

# **Michigan Tech Fund**

**Report on Audits of Financial Statements  
For the years ended June 30, 2007 and 2006**

**Michigan Tech Fund**  
Financial Statement Contents  
For the years ended June 30, 2007 and 2006

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## **Report of Independent Auditors**

To the Board of Trustees  
Michigan Tech Fund  
Houghton, Michigan

We have audited the accompanying statement of financial position of the Michigan Tech Fund (a not-for-profit organization, a discretely presented component unit of Michigan Technological University) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Tech Fund (the "Fund") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

September 5, 2007

**Michigan Tech Fund**  
**Statements of Financial Position**  
**June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,306,414	\$ 5,071,167
Investments (Note 2)	49,156,050	41,192,704
Pledges receivable, net of allowance for uncollectible amounts (Note 3)	1,225,624	4,661,699
Interest and dividends receivable	236,635	132,451
Prepaid expenses and other receivable	39,892	65,260
Total current assets	<u>57,964,615</u>	<u>51,123,281</u>
Other assets:		
Pledges receivable, net of allowance, beyond one year (Note 3)	2,935,646	3,062,222
Cash surrender value, life insurance (Note 4)	792,558	796,444
Contributions receivable from remainder trusts (Note 7)	4,445,431	3,170,146
Investments restricted for permanent endowment (Note 2)	46,020,389	39,625,450
Real property (Note 5)	-	153,391
Office equipment and software, net (Note 6)	35,640	52,930
Total other assets	<u>54,229,664</u>	<u>46,860,583</u>
Total assets	<u>\$ 112,194,279</u>	<u>\$ 97,983,864</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 540,622	\$ 160,077
Due to Michigan Technological University	250,000	-
Annuity payment liability (Note 7)	409,753	369,374
Total current liabilities	<u>1,200,375</u>	<u>529,451</u>
Other liabilities:		
Annuity payment liability, long-term portion (Note 7)	3,223,285	3,069,079
Split-interest agreements (Note 7)	636,014	677,416
Total other liabilities	<u>3,859,299</u>	<u>3,746,495</u>
Total liabilities	<u>5,059,674</u>	<u>4,275,946</u>
Net assets:		
Unrestricted (Note 8)	4,926,752	3,281,956
Temporarily restricted (Note 8)	52,929,512	47,387,912
Permanently restricted (Note 8)	49,278,341	43,038,050
Total net assets	<u>107,134,605</u>	<u>93,707,918</u>
Total liabilities and net assets	<u>\$ 112,194,279</u>	<u>\$ 97,983,864</u>

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

**Michigan Tech Fund**  
**Statement of Activities**  
**For the year ended June 30, 2007**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,683,424	\$ 7,588,951	\$ 6,762,572	\$ 16,034,947
Investment return (Note 2)	3,459,315	9,369,193	-	12,828,508
Other income	81,389	236,465	-	317,854
Net assets released from restrictions	12,150,136	(12,150,136)	-	-
Total support and revenue	17,374,264	5,044,473	6,762,572	29,181,309
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	1,794,160	-	-	1,794,160
Capital projects and equipment	2,637,941	-	-	2,637,941
Departmental and other program support	10,350,940	-	-	10,350,940
	14,783,041	-	-	14,783,041
Operating expenses:				
Salaries, wages, and benefits	517,322	-	-	517,322
Other operating expenses	454,259	-	-	454,259
	971,581	-	-	971,581
Total expenses	15,754,622	-	-	15,754,622
Change in net assets	1,619,642	5,044,473	6,762,572	13,426,687
Net assets, beginning of year	3,281,956	47,387,912	43,038,050	93,707,918
Net assets transfers (Note 9)	25,154	497,127	(522,281)	-
Net assets, end of year	\$ 4,926,752	\$ 52,929,512	\$ 49,278,341	\$ 107,134,605

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

**Michigan Tech Fund**  
**Statement of Activities**  
**For the year ended June 30, 2006**

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 2,030,597	\$ 8,263,702	\$ 1,025,549	\$ 11,319,848
Change in fair value of pledge receivable	-	(3,200,000)	-	(3,200,000)
Net contributions	2,030,597	5,063,702	1,025,549	8,119,848
Investment return (Note 2)	1,962,101	6,270,376	-	8,232,477
Other income	131,832	171,442	-	303,274
Net assets released from restrictions	7,785,488	(7,785,488)	-	-
Total support and revenue	11,910,018	3,720,032	1,025,549	16,655,599
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	1,786,487	-	-	1,786,487
Capital projects and equipment	395,282	-	-	395,282
Departmental and other program support	6,159,795	-	-	6,159,795
	8,341,564	-	-	8,341,564
Operating expenses:				
Salaries, wages, and benefits	1,399,134	-	-	1,399,134
Other operating expenses	1,074,984	-	-	1,074,984
	2,474,118	-	-	2,474,118
Total expenses	10,815,682	-	-	10,815,682
Change in net assets	1,094,336	3,720,032	1,025,549	5,839,917
Net assets, beginning of year	2,187,620	43,667,880	42,012,501	87,868,001
Net assets, end of year	\$ 3,281,956	\$ 47,387,912	\$ 43,038,050	\$ 93,707,918

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

**Michigan Tech Fund**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2007**

	2007			
	Program Services	Management & General	Fundraising	Total
Expenses:				
Scholarships and fellowships	\$ 1,794,160	\$ -	\$ -	\$ 1,794,160
Capital projects and equipment	2,637,941	-	-	2,637,941
Departmental and other program support	7,750,453	-	-	7,750,453
Salaries and wages	1,293,975	373,841	-	1,667,816
Payroll taxes	-	30,580	-	30,580
Retirement plan contributions	-	42,120	-	42,120
Other employee fringe benefits	525,596	70,781	-	596,377
Contracted services	160,941	-	-	160,941
Supplies	162,826	22,335	-	185,161
Postage and printing	-	14,620	-	14,620
Insurance	-	21,326	-	21,326
Telephone	-	3,053	-	3,053
Legal fees	-	4,658	-	4,658
Accounting fees	-	28,500	-	28,500
Travel	225,214	11,474	-	236,688
Board meetings	-	25,802	-	25,802
Entertainment	-	41,679	-	41,679
Equipment charges and maintenance	-	17,500	-	17,500
Depreciation	-	25,933	-	25,933
Property taxes	-	264	-	264
Space rental	-	116,697	-	116,697
Stewardship and special events	-	11,974	-	11,974
Training and professional development	-	13,059	-	13,059
Professional services	231,935	9,245	-	241,180
Recruiting and relocation	-	2,336	-	2,336
Custodian and trustee fees	-	50,318	-	50,318
Other	-	33,486	-	33,486
Total expenses	<u>\$ 14,783,041</u>	<u>\$ 971,581</u>	<u>\$ -</u>	<u>\$ 15,754,622</u>

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

**Michigan Tech Fund**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2006**

	2006			
	Program Services	Management & General	Fundraising	Total
Expenses:				
Scholarships and fellowships	\$ 1,786,487	\$ -	\$ -	\$ 1,786,487
Capital projects and equipment	395,282	-	-	395,282
Departmental and other program support	5,285,532	-	-	5,285,532
Salaries and wages	731,612	621,488	125,953	1,479,053
Payroll taxes	21,885	51,648	9,249	82,782
Retirement plan contributions	34,395	77,961	14,462	126,818
Other employee fringe benefits	246,889	126,519	17,320	390,728
Contracted services	75,003	2,011	-	77,014
Supplies	18,153	21,709	2,583	42,445
Postage and printing	27,836	66,188	22,608	116,632
Insurance	-	21,175	-	21,175
Telephone	792	7,684	1,985	10,461
Legal fees	3,857	20,134	3,442	27,433
Accounting fees	-	29,000	-	29,000
Travel	135,659	45,901	11,443	193,003
Board meetings	-	44,550	-	44,550
Entertainment	39,015	726	49	39,790
Equipment charges and maintenance	-	39,589	1,878	41,467
Depreciation	-	27,831	-	27,831
Property taxes	-	898	-	898
Space rental	-	116,697	-	116,697
Stewardship and special events	38,919	18,729	9,898	67,546
Training and professional development	6,986	7,495	898	15,379
Professional services	207,628	10,222	574	218,424
Recruiting and relocation	113,002	534	-	113,536
Custodian and trustee fees	-	33,970	-	33,970
Other	4,694	24,324	2,731	31,749
Total expenses	<u>\$ 9,173,626</u>	<u>\$ 1,416,983</u>	<u>\$ 225,073</u>	<u>\$ 10,815,682</u>

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



**Michigan Tech Fund**  
**Statements of Cash Flows**  
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,426,687	\$ 5,839,917
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	25,933	27,831
Net realized and unrealized gains	(8,521,349)	(4,196,418)
Contributions of real property and securities	(880,100)	(1,214,942)
Contributions restricted for long-term investment	(5,362,625)	(1,122,799)
Changes in split-interest agreements	(124,183)	330,986
Changes in assets and liabilities:		
Interest and dividends receivable	(104,184)	(75,896)
Pledges receivable, net of permanently restricted components	3,398,309	930,701
Prepaid expenses	25,368	(23,785)
Cash surrender value, life insurance	3,886	(110,112)
Contributions receivable from remainder trusts	(1,275,285)	(103,420)
Accounts payable and accrued expenses	379,845	(88,474)
Due to Michigan Technological University	250,000	-
Liabilities under split-interest agreements	605,223	1,425,456
Net cash provided by operating activities	<u>1,847,525</u>	<u>1,619,045</u>
Cash flows from investing activities:		
Purchase of equipment	(8,831)	(13,961)
Proceeds from sale of real property	159,803	27,786
Purchase of investments	(20,963,364)	(17,877,712)
Proceeds from sale of investments	16,031,217	9,172,340
Net cash used in investing activities	<u>(4,781,175)</u>	<u>(8,691,547)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	5,116,348	562,351
Investment subject to annuity agreements	246,277	560,448
Decrease in permanently restricted contributions receivable	164,342	471,715
Payments on annuity obligations	(358,070)	(305,781)
Net cash provided by financing activities	<u>5,168,897</u>	<u>1,288,733</u>
Net change in cash and cash equivalents	2,235,247	(5,783,769)
Cash and cash equivalents, beginning of year	<u>5,071,167</u>	<u>10,854,936</u>
Cash and cash equivalents, end of year	<u>\$ 7,306,414</u>	<u>\$ 5,071,167</u>

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

**1. Summary of Significant Accounting Policies:**

The Michigan Tech Fund (the “Fund”) is a Michigan not-for-profit organization established to raise, receive, and maintain funds to use or apply the whole or any part of the income there from or the principal thereof exclusively to promote the best interest, purposes, and objectives of Michigan Technological University (the “University” or “MTU”). The Fund is a discretely presented component unit of the University. The Fund is organized under the provisions of the Michigan Corporation Act (Act 327, PA of 1931) as amended. The Fund has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The fair values of the Fund’s financial instruments are as follows:

- a. Cash and Cash Equivalents:** The carrying amount approximates fair value.
- b. Investments:** A summary of the fair value of various investments is provided in Note 2.
- c. Pledges Receivable:** The carrying amount represents recorded promises to give, measured at present value of future cash flows, net of estimated uncollectible pledges (see Note 3).
- d. Split-Interest Agreements:** The carrying amount approximates present value of expected future payments to beneficiaries (see Note 7).
- e. Other:** The Fund’s other financial instruments carried in the accompanying statement of financial position are amounts that approximate fair values.

The estimated fair value amounts have been determined by the Fund using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Fund could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. For all financial instruments, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. All investment securities are carried at fair value in the financial statements.

The net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund have been grouped into the following three classes:

***Unrestricted net assets:*** Generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses, and dividends and interest from investing in income-producing assets, less the expenses incurred in providing services, raising contributions, and performing administrative functions.

***Temporarily restricted net assets:*** Generally result from contributions and other inflows of assets, which are held for specific purposes as stipulated by the donor. Temporarily restricted net assets are released from restrictions by the passage of time or by actions of the Fund, pursuant to the donors’ stipulations.

**1. Summary of Significant Accounting Policies, continued:**

***Permanently restricted net assets:*** Generally result from contributions and other inflows of assets that represent permanent endowments where use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Fund.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (e.g., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

- a. Cash and Cash Equivalents:** Cash and cash equivalents include cash deposits, time deposits, certificates of deposit, money market funds, and highly liquid debt instruments with original maturities of three months or less.
- b. Investments:** Investments in marketable securities including hedge funds are carried at quoted fair market value whenever possible. Private equity and limited partnerships which do not have readily determinable market values as of June 30 are valued based on available partner capital account balances as reported by the partnerships to the Fund. The partnership valuations necessarily involve assumptions and methods that are reviewed by the Fund. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity and limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by a custodial institution responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment consulting firm to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced quarterly, when necessary. The Fund's Investment and Finance Committee of the Board of Trustees oversees investment activity and makes recommendations to the Board of Directors concerning any changes in investments or asset allocation adjustments. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) on permanently restricted, temporarily restricted, and unrestricted assets to departmental funds based on an average of each fund's beginning and ending monthly balances.
- c. Split-Interest Agreements:** Life income trusts, pooled income funds, unitrusts, and certain other investments are maintained by a separate trust company. Trustee functions include management of the investments, distributions to donors, complying with tax filing requirements, and providing periodic statements of activity to the Fund. Refer to Note 7 for further details.
- d. Fixed Assets:** The fixed assets of the Fund consist of office equipment, computers, software, and furniture. Fixed assets are recorded at cost at the date of acquisition and are depreciated on a straight-line basis over estimated useful lives of three to seven years. At the time of disposal, fixed assets are removed from the records and any gain or loss is recognized in the statement of activities.
- e. Gifts-in-Kind:** Land, buildings, equipment, and art properties are recorded at estimated fair value at the date of the gift based upon appraised values. The responsibility for having an appraisal completed for the gifted property rests with the donor. In most cases, the Fund serves as an agent for the receipt of property and equipment and immediately transfers these gifts to the University. The Fund has a policy to list for sale any gifts-in-kind received and not subject to immediate transfer to the University.

**Michigan Tech Fund**  
Notes to Financial Statements

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**1. Summary of Significant Accounting Policies, continued:**

- f. Contributions and Pledges Receivable:** Contributions received and unconditional promises to give are recognized at their fair values as revenues in the periods received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.
- g. Asset-Based Management and Administrative Fees:** The Fund receives monthly management and administrative fees from the various departmental funds for acting as agent-intermediary for assets processed and maintained by the Fund. These fees increase unrestricted net assets and decrease temporarily restricted and permanently restricted net assets.
- h. Reclassification:** Certain reclassifications were made to amounts in the 2006 financial statements to conform to the classifications used in 2007.

**2. Investments:**

Investments, carried at fair value, at June 30, 2007 and 2006, are categorized as follows:

	2007	2006
Marketable securities		
Equities	\$ 615,283	\$ 828,428
Mutual funds - equities	46,654,716	39,921,929
Mutual funds - fixed income	28,473,729	26,033,201
Corporate bonds and notes	55,677	9,702
US government obligations	1,656,919	1,677,951
Total marketable securities	77,456,324	68,471,211
Alternative investments		
Hedge funds	7,310,031	6,113,422
Real estate and natural resources	3,724,835	3,046,698
Private equity	6,665,249	3,166,823
Total alternative investments	17,700,115	12,326,943
Closely held stock	20,000	20,000
Total investments	\$ 95,176,439	\$ 80,818,154

At June 30, 2007, the Fund's remaining capital commitment for investment in limited partnerships is \$6,866,474.

**Michigan Tech Fund**  
Notes to Financial Statements

**2. Investments, continued:**

Investment return is a net amount and is comprised of the following for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 2,348,070	\$ 2,397,155
Capital gain distributions	2,351,728	1,864,416
Net gain on sale of investments	2,415,078	1,634,940
Net unrealized gain on investments	6,106,271	2,561,478
Asset-based management and administrative fees	<u>(392,639)</u>	<u>(225,512)</u>
Total investment return	<u>\$ 12,828,508</u>	<u>\$ 8,232,477</u>

**3. Pledges Receivable:**

The following shows the balance due of unconditional promises to give to the Fund at June 30, 2007 and 2006. Pledges are unrestricted, temporarily restricted, and permanently restricted by donors for property and equipment purposes, scholarships, endowed chairs, or designated departments of the University, and have been reported at their estimated fair values. The Fund estimated the present value of future cash flows using the risk-free rate at the date of the gift. Rates range from 2.50% to 5.16%.

	<u>2007</u>	<u>2006</u>
Pledges receivable in less than one year	\$ 1,569,113	\$ 4,912,247
Pledges receivable in one to five years	3,122,147	3,389,540
Pledges receivable in more than five years	<u>547,445</u>	<u>456,644</u>
	\$ 5,238,705	\$ 8,758,431
Less:		
Allowance for uncollectible pledges	(343,490)	(250,548)
Present value discount	<u>(733,945)</u>	<u>(783,962)</u>
Net pledges receivable	<u>\$ 4,161,270</u>	<u>\$ 7,723,921</u>

**4. Cash Surrender Value of Life Insurance:**

The Fund is the owner and beneficiary of life insurance policies with a death benefit value of approximately \$3,091,000 and \$2,618,000 at June 30, 2007 and 2006, respectively. The assignments of these policies were received as gifts for various University programs, scholarships, and other designations.

**Michigan Tech Fund**  
Notes to Financial Statements

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**5. Real Property and Gifts-in-Kind:**

The Fund serves as an agent for the receipt of gifted property and in most cases immediately transfers the property to the University. Any gifted property accepted as a contribution and not subject to transfer to the University is listed for sale. It is the Fund's policy to offer such gifted property for sale based on appraised or estimated fair value at the time of the gift. Activity during the years ended June 30, 2007 and 2006, follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 153,391	\$ 179,091
Additions:		
Real property	80,000	49,000
Gifts-in-kind	2,477,524	645,332
Less:		
Sale of real property	(233,391)	(25,700)
Gifts-in-kind and real property transferred to the University	<u>(2,477,524)</u>	<u>(694,332)</u>
Balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 153,391</u></u>

**6. Fixed Assets:**

A summary of fixed assets at June 30, 2007 and 2006, follows:

	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 62,188	\$ 62,188
Office equipment	61,958	54,693
Computer equipment	45,138	121,941
Software	<u>49,000</u>	<u>49,000</u>
Total	218,284	287,822
Less accumulated depreciation and amortization	<u>(182,644)</u>	<u>(234,892)</u>
Net fixed assets	<u><u>\$ 35,640</u></u>	<u><u>\$ 52,930</u></u>

**7. Split-Interest Agreements:**

Some donors enter into trust or other arrangements under which the Fund receives benefits that are shared with other beneficiaries. These types of arrangements, known as split-interest agreements, include pooled (life) income funds, charitable remainder trusts, and charitable gift annuities. Provisions for the various donor trust agreements are as follows:

**Century II Pooled Income Fund:** All income of the pooled fund is distributed to its participants on a pro-rata basis.

**Charitable Remainder Unitrusts:** Donors receive income, generally payable quarterly, at a predetermined percentage rate of their unitrust's annual value at December 31.

**Charitable Remainder Annuity Trusts:** Donors receive a fixed percentage rate of income based on the initial value of the annuity trust, generally payable quarterly.

**Charitable Gift Annuities:** Donors receive a fixed percentage rate of income based on the initial value of the gift annuity, payable quarterly. Assets received under a gift annuity contract are held as general assets of the Fund, and the annuity liability is a general obligation of the Fund. All assets received under a gift annuity contract are pooled with other gift annuity contract funds and invested in equity and fixed income mutual funds and in cash equivalents. Those investments are held in accounts segregated from the Fund's other investments.

Irrevocable split-interest agreements in which the Fund does not control the trust assets are recognized in the Fund's financial statements when it is notified of the trust's existence. The present value of the estimated future distributions to be received by the Fund is recorded as contribution revenue and a contribution receivable from a remainder trust. Amounts reflected as receivable from these types of agreements were \$4,445,431 and \$3,170,146 at June 30, 2007 and 2006, respectively.

Irrevocable split-interest agreements in which the Fund does control the trust assets are recognized in the Fund's financial statements when the trust is executed. The fair value of the trust assets and the present value of the expected future payments to be made to other beneficiaries are recorded as assets and liabilities, respectively, and the difference is recorded as contribution revenue. Amounts included in the accompanying statement of financial position at June 30, 2007 and 2006, from these types of agreements are as follows:

	2007	2006
Assets—cash and marketable securities	\$ 8,361,891	\$ 7,364,900
Liabilities to other beneficiaries	\$ 4,269,052	\$ 4,115,869

Included with contribution revenue on the Statement of Activities for the years ended June 30, 2007 and 2006, were \$1,305,703 and \$560,448, respectively, in contributions from split-interest agreements and \$124,183 and \$(330,986) from changes in the value of split-interest agreements.

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

**Michigan Tech Fund**  
Notes to Financial Statements

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**8. Net Asset Categories:**

Unrestricted net assets at June 30, 2007 and 2006, were designated for the following:

	<u>2007</u>	<u>2006</u>
Deficiencies for all donor-restricted endowment funds for which fair value of assets is less than donor-stipulated level	\$ (393,708)	\$ (497,605)
Undesignated	<u>5,320,460</u>	<u>3,779,561</u>
	<u>\$ 4,926,752</u>	<u>\$ 3,281,956</u>

Temporarily restricted net assets at June 30, 2007 and 2006, were restricted for the following:

	<u>2007</u>	<u>2006</u>
Capital projects and equipment	\$ 831,832	\$ 3,754,826
Departmental support	15,815,582	17,073,986
Remainder interests in split-interest agreements	2,525,862	1,924,788
Net appreciation on donor-restricted endowment funds	<u>33,756,236</u>	<u>24,634,312</u>
	<u>\$ 52,929,512</u>	<u>\$ 47,387,912</u>

Permanently restricted net assets are held in perpetuity, the income from which supports scholarships and fellowships, faculty chairs, and other University programs.

**9. Net Asset Transfers:**

Net assets have been transferred between temporarily restricted and permanently restricted classifications as the result of further analysis of documents and donor clarifications on contributions received by the Fund in prior years.

**10. Operating Lease:**

The Fund leases its office space. The term of this lease commenced on October 1, 2003, and will terminate on September 30, 2008.

Minimum future rental obligation under the noncancelable operating lease for the next year is \$136,147.