667,843
Private gifts, grants, and contracts	3,480,866	1,007,460	4,488,326	7,145,153	134,261	7,279,414	11,767,740	10,348,440
Sales and services	2,797,155	39,132,450	41,929,605	—	—	—	41,929,605	38,565,397
Endowment income	196,068	—	196,068	1,329,163	—	1,329,163	1,525,231	1,536,929
Investment income	3,278,774	—	3,278,774	—	—	—	3,278,774	2,301,172
Other sources	1,116,868	812,424	1,929,292	—	—	—	1,929,292	1,800,161
Total revenues	213,220,027	40,952,334	254,172,361	33,282,350	134,261	33,416,611	287,588,972	274,443,597
Expenditures and mandatory transfers:								
Educational and general:								
Instructional and department research	95,309,382	—	95,309,382	4,668,475	—	4,668,475	99,977,857	98,514,711
Separately budgeted research	2,207,616	—	2,207,616	8,723,158	—	8,723,158	10,930,774	9,529,882
Public service	3,193,898	—	3,193,898	1,992,163	—	1,992,163	5,186,061	4,902,578
Academic support	23,812,000	—	23,812,000	607,369	—	607,369	24,419,369	25,789,122
Student services	15,228,836	—	15,228,836	555,188	—	555,188	15,784,024	14,542,874
Institutional support	19,728,752	—	19,728,752	889	—	889	19,729,641	23,795,907
Operation and maintenance of plant	12,937,570	—	12,937,570	20,726	—	20,726	12,958,296	12,480,819
Scholarships and fellowships	8,481,676	—	8,481,676	17,407,551	—	17,407,551	25,889,227	23,467,315
Total educational and general expenditures	180,899,730	—	180,899,730	33,975,519	—	33,975,519	214,875,249	213,023,208
Auxiliary enterprises	—	46,301,001	46,301,001	—	134,261	134,261	46,435,262	42,676,369
Mandatory transfers for:								
Principal and interest	2,053,385	7,910,525	9,963,910	—	—	—	9,963,910	10,202,704
Loan fund matching	153,879	—	153,879	—	—	—	153,879	157,432
College Work Study matching	294,546	—	294,546	(294,546)	—	(294,546)	—	—
Supplemental Educational Opportunity Grant matching	398,623	—	398,623	(398,623)	—	(398,623)	—	—
Total expenditures and mandatory transfers	183,800,163	54,211,526	238,011,689	33,282,350	134,261	33,416,611	271,428,300	266,059,713
Nonmandatory transfers and additions (deduction):								
Nonmandatory transfers:								
Allocated fund balances	(10,448,757)	1,767,229	(8,681,528)	(851,080)	1,251	(849,829)	(9,531,357)	1,297,152
Interfund – other	(15,387,217)	11,491,963	(3,895,254)	408,578	—	408,578	(3,486,676)	(654,411)
Additions (deductions):								
Restricted receipts over transfers to revenue	—	—	—	1,651,522	40,477	1,691,999	1,691,999	(837,769)
Indirect costs recovered	—	—	—	(1,955,336)	—	(1,955,336)	(1,955,336)	(1,623,668)
Net increase (decrease) in fund balances	\$ 3,583,890	—	3,583,890	(746,316)	41,728	(704,588)	2,879,302	6,565,188

See accompanying notes to financial statements.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

(1) Summary of Significant Accounting Policies

(a) Organization

The University of Toledo (University) is a component unit of the State of Ohio, as established by the General Assembly of the State of Ohio in 1967 by statutory act under Chapter 3360 of the Revised Code of the State of Ohio. Prior to that time, the University was a municipal university. The University offers degrees at the undergraduate, masters, and doctoral levels.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 in that the financial statements include those activities and functions over which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the State's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the State.

The University of Toledo Real Estate Corporation (UTRE) is governed by a three-member board composed of the President, Vice President for Administrative Services, and a trustee of the University. Although it is legally separate from the University, UTRE is blended and reported as if it were part of the University because its sole purpose is to acquire, hold title to, and collect income from real properties and remit the entire amount of such income (less expenses) to the University. UTRE's financial statements for the year ending April 30, 2001 may be obtained by written request to the University of Toledo Real Estate Corporation, Suite 1740, Rocket Hall, 2801 West Bancroft, Toledo, Ohio, 43606-3390.

(b) Financial Statement Presentation

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities.

The statement of current funds unallocated revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

(c) Fund Accounting

The accounts of the University are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions placed on the use of available resources. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the board of trustees. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the board of trustees retains full control to use in achieving any of its institutional purposes.

Endowment and similar funds are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. All gains and losses arising from the sale or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, notes receivable, and the like is accounted for in the fund owning such assets, except for interest and dividends derived from investments of endowment and similar funds, which is accounted for in the current funds.

All other unrestricted revenue is accounted for in the current unrestricted funds. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and demand deposits with banks.

(e) *Investments*

Investments are stated at fair value, in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

(f) *Inventories*

Inventories are stated at the lower of average cost or market (net realizable value) on a FIFO (first-in, first-out) method.

(g) *Plant and Equipment*

Physical plant and equipment are stated at historical cost, or fair value at date of donation in the case of gifts. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant is reduced accordingly. Library books are charged as expenditures of current funds and are capitalized in the plant fund.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

Depreciation of plant and equipment is not recorded, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

(h) *Deferred Bond Issuance Costs*

Costs associated with the issuance of the 2001, 1998, 1994, and 1992 Series General Receipts Bonds have been capitalized in the unexpended plant fund and are being amortized over the life of the bonds on the straight-line method.

(i) *Vacation Benefits*

Vacation expense is recognized as earned in the statement of current funds unallocated revenues, expenditures, and other changes. The accumulated unpaid vacation time is recorded as a liability on the balance sheet.

(j) *Early Retirement Incentive*

An early retirement incentive plan was offered from January 1, 1999 to December 31, 1999. The expense of the early retirement incentive plan was recognized in the statement of current funds unallocated revenues, expenditures, and other changes when incurred.

(k) *Sick Leave*

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on pro rata basis for less-than-full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 240 hours. Sick leave expense is recognized as earned in the statement of current funds unallocated revenues, expenditures, and other changes. A liability is recorded on the balance sheet for the amount that is probable that the University will compensate the employees upon retirement. This amount is based on total sick leave earned multiplied by an historical experience factor.

(l) *Compensated Absences*

Classified employees who work in excess of the regular schedule may be eligible for compensatory time in lieu of overtime pay. Management estimates that the future cost associated with the payment of compensatory time earned as of June 30, 2001 is not significant to the financial statements as a whole and will not have a material impact on future operations when paid.

(m) *Summer Term*

All tuition and fees, and corresponding expenditures relating to various sessions offered during the summer and not substantially completed prior to June 30 are recorded in the accompanying balance sheet as deferred revenue and prepaid expenses, respectively and will be recognized in the following fiscal year.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

(n) Federal Income Taxes

Federal income taxes have not been provided on the general operations of the University because, as a state institution, its income is exempt from Federal income taxes under section 115 of the Internal Revenue Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code sections 511 through 513.

(o) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents and Investments

STAR Ohio is 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, 2001.

Board policy states that the University's interim monies will be invested in accordance with the Ohio Depository Law of the Ohio Revised Code.

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 custodial credit risk categories:

(a) Cash and Cash Equivalents

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.
3. Uncollateralized.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

(b) Investments

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 broker's trust department or agent in the University's name.
3. Uninsured and unregistered, with securities held by the broker or by its trust department or agent, but not in the University's name.

At June 30, 2001, the carrying amount of the University's cash and cash equivalents for all funds was \$774,862. The difference in the carrying amount of \$774,862 and the bank balance of \$594,993 is caused by items in transit and outstanding checks. Of the bank balance, \$200,000 was covered by federal depository insurance and \$394,993 was insured by a financial institution collateral pool (category 3).

The cost and fair values, exclusive of accrued interest, of investments by fund at June 30, 2001 follow:

	Cost	Fair value
Unrestricted funds	\$ 53,834,074	54,067,163
Loan funds	860,736	1,018,229
Endowment and similar funds	32,261,871	36,524,703
Plant funds	30,824,839	30,824,703
	\$ 117,781,520	122,434,798

Investments at June 30, 2001 consist of the following:

		Cost	Fair value
Corporate bonds	2	\$ 4,453,648	4,712,191
Corporate stocks	2	22,083,464	25,828,261
U.S. Government/agency obligations	2	13,300,137	13,674,820
Common and collective trust funds	2	36,447,831	36,723,086
		76,285,080	80,938,358
STAR Ohio		40,664,588	40,664,588
Real estate and other		831,852	831,852
		\$ 117,781,520	122,434,798

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

GASB Statement No. 3 does not require STAR Ohio, real estate, and other investments to be categorized.

Stocks, bonds, and real estate are held in the endowment fund and were acquired as a result of gifts to the University.

(3) Grants and Contracts

The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized as the related costs are incurred. Direct costs are accounted for in the restricted current funds, and indirect costs are accounted for in the unrestricted current funds. The University records indirect costs related to such grants and contracts at predetermined rates, which are negotiated with the United States Government. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. University management believes any adjustments of costs resulting from such examination by the granting agency would be insignificant.

The University also participates in several United States Government student loan programs. Such programs are required to comply with requirements determined by the Department of Education and are subject to audit and adjustments. Such adjustments could result in requests for reimbursement by the Department of Education for costs which may be disallowed as appropriate expenses under the grant terms. Management believes disallowances, if any, will not be material.

(4) Bonds Payable

The maturity dates, interest rates, and outstanding principal balances of bonds payable at June 30, 2001 are as follows:

	<u>Maturity dates</u>	<u>Interest rates</u>	<u>Outstanding principal</u>
General receipts:			
2001 Series Bonds	2002-2030	4.25% to 5.25%	\$ 35,000,000
1998 Series Bonds	2001-2020	3.6% to 5.0%	12,115,000
1994 Series Bonds	2001-2025	4.05% to 5.35%	13,880,000
1992 Series Bonds	2001-2020	4.9% to 5.9%	<u>50,080,000</u>
			<u>\$ 111,075,000</u>

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

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

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%, was 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 \$146,000) 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, 2001. The debt defeased remains outstanding as of June 30, 2001. The remaining \$3.1 million will be 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 Series 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 issuances defeased in substance in prior years that remain outstanding as of June 30, 2001 is \$31.0 million.

The principal and interest payments of the 2001, 1998, 1994, and 1992 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 scheduled maturities of bonds payable subsequent to June 30, 2001 are as follows:

	Series				Total
	1992	1994	1998	2001	
Year ending June 30:					
2002	\$ 2,655,000	310,000	435,000	85,000	3,485,000
2003	2,790,000	325,000	450,000	705,000	4,270,000
2004	2,940,000	340,000	470,000	735,000	4,485,000
2005	920,000	355,000	490,000	760,000	2,525,000
2006	—	—	515,000	800,000	1,315,000
Thereafter	40,775,000	12,550,000	9,755,000	31,915,000	94,995,000
	\$ 50,080,000	13,880,000	12,115,000	35,000,000	111,075,000

Total interest expense was \$4,801,777 for the year ending June 30, 2001. Of this amount, \$573,450 was capitalized at June 30, 2001.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

(5) Other Plant Debt

The University entered into an agreement in January 1997 to finance the installation of a fiber-optic network, which bears interest at 5.27%. The University entered into an agreement in September 1999 to finance the purchase of a scoreboard, which bears interest at 7.5%. The scheduled maturities of the debts payable subsequent to June 30, 2001 are as follows:

Year ending June 30	
2002	\$ 746,891
2003	780,743
2004	816,415
2005	759,204
2006	776,517
Thereafter	<u>2,598,641</u>
	<u>\$ 6,478,411</u>

Total interest expense was \$372,902 for the year ending June 30, 2001.

(6) Obligations for Physical Property

At June 30, 2001, the University had outstanding commitments for the construction of plant facilities in the amount of \$3,981,029. Of these total commitments, the University is directly obligated for \$217,505, and obligations of the State of Ohio are \$3,763,524. The funding for the University's share of these projects will be provided by fund balances and grant revenues.

(7) Lease Obligations

The University leases a building and data processing and other equipment under capital lease agreements. An asset of \$7,473,486, representing the cost of the building and equipment, and a corresponding liability for the lease obligations are recorded in the financial statements.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

Present value of the future minimum lease payments under the capital leases is as follows:

Year ending <u>June 30</u>	
2002	\$ 1,030,522
2003	680,765
2004	691,486
2005	675,070
2006	585,135
Thereafter	<u>1,465,503</u>
Total future minimum lease payment	5,128,481
Less amount representing interest	<u>990,453</u>
Total obligations under capital leases	<u>\$ 4,138,028</u>

(8) Loan Funds

The portion of loan fund balances identified as “University funds – restricted” includes an allocation of unrestricted funds which represent the University’s matching funds provided in accordance with the requirements of the Perkins Loan and Nursing Loan programs. These funds must be retained in the loan fund as long as the University participates in the programs.

(9) Pension 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 2001, PERS employees contributed 8.5% of their salary to the plan and the University contributed 10.65% of covered payrolls to the plan. Beginning in February 1998, law enforcement employees contributed 9.0% of their salary and the University contributed 15.7% of covered payrolls. The total employer contributions to PERS for the years ended June 30, 1999, 2000, and 2001 were \$6,155,102, \$5,699,094, and \$4,756,944, respectively, which were equal to 100% of the required contributions for each year.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

STRS: The ORC provides statutory authority for employee and employer contributions. During 2001, *STRS* employees contributed 9.3% 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, 1999, 2000, and 2001 were \$10,904,067, \$7,197,421, and \$7,464,037, respectively, which were equal to 100% of the required contributions for each year.

Effective January 1, 1999, the board of trustees of the University has agreed to offer a Retirement Incentive Plan to eligible employees as provided by *STRS* regulations. This plan allowed groups of University employees who met certain eligibility requirements to elect early retirement and the University to purchase a specified number of years of service credit in the applicable plan for the retiring employee. The University purchased one year of service credit for each five years of *STRS* service at the University, up to a maximum of three years' purchased. This plan ended December 31, 1999.

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system 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 year ended June 30, 2001 was \$1,815,389.

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 (9.3% *STRS* or 8.5% *PERS*) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 6% to the state retirement system to which the employee would have otherwise belonged. The employer also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 6%, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

(10) Other Postemployment Benefits

In addition to the pension benefits described in note 9, the Ohio Revised Code provides the statutory authority requiring the University to fund postretirement health care through employer contributions to PERS and STRS.

(a) *PERS*

PERS provides postretirement health care coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. 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 2000 employer contribution rate for state employers was 10.65% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The law enforcement employer rate for 2000 was 15.70%, and 4.30% 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.

For the year ended December 31, 2000, expenditures for OPEB's, as a whole for PERS were \$559,606,294. As of December 31, 2000, the audited estimated net assets available for future OPEB payments were \$10,965,429,369. The number of active contributing participants for PERS was 399,919.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB's. Under the new method, effective January 1, 1999, employer contributions, equal to 4.3% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

(b) *STRS*

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 employer's contribution rate, currently 14% of covered payroll.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

The STRS board currently allocates employer contributions equal to 8% 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 \$3.419 million at June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5% of covered payroll.

For the year ended June 30, 2000, the net health care costs paid by STRS were \$343,512,000. There were 99,011 eligible benefit recipients.

(11) State Support

The University is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the State of Ohio.

In addition to student subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC). Such facilities are reflected as buildings, improvements other than buildings, or construction in progress in the accompanying balance sheet. University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund, established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to all students in state-assisted institutions of higher education throughout the state.

As a result of the above-described financial assistance provided by the State of Ohio to the University, outstanding debt issued by OPFC is not included on the University's balance sheet. In addition, appropriations by the General Assembly to the board of regents for payments of debt service are not reflected as appropriation revenues received by the University, and the related debt service payments are not recorded in the University's accounts.

The University capitalizes the costs of renovations to existing facilities as funds are expended. As of June 30, 2001, construction in progress on such new facilities was \$11,185,722, and unexpended appropriations authorized by the State of Ohio legislature for the purchase of land, renovation of existing facilities, and construction of new facilities were \$33,377,592.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

(12) Related Organization

The University is sole beneficiary of the University of Toledo Foundation (Foundation), a separate not-for-profit entity exempt from Federal income tax, formed in October 1990 as the result of a merger between The University of Toledo Alumni Foundation, Inc. and The University of Toledo Corporation. The Foundation's purpose is to support and promote the educational and charitable activities and programs of the University and to provide for the improvement and development of University facilities. At June 30, 2001, assets of the Foundation approximated \$91,400,000, consisting primarily of investments in securities carried at fair market value. These assets are not consolidated in the accompanying financial statements because the Foundation is not fiscally dependent on the University, nor is the University financially accountable for the Foundation. During the year, the Foundation transferred approximately \$6,770,891 to the University in support of scholarships, academic programs, external relations, and other programs. Amounts transferred are included as current funds private gifts in the accompanying financial statements. The Foundation's operations are conducted in facilities leased from the University at a base annual rental of \$25,312.

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 1.4% of the fair market value of the University's share of the pooled investments. For the year ended June 30, 2001, the University incurred management fees paid or payable to the Foundation of \$554,085.

(13) Risk Management

During the normal course of operations, the University has become a defendant in various legal actions. In accordance with Financial Accounting Standards Board Statement No. 5, liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and University management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the University.

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 (IUC-IC). Through this group, the University maintains a \$100,000 deductible and a pre-funded group deductible of \$350,000 per occurrence, with an annual aggregate stop loss of \$700,000. No material losses were reported during 2001.

The University provided the choice of two premium-based health insurance plans for its employees through December 1998. Effective January 1, 1999, the University is self-insured for health insurance. Vision, dental, and prescription drug coverage is also provided on a self-insured basis. Operating funds are charged each pay period based on a percent of payroll.

THE UNIVERSITY OF TOLEDO

Notes to Financial Statements

June 30, 2001

Changes in the balances of claims liabilities during the past two years for the health, vision, dental, and prescription drug coverage are as follows:

	<u>2001</u>	<u>2000</u>
Unpaid claims – July 1	\$ 1,250,000	762,650
Incurred claims	11,349,416	10,470,978
Claim payments	<u>11,034,048</u>	<u>9,983,628</u>
Unpaid claims – June 30	<u>\$ 1,565,368</u>	<u>1,250,000</u>

This liability is the University's best estimate based on subsequent payments. The University participates in the State of Ohio Workers' Compensation program.

(14) Accounting Change

Effective July 1, 2000, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. This statement establishes financial reporting standards for non-exchange transactions involving financial or capital resources. As a result of this change, the University recorded a receivable and payable from the State of Ohio, and corresponding revenue and expense, for capital appropriations expended but not yet reimbursed. The cumulative effect of this change in accounting principle was \$1,370,574 and was recorded as an increase in the beginning fund balance in the unexpended plant funds.

Also, in accordance with GASB Statement No. 33, effective July 1, 2000, the University has recorded deferred revenue for cash received related to expenditure-driven grant programs. The cumulative effect of this change in accounting principle was \$2,805,060 and was recorded as a decrease in the beginning fund balance in the current restricted funds.

(15) Future Accounting Pronouncements

The University will be required to implement the provisions of Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Colleges and Universities*, effective with the fiscal year ended June 30, 2002. The requirements of GASB No. 35 will have a significant impact on the presentation of the University's financial statements.

THE UNIVERSITY OF TOLEDO

OMB Circular A-133 Single Audit Report

Year Ended June 30, 2001

(With Independent Auditors' Reports Thereon)

THE UNIVERSITY OF TOLEDO
OMB Circular A-133 Single Audit Report

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THE UNIVERSITY OF TOLEDO

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor/ program title	CFDA number	Agency or pass-through number	Expenditures
Student Financial Aid – Cluster			
<i>U.S. Department of Education:</i>			
Federal Supplemental Education Opportunity Grants	84.007	N/A	\$ 1,194,670
Federal Work-Study Program	84.033	N/A	1,183,390
Federal Perkins Loan Program (note 4)	84.038	N/A	461,637
Federal Pell Grant Program	84.063	N/A	9,183,545
Federal Direct Loan	84.268	N/A	53,967,527
Total Student Financial Aid – Cluster			<u>65,990,769</u>
Research and Development – Cluster			
<i>U.S. Department of Agriculture:</i>			
Grants for Agricultural Research – Special Research Grants:			
Pass-through from:			
Ohio State University Research Foundation	10.200	Q37112	18,439
Grants for Agricultural Research – Competitive Research Grants:			
Pass-through from:			
University of Rhode Island	10.206	92596/535981	481
Subtotal pass-through programs			<u>18,920</u>
Grants for Agricultural Research – Competitive Research Grants:			
Direct	10.206	98351096759	11,927
Direct	10.206	98351096759	70,670
Direct	10.206	00 35301-9276	30,459
Subtotal direct			<u>113,056</u>
<i>Total U.S. Department of Agriculture</i>			<u>131,976</u>
<i>U.S. Department of Commerce (Economic Development Administration):</i>			
Research and Evaluation Program:			
Direct	11.312	USDEPTCOMMER	2,232
<i>Total U.S. Department of Commerce (Economic Development Administration)</i>			<u>2,232</u>
<i>U.S. Department of the Navy:</i>			
Basic and Applied Scientific Research:			
Direct	12.300	N00149910392	12,137
Direct	12.300	N00149910392	69,244
Subtotal direct			<u>81,381</u>
Pass-through from:			
Office of Naval Research	12.300	441059B	13,635
Subtotal pass-through program			<u>13,635</u>
<i>Total U.S. Department of the Navy</i>			<u>95,016</u>
<i>U.S. Department of the Army:</i>			
Military Medical Research and Development:			
Direct	12.420	DAMD17-97-1-7298	61,711
Direct	12.420	AMDI79818252	134,613
Direct	12.420	17-98-1-8251	32,573
Direct	12.420	DAMD17-99-1-9408	90,540
Direct	12.420	DAMD17-00-1-0467	15,875
Direct	12.420	DAMD17-00-1-0468	12,961
Direct	12.420	DAMD17-00-1-0469	16,970
Subtotal direct			<u>365,243</u>

THE UNIVERSITY OF TOLEDO

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

<u>Federal grantor/pass-through grantor/ program title</u>	<u>CFDA number</u>	<u>Agency or pass-through number</u>	<u>Expenditures</u>
Research and Development – Cluster, Cont.			
<i>U.S. Department of the Army, Cont.:</i>			
Mathematical Sciences Grant Program:			
Pass-through from:			
Academy of Applied Science	12.901	AAH559810468	\$ 435
Academy of Applied Science	12.901	DAAG55-98-1-0468	16,737
Research and Technology Development:			
Pass-through from:			
Advanced Technology	12.910	2001-32	4,018
Subtotal pass-through programs			<u>21,190</u>
<i>Total U.S. Department of the Army</i>			<u>386,433</u>
<i>U.S. Department of the Air Force:</i>			
Air Force Defense Research Sciences Program:			
Pass-through from:			
Eidectics Corporation	12.800	PO 98-00076	49,108
Orbital Research, Inc.	12.800	ORBITAL RES INC	6,506
<i>Total U.S. Department of the Air Force</i>			<u>55,614</u>
<i>U.S. Department of the Interior:</i>			
U.S. Geological Survey – Research Data Acquisition:			
Pass-through from:			
Ohio University	15.808	UT10306 /OHIO UN	3,001
Ohio University	15.808	OOCRAG0031	3,631
Subtotal pass-through program			<u>6,632</u>
<i>Total U.S. Department of the Interior</i>			<u>6,632</u>
<i>U.S. Department of Transportation:</i>			
University Transportation Centers Program:			
Pass-through from:			
Volpe National	20.701		37,979
Subtotal pass-through program			<u>37,979</u>
<i>Total U.S. Department of Transportation</i>			<u>37,979</u>
<i>National Aeronautics and Space Administration:</i>			
Aerospace Education Services Program:			
Direct	43.001	NAG5-8054	11,389
Direct	43.001	NAG5-8052	10
Direct	43.001	NAG5-8054	71,583
Direct	43.001	NAG5-8052	52,665
Direct	43.001	NGT3-52342	27,436
Direct	43.001	NAG3-2565	133
Direct	43.001	NAG8-1578	12,477
Direct	43.001	NAG8-1578	69,167
Direct	43.001		<u>55,675</u>

THE UNIVERSITY OF TOLEDO

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor/ program title	CFDA number	Agency or pass-through number	Expenditures
Research and Development – Cluster, Cont.			
<i>National Aeronautics and Space Administration, Cont.:</i>			
Technology transfer:			
Direct	43.002	NAG5-3248	\$ 10,815
Direct	43.002	NAG5-3447	10,669
Direct	43.002	NAG5-3790	5,872
Direct	43.002	NAG5-4338	3,098
Direct	43.002	NAGA5-6624	26,582
Direct	43.002	NAG5-8183	39,391
Direct	43.002	NAG5-4957	51,919
Direct	43.002	NAG5-4338	18,421
Direct	43.002	NAG5-8671	84,690
Direct	43.002	NAG5-8785	19,767
Direct	43.002	NAG5-8794	(2,326)
Direct	43.002	NAG5-3248	36,098
Direct	43.002	NAG5-8982	32,642
Direct	43.002	NAG5-8961	31,450
Direct	43.002	NAG5-9202	8,635
Direct	43.002	NAG5-9376	50,769
Direct	43.002	NAG5-7754	50,649
Direct	43.002	NAG5-10305	5,933
Direct	43.002	NCC3-527	107,052
Direct	43.002	NCC3-524	130,181
Direct	43.002	NCC3-605	5,256
Direct	43.002	NCC3-596	2,091
Direct	43.002	NCC3-604	1,969
Direct	43.002	NCC3-719	109,961
Direct	43.002	NAG3-2269	73,663
Direct	43.002	NCC3-717	25,813
Direct	43.002	NAG3-2282	2,646
Direct	43.002	NCC3-527	21,853
Direct	43.002	NCC3-605	115,286
Direct	43.002	NCC3-774	3,047
Direct	43.002	NAG3-2338	79,709
Direct	43.002	NAG3-2409	74,872
Direct	43.002	NAG3-2408	35,718
Direct	43.002	NAG32502	91,241
Direct	43.002	NAG3-2507	82,452
Direct	43.002	NAG32505	99,974
Direct	43.002	NAG32338	81,811
Direct	43.002	NAG3-2269	4,002
Direct	43.002	NCC3-855	6,616
Direct	43.002	NCC3-719	441
Direct	43.002	NCC3-605	2,908
Direct	43.002	NCC3-717	350
Direct	43.002	NAG3-2594	4,052
Direct	43.002	NAG3-1380	156,773
Direct	43.002	NCC8-134	30,654
Direct	43.002	NCC8-196	36,736
Direct	43.002	NAG8-1380	9,827
Direct	43.002	NAG-1-2244	112,818
Direct	43.002	NCC3-881	908
Subtotal direct			2,296,289

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Year ended June 30, 2001

Federal grantor/pass-through grantor/ program title	CFDA number	Agency or pass-through number	Expenditures
Research and Development – Cluster, Cont.			
<i>National Aeronautics and Space Administration, Cont.:</i>			
Aerospace Education Services Program:			
Pass-through from:			
Ohio Aerospace Institute	43.001		\$ 30,364
Ohio Aerospace Institute	43.001	98-1-002	24,422
Ohio Aerospace Institute	43.001	99-1-014	21,134
Ohio Aerospace Institute	43.001		155,169
Ohio Aerospace Institute	43.001		10,686
Ohio Aerospace Institute	43.001		42,444
Ohio Aerospace Institute	43.001	100164	11,124
Technology transfer:			
Pass-through from:			
Jet Propulsion Laboratory	43.002	1205634	359
Jet Propulsion Laboratory	43.002	959451	9,054
Jet Propulsion Laboratory	43.002	961486	21,804
Space Telescope Science Institute	43.002	AR083520197A	13,949
Space Telescope Science Institute	43.002	GO-08152.04.97A	4,401
Ohio Space Grant Consortium	43.002		9,947
Subtotal pass-through programs			354,857
<i>Total National Aeronautics and Space Administration</i>			2,651,146
<i>National Science Foundation:</i>			
Engineering Grants:			
Direct	47.041	CMS-9753099	30,693
Direct	47.041	DMI-9713743	5,305
Direct	47.041	BES-9873553	865
Direct	47.041	BES-9809243	9,814
Direct	47.041	DMI-9896081	313
Direct	47.041	ECS-9800247	14,741
Direct	47.041	CTS-9996102	35,407
Direct	47.041	ECS-9800247	20,362
Direct	47.041	BES9809243	26,189
Direct	47.041	DMI-0096010	90,371
Direct	47.041	DMI-0096009	2,958
Direct	47.041	DMI-9713743 AM2	29,389
Direct	47.041	CTS-9975452	68,757
Direct	47.041	BES-9984918	26,624
Direct	47.041	DMI-9984390	4,247
Direct	47.041	BES-078748	8,238
Mathematical and Physical Sciences:			
Direct	47.049	PHY9722138	6,155
Direct	47.049	PHYC970791	5,526
Direct	47.049	INT-991383	2,138
Direct	47.049	NSF INT-9972023	5,554
Direct	47.049	AST-9819928	87,889
Direct	47.049	PHY9722138	7,651
Direct	47.049	SES-9988038	44,175
Direct	47.049	PHY 9970791	19,297
Direct	47.049	PHY-0097367	17,911
Direct	47.049	PHY-9731880	32,673
Biological Sciences:			
Direct	47.074	MCB-0196107	20,540
Direct	47.074	MCB-0196103	31,920

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

<u>Federal grantor/pass-through grantor/ program title</u>	<u>CFDA number</u>	<u>Agency or pass-through number</u>	<u>Expenditures</u>
Research and Development – Cluster, Cont.			
<i>National Science Foundation, Cont.:</i>			
Social, Behavioral, and Economic Sciences:			
Direct	47.075	INT9515485	\$ 1,052
Direct	47.075	INT-9996161	7,496
Education and Human Resources:			
Direct	47.076	ESI-9731306	9,223
Direct	47.076	ESI-9731306	1,080,186
Academic Research Infrastructure:			
Direct	47.077	DUE-9750627	(151)
Subtotal direct			<u>1,753,508</u>
Engineering Grants:			
Pass-through from:			
Guild Associates	47.041	PO # 9293	(758)
Efficient Channel Coding, Inc.	47.041	9901866	30,085
Embry-Riddle Aeronautical	47.041	ESC-9896103	3,218
Embry-Riddle Aeronautical	47.041	ESC-9896103	30,814
Embry-Riddle Aeronautical	47.041	BES-9713110	339
Virginia Polytech	47.041	CR-427794	16,834
Georgia Institute of Technology	47.041	E-24-T55-G1	2,255
Mathematical and Physical Sciences:			
Pass-through from:			
U.S. Civilian R&D Foundation	47.049	RPI-2264	2,271
University of Alabama	47.049	OPP-9810219	608
Ohio State University	47.049	RF#848226	12,397
Biological Sciences:			
Pass-through from:			
Institute for EcoSystems Studies	47.074	338/5936	26,461
Education and Human Resources:			
Pass-through from:			
The Toledo Technology Academy: A Consortium	47.076		<u>2,250</u>
Subtotal pass-through programs			<u>126,774</u>
Total National Science Foundation			<u>1,880,282</u>
<i>U.S. Environmental Protection Agency:</i>			
Air Pollution Control Program Support:			
Direct	66.001	DTFH61-00-P-0023	21,513
Environmental Protection Consolidated Research:			
Direct	66.500	R826374-01-0	14,482
Direct	66.500	R-82820601-0	44,588
Pollution Prevention Grants Program:			
Direct	66.708	NP97529701	<u>20,545</u>
Subtotal direct			101,128
Training and Fellowships for the Environmental Protection Agency:			
Pass-through from:			
University of Illinois	66.607	UILL2530946	645
State Indoor Radon Grants:			
Pass-through from:			
Ohio Department of Health	66.032	48401PBA392	23
Ohio Department of Health	66.032	48-4-01-P-BA-392	4,676
Ohio Department of Health	66.032	48-4-01-P-BA392	4,229

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor/ program title	CFDA number	Agency or pass-through number	Expenditures
Research and Development – Cluster, Cont.			
<i>U.S. Environmental Protection Agency, Cont.:</i>			
Water Pollution Control, State and Interstate Program Support:			
Pass-through from:			
Toledo Metro Area Council of Governments	66.419		\$ 26
Toledo Metro Area Council of Governments	66.419	TMACOG	1,176
Water Quality Management Planning:			
Pass-through from:			
Heidelberg Lake Erie Protection Fund	66.454		<u>5,622</u>
Subtotal pass-through programs			<u>16,397</u>
<i>Total U.S. Environmental Protection Agency</i>			<u>117,525</u>
<i>U.S. Department of Energy:</i>			
Office of Science Financial Assistance Program:			
Direct	81.049	95ER14530	(72)
Direct	81.049	DEFG0294ER144615	46,274
Direct	81.049	DEFG0200ER62998	77,422
Direct	81.049	DEFG02-94ER14461	<u>2,796</u>
Subtotal direct			126,420
Energy-Related Inventions:			
Pass-through from:			
University of Hawaii	81.036	PO #Z518507	21,230
Office of Science Financial Assistance Program:			
Pass-through from:			
National Renewable Energy Laboratory (SERI)	81.049	AC1-9-29118-01	93,037
Conservation Research and Development:			
Pass-through from:			
DaimlerChrysler Corporation	81.086	JMEAL050-27/31A	36,099
Renewable Energy Research and Development			
Pass-through from:			
National Renewable Energy Laboratory (SERI)	81.087	2AF81761914	50,733
National Renewable Energy Laboratory (SERI)	81.087	ZAF817619914	(9,974)
National Renewable Energy Laboratory (SERI)	81.087	ZAF817619914	145,625
National Renewable Energy Laboratory (SERI)	81.087	2AF81761914	119,931
National Renewable Energy Laboratory (SERI)	81.087	AAT-1-30620-09	20,203
First Solar	81.087	FIRST SOLAR	(512)
University of Hawaii	81.087	C990314	270
Solar Cells	81.087		<u>949</u>
Subtotal pass-through programs			<u>477,591</u>
<i>Total U.S. Department of Energy</i>			<u>604,011</u>
<i>U.S. Department of Health and Human Services (NIH):</i>			
Biological Response to Environmental Health Hazards:			
Direct	93.113	1R03 ESO	62
Oral Disease and Disorders Research:			
Direct	93.121	1ROI-EO	6,256
Direct	93.121	DE12308-03	190,244
Research Related to Deafness and Communication Disorders:			
Direct	93.173	5R01DC029600	4,632
Direct	93.173	5R01DC029600	84,111
Cancer Treatment Research:			
Direct	93.395	1R15CA8213801-A1	12,672
Nursing Research:			
Direct	93.361	F2001-4	84,876
Cell Biology and Biophysics Research:			
Direct	93.821	GM51188-03	47,576
Direct	93.821	R15GM5593302	26,770
Direct	93.821	GM51188-06	159,267
Heart and Vascular Disease Research:			
Direct	93.837	1R03HL625770	41,591
Direct	93.837	R01HL6030103	192,169

THE UNIVERSITY OF TOLEDO

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor/ program title	CFDA number	Agency or pass-through number	Expenditures
Research and Development – Cluster, Cont.			
<i>U.S. Department of Health and Human Services (NIH), Cont.:</i>			
Diabetes, Endocrinology, and Metabolism Research:			
Direct	93.847	1R29DK512740	\$ (480)
Direct	93.847	5R29DK51274	72,260
Extramural Research Programs in the Neurosciences and Neurological Disorders:			
Direct	93.853	RO1NS3512701	98
Direct	93.853	NS35030501A2	764
Direct	93.853	2RO1NS31173-04A3	176,577
Direct	93.853	NS3503051A2	25,059
Microbiology and Infectious Diseases Research:			
Direct	93.856	5R01AI184271	27
Direct	93.856	R15A14478201	84
Direct	93.856	2RO1AI18427-19	115,757
Direct	93.856	2RO1AI4514701A1	200,482
Direct	93.856	R15A14478201	8,438
Pharmacology, Physiology, and Biological Chemistry Research:			
Direct	93.859	1R01GM62140-01	28,649
Subtotal direct			1,477,941
Research Related to Deafness and Communication Disorders:			
Pass-through from:			
Bowling Green State University	93.173	DC0357701A1	1,125
Bowling Green State University	93.173	1 RO1 DC0357702	13,753
Wayne State University	93.173		114,779
Arthritis, Musculoskeletal and Skin Diseases Research:			
Pass-through from:			
University of Pennsylvania	93.846	521081	28,698
Allergy, Immunology and Transplantation Research:			
Pass-through from:			
University of Texas Health Science Center	93.855	1R01A143061	14,811
University of Texas Health Science Center	93.855	1RO1A143061	86,190
Subtotal pass-through programs			259,356
<i>Total U.S. Department of Health and Human Services (NIH)</i>			1,737,297
Total Research and Development – Cluster			7,706,143
Trio Cluster			
<i>U.S. Department of Education:</i>			
TRIO – Upward Bound:			
Direct	84.047	47A50780-98	(52)
Direct	84.047	P047A990864	383,088
Total Trio Cluster			383,036
JTPA Cluster			
<i>U.S. Department of Labor:</i>			
Job Training Partnership Act:			
Pass-through from:			
Northwest Ohio Private Industry Council	17.250		549
Toledo Area Private Industry Council	17.250		53,106
Toledo Area Private Industry Council	17.250	135-20-99	165
Total JTPA Cluster			53,820

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Year ended June 30, 2001

Federal grantor/pass-through grantor/ program title	CFDA number	Agency or pass-through number	Expenditures
Highway Planning and Construction Cluster			
<i>U.S. Department of Transportation:</i>			
Pass-through from:			
Ohio Department of Transportation	20.205	8657/14676	\$ 33,298
Ohio Department of Transportation	20.205	8953	13,744
Ohio Department of Transportation	20.205	8953	11,698
Ohio Department of Transportation	20.205	ODOT-9797	21,853
Ohio Department of Transportation	20.205	ODOT1478(0)	23,229
Total Highway Planning and Construction Cluster			<u>103,822</u>
Other Programs			
<i>U.S. Department of the Air Force:</i>			
Post-Vietnam Era Veterans' Educational Assistance:			
Passed through from:			
Ohio Air National Guard	64.120		610
Bowling Green State University	64.120		27,630
<i>Total U.S. Department of the Air Force</i>			<u>28,240</u>
<i>U.S. Department of the Army:</i>			
Post-Vietnam Era Veterans' Educational Assistance:			
Direct	64.120		5,039
Direct	64.120		221,433
Direct	64.120		8,620
Direct	64.120		12,379
<i>Total U.S. Department of the Army</i>			<u>247,471</u>
<i>U.S. Department of Housing and Urban Development:</i>			
Community Outreach Partnership Center Program:			
Direct	14.511	COPH-OH-99-014	112,312
<i>Total U.S. Department of Housing and Urban Development</i>			<u>112,312</u>
<i>U.S. Department of Justice:</i>			
Troops to COPS:			
Direct	16.711	96UMWX1196	75,644
<i>Total U.S. Department of Justice</i>			<u>75,644</u>
<i>U.S. Department of Labor:</i>			
Employment Services and Job Training Pilots Demonstrations and Research:			
Pass-through from:			
Ohio State University Research Foundation	17.249	RF738588	189
Trade Adjustment Assistance Workers:			
Pass-through from:			
Ohio Bureau of Employment Services	17.245		6,992
Welfare-to-Work Grants to States and Localities:			
Pass-through from:			
Lucas County Job and Workforce Investment Act	17.253	48-01-0P34	(1,508)
WIA Adult Program:			
Pass-through from:			
Workforce Investment Act	17.258		119,005
Northwest Ohio WIA	17.258		1,243
<i>Total U.S. Department of Labor</i>			<u>125,921</u>
<i>National Aeronautics and Space Administration:</i>			
Technology transfer:			
Pass-through from:			
Ohio Aerospace Institute	43.002		2,862
Subtotal pass-through programs			<u>2,862</u>
<i>Total National Aeronautics and Space Administration</i>			<u>2,862</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor/ program title	CFDA number	Agency or pass-through number	Expenditures
Other Programs, Cont.			
<i>National Endowment of the Humanities:</i>			
Promotion of Humanities Federal State Partnership:			
Pass-through from:			
Ohio Humanities Council	45.129	OHC R000-0044	\$ 2,103
Ohio Humanities Council	45.129	OHC-00-112	5,351
Ohio Humanities Council	45.129	OHC01-027	<u>18,945</u>
<i>Total National Endowment of the Humanities</i>			<u>26,399</u>
<i>U.S. Department of Veterans Affairs:</i>			
Vocational Rehabilitation for Disabled Veterans:			
Direct	64.116		<u>133,672</u>
<i>Total U.S. Department of Veterans Affairs</i>			<u>133,672</u>
<i>U.S. Department of Education:</i>			
Undergraduate International Studies and Foreign Language Program:			
Direct	84.016	PO 16A80065	194
Direct	84.016	PO16A80065-99	7,769
International: Overseas Group Projects Abroad:			
Direct	84.021	PO21a000043	30,485
Early Education for Children with Disabilities:			
Direct	84.024	24P50045-97	56
Special Education – Research and Innovation to Improve Services and Results for Children with Disabilities:			
Direct	84.324	H324M981097	2,431
Direct	84.324	H324M981097	89,948
Special Education – Personnel Preparation to Improve Services and Results for Children with Disabilities:			
Direct	84.325	29A5022-97	1,863
Direct	84.325	H029A80107	(41)
Direct	84.325	H325N990053	9,379
Direct	84.325	H325A980107	41,025
Direct	84.325	H325N990053	95,941
Gaining Early Awareness and Readiness for Undergraduate Programs:			
Direct	84.334	P334A00134	426,087
Business and International Education Projects:			
Direct	84.153	P153A000003	<u>80,303</u>
Subtotal direct			785,440
Vocational Education – Basic Grants to States:			
Pass-through from:			
Ohio Department of Education	84.048	CP-111-P00	6,215
Ohio Department of Education	84.048	CP-111-P01	92,956
Ohio Department of Education	84.048	CP11-99	(415)
National Vocational Education Research:			
Pass-through from:			
Ohio Department of Education	84.051		6,845
Ohio Department of Education	84.051		69,549
Rehabilitation Services – Vocational Rehabilitation Grants to States:			
Pass-through from:			
Ohio Department of Education	84.126		564,522
Business and International Education Projects:			
Pass-through from:			
Toledo Public Schools	84.153	PO #102131	114,180
Safe and Drug-Free Schools and Communities – National Programs:			
Pass-through from:			
Ohio Association of Adult Services	84.184		44
Kent State University	84.184	EDS184H000040	16,514

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Year ended June 30, 2001

<u>Federal grantor/pass-through grantor/ program title</u>	<u>CFDA number</u>	<u>Agency or pass-through number</u>	<u>Expenditures</u>
Other Programs, Cont.			
<i>U.S. Department of Education, Cont.:</i>			
Tech-Prep Education:			
Pass-through from:			
Ohio Department of Education	84.243	VETP23P	\$ (94)
Ohio Department of Education	84.243	VETP23K	32
Ohio Department of Education	84.243	OHIO DEPT OF ED	(5,268)
Ohio Department of Education	84.243	VETP23 A-1	11,344
Ohio Department of Education	84.243	OHIO DEPT OF ED	7,500
Ohio Department of Education	84.243	VETP200123A1	209,843
Ohio Department of Education	84.243	VETP2001-23-SB	11,005
Ohio Department of Education	84.243	VETP200123FPI	245,812
Goals 2000 – State and Local Education Systemic Improvement Grants:			
Pass-through from:			
Ohio Department of Education	84.276	63099G2SP99P	(35,541)
Ohio Department of Education	84.276		50,000
Eisenhower Professional Development State Grants:			
Pass-through from:			
Ohio Board of Regents	84.281	7-57	(3)
Ohio Board of Regents	84.281	Aug-58	3,746
Ohio Board of Regents	84.281	EISENHOWER	11,822
Ohio Board of Regents	84.281		27,366
Ohio Board of Regents	84.281	955 EISENHOWER	26,393
Ohio Board of Regents	84.281	0051 EISENHOWER	91,166
Ohio Board of Regents	84.281	0053 EISENHOWER	7,786
Ohio Board of Regents	84.281	0052 EISENHOWER	5,471
Innovative Education Program Strategies:			
Pass-through from:			
University of California – Berkeley	84.298	92-OH02 #7	7,198
University of California – Berkeley	84.298	92-OH02 #8	13,364
Special Education - State Program Improvement Grants for Children with Disabilities:			
Pass-through from:			
Ohio Department of Education	84.323	063099STS199	14,335
Teacher Quality Enhancement Grants:			
Pass-through from:			
Ohio Board of Regents	84.336	TITLE 2	9,000
Ohio Board of Regents	84.336	TITLE 2	10,431
Subtotal pass-through programs			<u>1,593,118</u>
<i>Total U.S. Department of Education</i>			<u>2,378,558</u>

THE UNIVERSITY OF TOLEDO

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

<u>Federal grantor/pass-through grantor/ program title</u>	<u>CFDA number</u>	<u>Agency or pass-through number</u>	<u>Expenditures</u>
Other Programs, Cont.			
<i>U.S. Department of Health and Human Services:</i>			
Community Services Block Grant Discretionary Awards:			
Pass-through from:			
National Collegiate Athletic Association	93.570	00-587	\$ 33,168
National Collegiate Athletic Association	93.570		5,750
National Collegiate Athletic Association	93.570	NYSP-GSC	3,833
National Collegiate Athletic Association	93.570		17,760
Job Opportunities for Low-Income Individuals:			
Ohio Board of Regents	93.593	COL STATE COMM	13,737
Ohio Department of Human Services	93.593		5,428
Block Grants for Prevention and Treatment of Substance Abuse:			
Ohio Department of Alcohol and Drug Addiction Services	93.959	48-48392-02-HEDUC-P-00-9852	1,878
Ohio Department of Alcohol and Drug Addiction Services	93.959	48-4392-02-HEDUC	25,185
Family Support Payments to States – Assistance Payments:			
Pass-through from:			
Lucas County Department of Human Services	93.560		(2,965)
Lucas County Department of Human Services	93.560		23,615
Lucas County Department of Human Services	93.560		19,642
Aging Research:			
Pass-through from:			
Institute for the Study of Aging	93.866	ISOA	156,818
Adolescent Family Life – Demonstration Projects:			
Pass-through from:			
The Family Center of Michigan, Inc.	93.995	6H19CS02960-21S3	<u>2,470</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>306,319</u>
<i>U.S. International Development Cooperation Agency:</i>			
Technical Teacher Program:			
Direct	N/A		<u>18,418</u>
<i>Total U.S. International Development Cooperation Agency</i>			<u>18,418</u>
Total Other Programs			<u>3,455,816</u>
Total Expenditures of Federal Awards			<u>\$ 77,693,406</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

THE UNIVERSITY OF TOLEDO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The University of Toledo and is presented on the accrual basis of accounting. The University of Toledo's reporting entity is defined in note 1 to its financial statements. Federal awards received directly, as well as federal awards passed through government agencies, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Subrecipients

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

<u>Sub-grantee</u>	<u>Federal CFDA number</u>	<u>Amount provided</u>
University of California	43.002	\$ 26,454
Rhode Island College	43.002	790
UW-Whitewater	43.002	11,684
Dennison University	43.002	11,054
Kuakini Medical Center	93.837	5,479
Debasis Ghosh	93.854	15,999
Michigan Technologies	47.041	219
Toledo Board of Education	47.076	566,315
Bowling Green State University	47.076	259,610
Big Brothers Big Sisters	84.334	15,000
Medical College of Ohio	93.837	6,135
EISC	66.708	7,563
Techsolve, Inc.	66.708	2,177
Edison Welding Institute	66.708	1,711
Camp, Inc.	66.708	3,467

(3) 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, 2003 for on-campus research is 42% of direct costs, and the off-campus rate is 26% of direct costs.

THE UNIVERSITY OF TOLEDO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

(4) Loan Outstanding

The University of Toledo had the following loan balance outstanding at June 30, 2001. The applicable portion of this loan balance outstanding is not included in the federal expenditures presented in the Schedule.

<u>Program title</u>	<u>CFDA number</u>	<u>Outstanding balance</u>
Perkins Loan Program	<u>84.038</u>	<u>\$ 14,111,450</u>



150 West Jefferson
Suite 1200
Detroit, MI 48226

**Independent Auditors' Report on Compliance and on
Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Board of Trustees
The University of Toledo:

We have audited the financial statements of The University of Toledo (the University) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 15, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University'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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements 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.

This report is intended solely for the information and use of the audit committee, management, and 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.

KPMG LLP

October 15, 2001



150 West Jefferson
Suite 1200
Detroit, MI 48226

**Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

The Board of Trustees
The University of Toledo:

Compliance

We have audited the compliance of The University of Toledo (the University) 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 each of its major federal programs for the year ended June 30, 2001, except those requirements discussed in the third following paragraph. The University's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001, other than those requirements discussed in the following paragraph.

We did not audit the University's compliance with requirements governing the billing, collection, and due diligence student loan repayment functions of the Federal Perkins Loan Program. Those requirements govern functions that are performed by University Accounting Services, Inc. (UAS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

UAS's compliance with the requirements governing the functions that it performs for the University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation*

Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the Compliance Supplement that are applicable to the major programs in which the University participates are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's major programs.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University'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.

Requirements governing the student loan repayment functions of the Federal Perkins Loan Program are performed by UAS. Internal control over compliance related to such functions was reported by other accountants in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at UAS.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants 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 internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2001, and have issued our report thereon dated October 15, 2001. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, and 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.

KPMG LLP

October 15, 2001

THE UNIVERSITY OF TOLEDO

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

(1) Summary of Auditors' Results:

- | | | |
|-----|---|-------------------------------------|
| (a) | <i>Type of report issued on the financial statements:</i> | Unqualified Opinion |
| (b) | <i>Reportable conditions in internal control were disclosed by the audit of the financial statements:</i> | None Reported |
| | <i>Material weaknesses:</i> | No |
| (c) | <i>Noncompliance which is material to the financial statements:</i> | No |
| (d) | <i>Reportable conditions in internal control over major programs:</i> | None Reported |
| | <i>Material weaknesses:</i> | No |
| (e) | <i>Type of report issued on compliance for major programs:</i> | Unqualified Opinion |
| (f) | <i>Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:</i> | No |
| (g) | <i>Major programs: CFDA: Various</i> | Student Financial Aid
Cluster |
| | <i>CFDA: Various</i> | Research and
Development Cluster |
| (h) | <i>Dollar threshold used to distinguish between Type A and Type B programs:</i> | \$ 697,927 |
| (i) | <i>Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133:</i> | Yes |

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards: None

(3) Findings and Questioned Costs Relating to Federal Awards: None

December 11, 2001

Federal Audit Clearinghouse
1201 E. Tenth Street
Jeffersonville, IN 47132



Finance and Administration
Financial Services

Dear Official:

The following are our responses to the audited findings from FY00:

Mail Stop #325
Toledo, Ohio 43606-3390
419.530.1386 Phone
419.530.1380 Fax
www.utoledo.edu

Finding No. 00-1

Condition:

The University did not have a policy in place to calculate refunds for unofficial withdrawals for the fall semester in the current year.

Criteria:

Federal Regulations (34 CFR) stipulate that if a student drops out of the institution without notifying the institution, the last recorded date of class attendance by the student, as documented by the institution, should be used to calculate refund.

Effect:

Potential request of funds by Department of Education for refunds not processed on unofficial withdrawals.

FY00 Management Response:

The University instituted an official withdrawal policy effective the spring semester of the current year.

FY01 Management Response:

The University management has corrected the above finding from FY00.

Finding No. 00-2

Condition:

The University did not accumulate all the time and effort reporting forms from the various departments on a timely basis. Of the 25 employees selected, time and effort forms for 5 employees could not be located on a timely basis.

Criteria:

OMB Circular A-21, Cost Principles for Educational Institutions, require time and effort reports for all employees working on federal projects to be certified and filed on a timely basis.

Effect:

Potential request of funds by sponsoring federal agency for instances where time and effort reporting forms cannot be located.

FY00 Management Response:

New Database system and reports to track the status of time and effort reports are being put into place. The community is being made aware that new expenses will not be processed against the grant unless previously due time and effort reports are completed and returned to Grants Accounting on a timely basis.

FY01 Management Response:

The University management has corrected the above finding from FY00.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Sujata Hegde'.

Sujata Hegde
Assistant Controller



150 West Jefferson
Suite 1200
Detroit, MI 48226

Independent Accountants' Report on Applying 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 management of The University of Toledo (the University), solely to assist in their evaluation of whether the attached Schedule of Current Revenues, Expenditures, and Other Changes, Intercollegiate Athletics (Schedule 1) of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2001. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of 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.

Procedures Related to the Schedule of Current Revenues, Expenditures, and Other Changes

A. We obtained the attached Schedule 1 for the year ended June 30, 2001, as prepared by management. We recalculated the amounts on Schedule 1, traced the amounts on Schedule 1 to management's worksheets, and agreed the amounts on management's worksheets to the appropriate accounts in the University's general ledger.

We found such amounts to be in agreement.

B. We compared each line of revenues and expenditures on Schedule 1 for the current year to those recorded in the prior year and discussed variations greater than \$50,000 and 10% with management.

We did not find the variations to be unusual.

C. We obtained a listing of individual contributions included in the private gifts and grants line item of Schedule 1 in excess of 10% of total contributions, as identified by management. We identified one contribution, \$178,539 from The University of Toledo Foundation (the Foundation), that exceeded 10% of all contributions for the year ended June 30, 2001. We compared the contribution of \$178,539 to corresponding information on the gift documentation in the files maintained by the University. 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 Athletics Department and was received directly by the Foundation and then distributed to the University.



- D. We judgmentally selected the following five expenditures from Schedule 1 for the year ended June 30, 2001. For each expenditure, we obtained the purchase order to determine if the expenditure was in accordance with the University's procurement policy. Also, we obtained the invoice, agreeing vendor and amount to the purchase order and schedule for the following expenditures:

<u>Purchase order number</u>	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
11643	Team Sports, Inc.	5/15/01	\$ 1,167.54
11829	Therapy & Health Care Products, Inc.	6/11/01	3,973.25
11803	Atlas Van Lines, Inc.	6/07/01	1,547.00
11476	Dave's Performance Footgear	4/06/01	1,750.00
11720	Artcarved College Jewelry	5/24/01	<u>3,345.50</u>

We found such information to be in agreement.

- E. We obtained the ticket sales performance reports completed by the Intercollegiate Athletics Department for the University's football and basketball home games. We compared the total amount of ticket sales, including away game receipts, per the reports to the amounts reported on the Schedule for football and basketball revenues.

We found that the ticket sales performance reports were understated by \$1,803 when compared to the Schedule 1 line-item amounts for football and basketball revenues.

Procedures Related to Support by Outside Organizations

- F. We obtained from management the following list of outside organizations for the year ended June 30, 2001 that exist to support the intercollegiate athletics programs of the University:
- The Rocket Fund
 - The Varsity T-Group
 - Downtown Coaches Association
 - Dugout Club

We confirmed directly with the Foundation or the treasurers of the listed outside organizations the financial amounts related to the University and the NCAA.

We found no exceptions as a result of these confirmations.

- G. We obtained the Schedule of Intercollegiate Athletics Program Support by Outside Organizations (Schedule 2).

We agreed beginning cash balances to the prior year schedule. We compared total cash receipts and disbursements to the Treasurer's reports prepared by the listed organizations. The amounts included in Schedule 2 are not included in Schedule 1 unless contributed directly to the University by the outside organization.

We found no exceptions as a result of these procedures.



H. We obtained and read the audited financial statements of the Foundation for the year ended June 30, 2001.

The Foundation's independent auditors expressed an unqualified opinion on the financial statements.

* * * * *

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Schedule of Current Revenues, Expenditures, and Other Changes of the Intercollegiate Athletics Department of the University or the Schedule of Intercollegiate Athletics Program Support by Outside Organizations, or the effectiveness of the University Intercollegiate Athletics Department's internal control over financial reporting as of June 30, 2001. 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 use of the management of the University and authorized representatives of the National Collegiate Athletic Association, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

KPMG LLP

January 28, 2002

THE UNIVERSITY OF TOLEDO

Schedule of Current Revenues, Expenditures, and Other Changes

Intercollegiate Athletics

Year ended June 30, 2001

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues:			
Sports:			
Basketball	\$ 551,294	—	551,294
Football	1,359,027	—	1,359,027
Other sports	61,917	—	61,917
Concession sales, parking, and other miscellaneous revenues	775,015	—	775,015
Broadcasts and telecasts rights	53,885	—	53,885
Private gifts and grants	400,868	134,261	535,129
Advertising	683,059	—	683,059
Savage Hall events	303,838	—	303,838
Total revenues	<u>4,188,903</u>	<u>134,261</u>	<u>4,323,164</u>
Expenditures and mandatory transfers:			
Administrative and general:			
Salaries and wages	1,729,561	—	1,729,561
Staff benefits	396,375	—	396,375
Supplies	97,911	9,512	107,423
Guarantees and media	294,692	—	294,692
Travel and entertainment	142,686	58,258	200,944
Information and communications	430,925	—	430,925
Occupancy	11,852	—	11,852
Other	2,778	761	3,539
Total administrative and general	<u>3,106,780</u>	<u>68,531</u>	<u>3,175,311</u>
Sports:			
Baseball	357,696	10,076	367,772
Basketball	728,568	229	728,797
Football	2,535,845	21,340	2,557,185
Swimming	298,618	2,563	301,181
Track	279,857	—	279,857
Golf	164,180	—	164,180
Tennis	118,900	4,831	123,731
Women's softball	302,237	1,376	303,613
Women's basketball	608,258	4,069	612,327
Women's track	410,333	7,127	417,460
Women's volleyball	368,468	1,881	370,349
Women's tennis	203,525	1,355	204,880
Women's swimming	414,490	—	414,490
Women's soccer	354,048	2,130	356,178
Women's golf	163,039	5,439	168,478
Cheerleading and other	46,320	780	47,100
Training and equipment	407,674	2,524	410,198

THE UNIVERSITY OF TOLEDO

Schedule of Current Revenues, Expenditures, and Other Changes

Intercollegiate Athletics

Year ended June 30, 2001

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Expenditures and mandatory transfers, cont.:			
Operation and maintenance of plant:			
Salaries and wages	\$ 177,613	—	177,613
Staff benefits	44,683	—	44,683
Supplies	58,219	—	58,219
Repair and maintenance	31,366	—	31,366
Utilities	124,461	—	124,461
Insurance	10,319	—	10,319
Other	3,602	—	3,602
Total operation and maintenance of plant	<u>450,263</u>	<u>—</u>	<u>450,263</u>
Total expenditures	<u>11,319,099</u>	<u>134,261</u>	<u>11,453,360</u>
Mandatory transfers to investment in plant fund	<u>117,096</u>	<u>—</u>	<u>117,096</u>
Total expenditures and mandatory transfers	<u>11,436,195</u>	<u>134,261</u>	<u>11,570,456</u>
Nonmandatory transfers and additions:			
Allocated fund	1,257,603	1,251	1,258,854
Interfund transfers	5,989,689	—	5,989,689
Excess of restricted disbursements over receipts	—	40,477	40,477
Net increase in fund balance	<u>\$ —</u>	<u>41,728</u>	<u>41,728</u>

THE UNIVERSITY OF TOLEDO

Schedule of Intercollegiate Athletics Program Support by Outside Organizations

Intercollegiate Athletics

Year ended June 30, 2001

	Beginning cash balance	Cash receipts	Cash disbursements		Ending cash balance
			Contributions to or on behalf of program	Other	
The Rocket Fund	\$ 62,243	389,430	376,416	—	75,257
The Varsity T-Group	22,540	82,219	86,159	—	18,600
Downtown Coaches Association	6,115	128,654	55,000	73,546	6,223
Dugout Club	—	21,895	4,575	—	17,320
	<u>\$ 90,898</u>	<u>622,198</u>	<u>522,150</u>	<u>73,546</u>	<u>117,400</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
FEBRUARY 21, 2002**