Michigan Tech Fund

Financial Statements
For the years ended
June 30, 2009 and 2008

Rehmann

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Independent Auditors' Report

To the Board of Trustees of
Michigan Tech Fund
Hancock, Michigan

We have audited the accompanying statements of financial position of the ***Michigan Tech Fund*** (the "Fund," a not-for-profit organization and a discretely presented component unit of Michigan Technological University) as of June 30, 2009 and 2008, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Michigan Tech Fund*** as of June 30, 2009 and 2008, 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.

Rehmann Robson

October 13, 2009

Michigan Tech Fund
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,841,214	$ 5,177,429
Pledges receivable, net of allowance for uncollectible amounts	1,354,841	1,367,903
Interest and dividends receivable	90,004	105,935
Prepaid expenses	44,908	47,342
Total current assets	11,330,967	6,698,609
Other assets:		
Pledges receivable, net of allowance, net of current portion	1,648,052	3,084,612
Cash surrender value, life insurance	863,054	841,352
Contributions receivable from remainder trusts	3,597,274	4,321,781
Investments	71,185,941	96,361,043
Fixed assets, net	22,818	23,057
Total other assets	77,317,139	104,631,845
Total assets	$ 88,648,106	$ 111,330,454
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 747,059	$ 536,036
Deferred revenue	400,000	-
Annuity obligations	348,950	329,348
Total current liabilities	1,496,009	865,384
Other liabilities:		
Annuity obligations, long-term portion	3,368,335	3,390,230
Pooled income obligations	487,262	550,266
Total other liabilities	3,855,597	3,940,496
Total liabilities	5,351,606	4,805,880
Contingency and commitments (Notes 1, 2, and 12)		
Net assets:		
Unrestricted (deficit)	(1,279,005)	3,682,308
Temporarily restricted	31,665,114	51,178,454
Permanently restricted	52,910,391	51,663,812
Total net assets	83,296,500	106,524,574
Total liabilities and net assets	$ 88,648,106	$ 111,330,454

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

Michigan Tech Fund

Statement of Activities

For the year ended June 30, 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	$ 1,545,263	$ 4,509,749	$ 1,247,079	$ 7,302,091
Investment loss	(1,778,647)	(13,932,655)	-	(15,711,302)
Other income	50,423	188,314	-	238,737
Net assets released from restrictions	10,283,748	(10,283,748)	-	-
Total support and revenue	10,100,787	(19,518,340)	1,247,079	(8,170,474)
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	2,158,205	-	-	2,158,205
Departmental and other program support	11,930,800	-	-	11,930,800
	14,089,005	-	-	14,089,005
Management and general expenses:				
Salaries, wages, and benefits	538,590	-	-	538,590
Other operating expenses	430,005	-	-	430,005
	968,595	-	-	968,595
Total expenses	15,057,600	-	-	15,057,600
Change in net assets	(4,956,813)	(19,518,340)	1,247,079	(23,228,074)
Net assets, beginning of year	3,682,308	51,178,454	51,663,812	106,524,574
Net asset transfers	(4,500)	5,000	(500)	-
Net assets, end of year	$ (1,279,005)	$ 31,665,114	$ 52,910,391	$ 83,296,500

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

Michigan Tech Fund

Statement of Activities

For the year ended June 30, 2008

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	$ 1,087,306	$ 7,893,822	$ 2,318,854	$ 11,299,982
Investment return (loss)	1,799,190	(1,184,132)	-	615,058
Other income	51,749	171,807	-	223,556
Net assets released from restrictions	8,630,916	(8,630,916)	-	-
Total support and revenue	11,569,161	(1,749,419)	2,318,854	12,138,596
Expenses:				
Program services on behalf of Michigan Technological University:				
Scholarships and fellowships	1,868,149	-	-	1,868,149
Capital projects and equipment	222,031	-	-	222,031
Departmental and other program support	9,631,537	-	-	9,631,537
	11,721,717	-	-	11,721,717
Management and general expenses:				
Salaries, wages, and benefits	533,167	-	-	533,167
Other operating expenses	493,743	-	-	493,743
	1,026,910	-	-	1,026,910
Total expenses	12,748,627	-	-	12,748,627
Change in net assets	(1,179,466)	(1,749,419)	2,318,854	(610,031)
Net assets, beginning of year	4,926,752	52,929,512	49,278,341	107,134,605
Net asset transfers	(64,978)	(1,639)	66,617	-
Net assets, end of year	$ 3,682,308	$ 51,178,454	$ 51,663,812	$ 106,524,574

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

Michigan Tech Fund
Statement of Functional Expenses
For the year ended June 30, 2009

	2009		
	Program Services	Management & General	Total
Expenses:			
Scholarships and fellowships	$ 2,158,205	$ -	$ 2,158,205
Departmental and other program support	11,930,800	-	11,930,800
Salaries and wages	-	388,110	388,110
Payroll taxes	-	30,953	30,953
Retirement plan contributions	-	48,483	48,483
Other employee fringe benefits	-	71,044	71,044
Supplies	-	25,517	25,517
Postage and printing	-	11,993	11,993
Insurance	-	18,449	18,449
Telephone	-	1,850	1,850
Legal fees	-	25,231	25,231
Accounting fees	-	19,500	19,500
Travel	-	9,682	9,682
Board meetings	-	23,358	23,358
Entertainment	-	19,787	19,787
Equipment charges and maintenance	-	16,918	16,918
Depreciation	-	10,970	10,970
Space rental	-	151,896	151,896
Stewardship and special events	-	6,894	6,894
Professional services	-	12,615	12,615
Custodian and trustee fees	-	34,268	34,268
Other	-	41,077	41,077
Total expenses	$ 14,089,005	$ 968,595	$ 15,057,600

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

Michigan Tech Fund
Statement of Functional Expenses
For the year ended June 30, 2008

	2008		
	Program Services	Management & General	Total
Expenses:			
Scholarships and fellowships	$ 1,868,149	$ -	$ 1,868,149
Capital projects and equipment	222,031	-	222,031
Departmental and other program support	9,631,537	-	9,631,537
Salaries and wages	-	385,247	385,247
Payroll taxes	-	28,749	28,749
Retirement plan contributions	-	44,365	44,365
Other employee fringe benefits	-	74,806	74,806
Supplies	-	22,551	22,551
Postage and printing	-	14,959	14,959
Insurance	-	17,937	17,937
Telephone	-	2,040	2,040
Legal fees	-	549	549
Accounting fees	-	18,250	18,250
Travel	-	17,918	17,918
Board meetings	-	60,297	60,297
Entertainment	-	24,772	24,772
Equipment charges and maintenance	-	27,033	27,033
Depreciation	-	21,365	21,365
Space rental	-	135,740	135,740
Stewardship and special events	-	5,336	5,336
Professional services	-	26,087	26,087
Custodian and trustee fees	-	50,026	50,026
Other	-	48,883	48,883
Total expenses	$ 11,721,717	$ 1,026,910	$ 12,748,627

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

Michigan Tech Fund
Statements of Cash Flows
For the years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ (23,228,074)	$ (610,031)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	10,970	21,365
Provision for uncollectible pledges	128,513	65,747
Net realized and unrealized losses	17,666,386	4,895,911
Contributions of marketable securities	(87,588)	(1,295,673)
Contributions restricted for long-term investment	(1,922,302)	(2,602,207)
Changes in present value of split-interest agreements	266,711	349,763
Net change in contributions receivable from remainder trusts	724,507	123,650
Increase in cash surrender value, life insurance	(21,702)	(48,794)
Changes in assets and liabilities:		
Interest and dividends receivable	15,931	130,700
Pledges receivable, net of permanently restricted components	1,408,819	(516,303)
Prepaid expenses	2,434	(7,450)
Accounts payable and accrued expenses	211,023	(4,586)
Due to Michigan Technological University	-	(250,000)
Deferred revenue	400,000	-
Net cash (used in) provided by operating activities	(4,424,372)	252,092
Cash flows from investing activities:		
Purchase of equipment	(10,731)	(8,782)
Purchase of investments	(6,038,466)	(32,899,613)
Proceeds from sale of investments	13,634,760	28,114,827
Net cash provided by (used in) investing activities	7,585,563	(4,793,568)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowments	1,888,988	2,296,469
Investment subject to annuity agreements	33,314	305,738
Change in permanently restricted contributions receivable	(87,711)	159,311
Payments on annuity obligations	(331,997)	(349,027)
Net cash provided by financing activities	1,502,594	2,412,491
Net change in cash and cash equivalents	4,663,785	(2,128,985)
Cash and cash equivalents, beginning of year	5,177,429	7,306,414
Cash and cash equivalents, end of year	$ 9,841,214	$ 5,177,429

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, which require 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.

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2009, the most recent balance sheet presented herein, through October 13, 2009, the issuance date of these financial statements. No significant such events or transactions were identified.

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, unrealized and realized gains and losses, and dividends and interest from investing in income-producing assets, 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.

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. Bank account balances periodically exceed the federal insurance limits for deposits. Management evaluates the financial institutions in which the Fund maintains deposits and assesses the level of risk associated with those institutions.

1. Summary of Significant Accounting Policies, continued:

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 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 Directors 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 net assets to departmental funds based on an average of each fund's beginning and ending monthly balances. Any unrealized losses on amounts invested for donor-restricted endowments are recorded as temporarily restricted to the extent of unexpended earnings of the respective endowment fund. Any unrealized losses in excess of that amount are charged to unrestricted net assets. Subsequent unrealized appreciation on the related investments is recorded as unrestricted up to the amount of losses previously absorbed by unrestricted net assets.

c. Split-Interest Agreements: Life income trusts, pooled income funds, remainder trusts, 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 8 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, which range from 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, and equipment are recorded at estimated fair value at the date of the gift based upon appraised values. 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.

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 in future years are recorded at the present value of their estimated future cash flows. All unconditional promises to give are recorded at their net realizable values.

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 net assets.

1. Summary of Significant Accounting Policies, continued:

h. Deferred Revenue: During fiscal year ended June 30, 2009, the Fund received a contribution in the amount of $400,000 for which the related agreement includes a donor-stipulated contingency; revenue will not be recognized until this donor-specified requirement has been fulfilled. Since the requirement has not been met as of June 30, 2009, the contribution has been recorded as deferred revenue on the accompanying 2009 statement of financial position. If the requirements of the agreement are not met by September 20, 2011, the donor retains the right to designate an alternative organization to receive the amount of revenue, which has been recorded as deferred.

i. New Accounting Pronouncements: Effective July 1, 2008, the Fund adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. The Fund elected to delay the application of SFAS 157 to nonfinancial assets and nonfinancial liabilities, as allowed by Financial Accounting Standards Board (FASB) Staff Position (FSP) SFAS 157-2. FSP SFAS 157-3 clarifies the application of SFAS 157 in a market that is not active, and FSP SFAS 157-4 provides additional guidance for estimating fair value when the volume or level of activity for the asset or liability have significantly decreased, as well as guidance on identifying circumstances that indicate a transaction is not orderly. SFAS 157, as amended, applies whenever other financial reporting standards require (or permit) assets or liabilities to be measured at fair value and, therefore does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. SFAS 157, as amended, clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is the Fund's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. The initial adoption of SFAS 157 did not have any impact on the Fund's financial position or results of operations. For a further discussion of SFAS 157, refer to Note 3.

In August 2008, FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Donor-Restricted Endowment Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure*, was issued. FAS 117-1 changed the disclosure requirements associated with the Fund's endowment funds. The Fund adopted the disclosure requirements of FAS 117-1 in fiscal 2009 (refer to Note 11). The provisions of FAS 117-1 related to net asset classification for donor-restricted endowment funds will apply to the Fund in fiscal 2010, the year in which the State of Michigan adopted the model act (became law effective September 10, 2009). Net asset reclassifications, if any, from the initial application of FAS 117-1 are to be accounted for as a cumulative change adjustment in the year in which the law is effective. Management has not yet determined the impact that the implementation of the net asset provisions of FAS 117-1 will have on the Fund's fiscal 2010 financial statements.

Management has elected to defer the application of Interpretation No. 48 of the FASB *Accounting for Uncertain Tax Positions* (FIN 48) in accordance with FASB FSP FIN 48-3. FSP FIN 48-3 defers the effective date of FIN 48 for non-profits until fiscal years beginning after December 15, 2008. Management does not expect that the implementation of FIN 48 will have a significant impact on the Fund's financial statements.

2. Investments:

Investments, carried at fair value, at June 30, 2009 and 2008, are categorized as follows:

	2009	2008
Marketable securities		
Equities	$ 339,763	$ 441,881
Mutual funds - equities	36,445,505	48,199,792
Mutual funds - fixed income	20,341,837	26,384,048
Corporate bonds and notes	33,172	70,173
US government obligations	1,024,841	1,085,886
Total marketable securities	58,185,118	76,181,780
Alternative investments		
Hedge funds	3,336,553	7,230,321
Real estate and natural resources	2,974,040	4,906,776
Private equity	6,670,230	8,022,166
Total alternative investments	12,980,823	20,159,263
Closely held stock	20,000	20,000
Total investments	$ 71,185,941	$ 96,361,043

At June 30, 2009, the Fund's remaining future capital commitments for investment in limited partnerships (alternative investments) is approximately $3,101,000.

Investment (loss) return is a net amount and is comprised of the following for the years ended June 30, 2009 and 2008:

	2009	2008
Interest and dividends	$ 1,889,253	$ 2,495,434
Capital gain distributions	302,901	3,263,818
Net gain on sale of investments	1,530,547	4,680,326
Net unrealized loss on investments	(19,196,933)	(9,576,237)
Asset-based management and administrative fees	(237,070)	(248,283)
Total investment (loss) return	$ (15,711,302)	$ 615,058

3. Fair Value:

The Fund utilizes fair value measurements to record fair value adjustments to investments, and contributions receivable from remainder trusts, and to determine fair value disclosures; these assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under SFAS 157, the Fund groups its assets at fair value into three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Fund investments is based upon quoted prices, if available. Level 1 investments include fixed income and equity securities (primarily mutual funds). Level 2 investments include debt securities (principally fixed income mutual funds). Level 3 investments include limited partnership interests in hedge funds, private equity, and real estate.

Fair value measurement for contributions receivable from remainder trusts is based upon the fair value of the underlying investments in the trusts, an estimated rate of return, anticipated future payments to be made to beneficiaries, living beneficiaries' life expectancies, and an assumed discount rate as discussed further in Note 8. As of June 30, 2009, contributions receivable from remainder trusts with fair values of $3,597,274 are classified as Level 3.

The following table sets for by level, within the fair value hierarchy, the Fund's investments at fair value as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Marketable securities				
Equities	$ 339,763	$ -	$ -	$ 339,763
Mututal funds - equities	36,445,505	-	-	36,445,505
Mutual funds - fixed income	16,999,613	3,342,224	-	20,341,837
Corporate bonds and notes	-	33,172	-	33,172
US government obligations	1,024,841	-	-	1,024,841
Alternative investments	-	107,052	12,873,771	12,980,823
Closely held stock	-	-	20,000	20,000
Total investments at fair value	$ 54,809,722	$ 3,482,448	$ 12,893,771	$ 71,185,941

3. Fair Value, continued:

The following table sets forth a summary of changes in the fair value of the Fund's Level 3 assets for the year ended June 30, 2009:

	Investments	Contributions Receivable from Remainder Trusts	Total Level 3 Assets
Balance, beginning of year	$ 19,932,571	$ 4,321,781	$ 24,254,352
Capital contributions	1,009,816	-	1,009,816
Distributions	(3,859,051)	-	(3,859,051)
Investment income	132,841	-	132,841
Operating loss	(746,483)	-	(746,483)
Realized losses	(218,274)	-	(218,274)
Unrealized losses	(3,357,649)	-	(3,357,649)
Change in value	-	(724,507)	(724,507)
Balance, end of year	$ 12,893,771	$ 3,597,274	$ 16,491,045

4. Pledges Receivable:

The following shows the balance due of unconditional promises to give to the Fund at June 30, 2009 and 2008. 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%.

	2009	2008
Pledges receivable in less than one year	$ 1,563,173	$ 1,642,840
Pledges receivable in one to five years	1,694,421	3,129,685
Pledges receivable in more than five years	599,864	788,089
	3,857,458	5,560,614
Less:		
Allowance for uncollectible pledges	(208,332)	(274,937)
Present value discount	(646,233)	(833,162)
Net pledges receivable	$ 3,002,893	$ 4,452,515

5. Cash Surrender Value of Life Insurance:

The Fund is the owner and beneficiary of life insurance policies with death benefit values of approximately $2,522,000 and $2,622,000 at June 30, 2009 and 2008, respectively. The assignments of these policies were received as gifts for various University programs, scholarships, and other designations.

6. 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. During the years ended June 30, 2009 and 2008, the Fund received gift property in the amount of $1,019,955 and $749,628, respectively, which was immediately transferred to the University.

7. Fixed Assets:

A summary of fixed assets at June 30, 2009 and 2008, follows:

	2009	2008
Leasehold improvements	$ 62,188	$ 62,188
Office equipment	64,315	66,527
Computer equipment	49,351	49,351
Software	49,000	49,000
Total	224,854	227,066
Accumulated depreciation and amortization	(202,036)	(204,009)
Net fixed assets	$ 22,818	$ 23,057

8. 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.

8. Split-Interest Agreements, continued:

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 notification is received 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 remainder trust. Amounts reflected as receivable from these types of agreements were $3,597,274 and $4,321,781 at June 30, 2009 and 2008, 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 statements of financial position at June 30, 2009 and 2008, from these types of agreements are as follows:

	2009	2008
Assets–cash and marketable securities	$ 6,748,551	$ 8,058,775
Obligations to other beneficiaries	$ 4,204,547	$ 4,269,844

Included with contribution revenue on the statement of activities for the years ended June 30, 2009 and 2008, are contributions from split-interest agreements and changes in the value of split-interest agreements, as follows:

	2009	2008
Contributions	$ 33,314	$ 472,699
Change in value	$ (872,522)	$ (184,770)

The calculations of present value follow the guidelines as set forth in Section 642(c) of the Internal Revenue Code. Discount rates used to calculate present value are the Applicable Federal Rates (AFRs) and range from 3.2% to 8.2%.

9. Net Asset Categories:

Unrestricted (deficit) net assets at June 30, 2009 and 2008, consist of the following:

	2009	2008
Deficiencies for all donor-restricted endowment funds for which fair value of assets is less than donor-stipulated level	$ (2,629,003)	$ (725,286)
Undesignated	1,349,998	4,407,594
	$ (1,279,005)	$ 3,682,308

Temporarily restricted net assets at June 30, 2009 and 2008, were restricted for the following:

	2009	2008
University programs	$ 13,741,451	$ 17,090,546
Remainder interests in split-interest agreements	2,143,168	2,859,476
Net appreciation on donor-restricted endowment funds	15,780,495	31,228,432
	$ 31,665,114	$ 51,178,454

Permanently restricted net assets at June 30, 2009 and 2008, were restricted for the following:

	2009	2008
Remainder interests in split-interest agreements	$ 2,148,589	$ 2,790,498
Corpus of donor-restricted endowment funds	50,761,802	48,873,314
	$ 52,910,391	$ 51,663,812

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

10. 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.

11. Endowment:

The Fund’s endowment consists of approximately 522 individual, donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

11. Endowment, continued:

Interpretation of Relevant Law

The Fund has interpreted the Michigan Uniform Management of Institution Funds Act (UMIFA) (Act 157 of 1976) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purpose of the fund and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Fund
7. The investment policies of the Fund

11. Endowment, continued:

Following is a summary of the Fund's endowment and changes therein.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net assets for the year ended June 30, 2009				
Invesment return:				
Investment income	$ -	$ 1,310,648	$ -	$ 1,310,648
Net depreciation (realized and unrealized)	(1,903,717)	(14,387,779)	-	(16,291,496)
Net investment loss	(1,903,717)	(13,077,131)	-	(14,980,848)
Contribution receipts	-	-	1,888,488	1,888,488
Appropriation of endowment assets for expenditure	-	(2,370,806)	-	(2,370,806)
Changes to endowment net assets	(1,903,717)	(15,447,937)	1,888,488	(15,463,166)
Endowment net assets:				
Beginning of year	(725,286)	31,228,432	48,873,314	79,376,460
End of year	$ (2,629,003)	$ 15,780,495	$ 50,761,802	$ 63,913,294

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net assets for the year ended June 30, 2008				
Invesment return:				
Investment income	$ -	$ 1,433,073	$ -	$ 1,433,073
Net depreciation (realized and unrealized)	(331,578)	(2,327,313)	-	(2,658,891)
Net investment loss	(331,578)	(894,240)	-	(1,225,818)
Contribution receipts	-	59,130	2,852,925	2,912,055
Appropriation of endowment assets for expenditure	-	(1,692,694)	-	(1,692,694)
Changes to endowment net assets	(331,578)	(2,527,804)	2,852,925	(6,457)
Endowment net assets:				
Beginning of year	(393,708)	33,756,236	46,020,389	79,382,917
End of year	$ (725,286)	$ 31,228,432	$ 48,873,314	$ 79,376,460

11. Endowment, continued:

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that were reported in unrestricted net assets as of June 30, 2009 and 2008, amounted to $2,629,003 and $725,286, respectively. These deficiencies resulted from significantly unfavorable market fluctuations during fiscal years 2009 and 2008. Management believes that these deficiencies are temporary in anticipation of a future recovery in the market.

Return Objectives and Risk Parameters

The Fund has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Fund expects its endowment funds, over time, to provide an average rate of return of 8.5% annually. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Fund has an annual spending policy of 4.0% of its endowment funds' average fair values over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Fund considered the long-term expected return of its endowment. This is consistent with the Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

12. Operating Lease:

The Fund leases its office space under an operating lease, which commenced on October 1, 2003, and will terminate on September 30, 2018.

Minimum future rental payments under the noncancelable operating lease for each of the next five years and thereafter are:

Year Ending June 30	Amount
2010	$ 151,896
2011	151,896
2012	151,896
2013	151,896
2014	151,896
Thereafter	645,558
Total minimum future rental payments	$ 1,405,038