



THE UNIVERSITY AT ALBANY FOUNDATION

Financial Statements and Supplementary Information

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

THE UNIVERSITY AT ALBANY FOUNDATION

Financial Statements and Supplementary Information

June 30, 2007 and 2006

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KPMG LLP
515 Broadway
Albany, NY 12207

Independent Auditors' Report on Financial Statements and Supplementary Information

The Board of Directors
The University at Albany Foundation:

We have audited the accompanying balance sheets of The University at Albany Foundation (the Foundation) as of June 30, 2007 and 2006, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 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 The University at Albany Foundation as of June 30, 2007 and 2006, and the changes in its net assets, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of supplementary information on pages 17 through 20 for the years ended June 30, 2007 and 2006, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

KPMG LLP

September 20, 2007

THE UNIVERSITY AT ALBANY FOUNDATION

Balance Sheets

June 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 5,356,544	2,448,780
Rental receivable	43,930	376,633
Pledges receivable, current (note 2)	591,703	412,814
Other receivables and prepaid expenses	557,229	367,984
Assets limited as to use (notes 6 and 7)	1,550,589	—
Total current assets	<u>8,099,995</u>	<u>3,606,211</u>
Investments (note 3)	29,171,030	24,795,479
Assets limited as to use (notes 6 and 7):		
Cash and cash equivalents	10,205,588	12,737,898
Cash reserve account	775,764	744,241
	<u>10,981,352</u>	<u>13,482,139</u>
Pledges receivable, long-term (note 2)	888,980	501,917
Property and equipment, less accumulated depreciation and amortization (note 4)	60,585,646	57,684,259
Artwork and literary collections	1,733,658	1,381,888
	<u><u>\$ 111,460,661</u></u>	<u><u>101,451,893</u></u>

See accompanying notes to financial statements.

Liabilities and Net Assets	2007	2006
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,651,199	567,936
Literary collection payable, current (note 5)	50,000	50,000
Current portion of long-term debt (note 6)	3,468,288	1,002,387
Construction and retainage payable	1,550,589	65,999
Total current liabilities	<u>6,720,076</u>	<u>1,686,322</u>
Other liabilities (notes 3, 5, 6 and 11):		
Discount for future interest	125,911	123,796
Literary collection payable, long-term	150,000	200,000
Asset retirement obligation	1,045,000	1,000,000
	<u>1,320,911</u>	<u>1,323,796</u>
Long-term debt, less current portion (note 6)	12,656,872	15,035,118
Commitments and contingencies (notes 4 and 10)		
Net assets:		
Unrestricted:		
Designated	1,393,987	1,228,891
Undesignated	46,130,893	44,262,876
	<u>47,524,880</u>	<u>45,491,767</u>
Temporarily restricted (note 7)	18,834,791	19,671,155
Permanently restricted (note 7)	24,403,131	18,243,735
Total net assets	<u>90,762,802</u>	<u>83,406,657</u>
	<u>\$ 111,460,661</u>	<u>101,451,893</u>

THE UNIVERSITY AT ALBANY FOUNDATION

Statements of Activities

Years ended June 30, 2007 and 2006

	2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:				
Contributions, gifts, and grants	\$ 2,965,408	443,343	3,768,622	7,177,373
Rental income	6,098,488	—	—	6,098,488
Contributed services and support	2,215,583	—	—	2,215,583
Program activities and other revenue	206,461	1,215	—	207,676
Administrative fee income	158,500	—	—	158,500
Net investment income (note 3)	1,183,213	1,357,720	2,390,774	4,931,707
Net assets released from restrictions:				
Satisfaction of time and program designation restrictions	771,044	(771,044)	—	—
Satisfaction of property and equipment acquisition restrictions	1,867,598	(1,867,598)	—	—
Total support and revenue	<u>15,466,295</u>	<u>(836,364)</u>	<u>6,159,396</u>	<u>20,789,327</u>
Expenses and equity transfers:				
Program services	2,431,963	—	—	2,431,963
Real estate	9,227,179	—	—	9,227,179
Fund-raising activities	632,294	—	—	632,294
General and administrative	541,550	—	—	541,550
Equipment transferred to The University at Albany (note 10)	600,196	—	—	600,196
Total expenses and equity transfers	<u>13,433,182</u>	<u>—</u>	<u>—</u>	<u>13,433,182</u>
Change in net assets, before accounting change	2,033,113	(836,364)	6,159,396	7,356,145
Cumulative effect of a change in accounting principle	—	—	—	—
	2,033,113	(836,364)	6,159,396	7,356,145
Net assets, beginning of year	<u>45,491,767</u>	<u>19,671,155</u>	<u>18,243,735</u>	<u>83,406,657</u>
Net assets, end of year	\$ <u><u>47,524,880</u></u>	<u><u>18,834,791</u></u>	<u><u>24,403,131</u></u>	<u><u>90,762,802</u></u>

See accompanying notes to financial statements.

2006

Unrestricted	Temporarily restricted	Permanently restricted	Total
2,545,034	24,594,211	2,392,736	29,531,981
6,012,290	—	—	6,012,290
2,625,035	—	—	2,625,035
98,083	334	—	98,417
333,276	—	—	333,276
578,285	746,445	136,011	1,460,741
1,216,008	(1,216,008)	—	—
11,494,588	(11,494,588)	—	—
24,902,599	12,630,394	2,528,747	40,061,740
1,767,091	—	—	1,767,091
9,794,247	—	—	9,794,247
682,929	—	—	682,929
839,517	—	—	839,517
2,357,144	—	—	2,357,144
15,440,928	—	—	15,440,928
9,461,671	12,630,394	2,528,747	24,620,812
(1,000,000)	—	—	(1,000,000)
8,461,671	12,630,394	2,528,747	23,620,812
37,030,096	7,040,761	15,714,988	59,785,845
45,491,767	19,671,155	18,243,735	83,406,657

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Statements of Cash Flows

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,356,145	23,620,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,530,638	2,446,487
Equipment transferred to The University at Albany	600,196	2,357,144
Net unrealized (appreciation) depreciation on investments	(2,435,659)	256,028
Restricted gifts	(1,070,721)	(26,987,281)
Change in accounting principle	—	1,000,000
Accretion of asset retirement obligation	45,000	—
Donated assets	(357,816)	(127,030)
Decrease (increase) in assets:		
Rental receivable	332,703	(332,774)
Other receivables and prepaid expenses	(189,245)	20,419
Increase in liabilities:		
Accounts payable and accrued expenses	1,083,263	35,714
Literary collection payable	(50,000)	(50,000)
Net cash provided by operating activities	<u>7,844,504</u>	<u>2,239,519</u>
Cash flows from investing activities:		
Net purchase of investments	(1,939,892)	(3,939,708)
Purchase of property and equipment, net of construction and retainage payable	(2,668,949)	(8,795,690)
Decrease (increase) in assets limited as to use	950,198	(9,424,517)
Purchase of artwork	(23,429)	(111,000)
Net cash used by investing activities	<u>(3,682,072)</u>	<u>(22,270,915)</u>
Cash flows from financing activities:		
Cash received from restricted gifts and income	506,884	26,719,532
Proceeds from construction line-of-credit	—	2,917,506
Repayment of long-term debt	(1,161,356)	(874,133)
Repayment of construction line-of-credit	—	(6,051,245)
Equipment transferred to The University at Albany	(600,196)	(2,357,144)
Net cash (used) provided by financing activities	<u>(1,254,668)</u>	<u>20,354,516</u>
Net increase in cash and cash equivalents	2,907,764	323,120
Cash and cash equivalents, beginning of year	<u>2,448,780</u>	<u>2,125,660</u>
Cash and cash equivalents, end of year	\$ <u><u>5,356,544</u></u>	<u><u>2,448,780</u></u>
Supplemental information:		
Cash paid for interest	\$ 663,210	841,239
Loan payable to New York Power Authority	1,249,011	—

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2007 and 2006

(1) Organization and Summary of Significant Accounting Policies

The University at Albany Foundation (Foundation) is responsible for the fiscal administration of support and revenue received for the promotion, development, and advancement of the welfare of The University at Albany, State University of New York (the University), its students, faculty, staff, and alumni. The Foundation receives the majority of its support and revenue through contributions, gifts, grants, and rental income. The Foundation is one of two members of Fuller Road Management Corporation, a real estate management membership corporation. The Foundation is exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code.

(a) *Basis of Presentation*

The financial statements of the Foundation are presented consistent with the *AICPA Audit and Accounting Guide for Not-for-Profit Organizations* (Audit Guide) and represent only the activities of the Foundation. In accordance with the provisions of the Audit Guide, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor-imposed stipulations and are available for operations. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets are amounts restricted by donors to be maintained in perpetuity. During 2007 and 2006, the Board designated a portion of the Foundation's unrestricted net assets to be used to support University library endowments, honors college and inaugural scholarships.

(b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and in the disclosure of contingencies at the date of the financial statements and the reporting of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) *Donor Restricted Gifts*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support based on donor stipulations that limit the use of the gifts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization

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Notes to Financial Statements

June 30, 2007 and 2006

of the discount is included within contributions revenue. See note 2 for additional information on pledges receivable.

(d) *Donated Services and Facilities*

The Foundation has received various contributed services and occupies, without charge, certain premises located at the University. The value of these contributed services and facilities is not reflected in these financial statements, since it is not susceptible to objective measurement or valuation and is not significant to the operations of the Foundation.

The Research Foundation of State University of New York (The Research Foundation), a tenant at the East Campus, provides the Foundation with a contribution toward utilities. Such amounts have been included as contributed services and support in the statements of activities.

(e) *Assets Limited as to Use*

Assets limited as to use represent amounts restricted for improvements at the East Campus, equipment for the Cancer Research Center, and required deposits related to debt agreements (see note 6). The cash reserve account represents a money market savings account at June 30, 2007 and 2006.

(f) *Property and Equipment*

Property and equipment are recorded at cost or, if received as a gift, at fair market value established at the date of the gift. The carrying amount of assets and related accumulated depreciation and amortization are removed from accounts when such assets are disposed and the resulting gain or loss is included in operations. Depreciation and amortization of these assets is computed using the straight-line method over the estimated useful lives of the assets or the lease term, which range from 3 to 40 years.

Gifts of capital assets such as equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service.

(g) *Artwork and Literary Collections*

Artwork and literary collection items are recorded at cost. Donated collection items are recorded at appraised or fair values on the date accepted by the Foundation (the accession date). Gains or losses on the deaccession of collection items are classified in the statements of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

(h) *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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Notes to Financial Statements

June 30, 2007 and 2006

(i) ***Investments and Investment Income***

Investments generally consist of equity, bond and hedge funds. Investments in equity and bond funds are measured at fair value based on quoted market prices in the accompanying balance sheets. Investments in hedge funds are valued by management using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations consider variables such as financial performance of issuer, comparison of comparable companies earnings multiples, cash flow analysis and other pertinent information. Because of the inherent uncertainty of the valuation for these alternative investments, the estimated values may differ from the values that would have been used had a ready market existed.

Investment income and realized gains or losses from unrestricted net assets are recorded as unrestricted revenue. Investment income from restricted net assets is recorded as unrestricted revenue when unrestricted by donor and as an addition to the appropriate net asset category when restricted by donor. Realized gains and losses from the sale of investments are recorded as unrestricted revenue unless the gains and losses have been restricted by the donor. If the gains and losses have been restricted by the donor, the gains and losses are recorded as additions to or deductions from restricted net assets. Unrealized gains and losses are included as changes in net assets consistent with the purpose of the investment and donor-imposed restriction.

(2) **Pledges Receivable**

Pledges receivable represent gifts to support various Foundation and University programs which are expected to be collected at various times through 2012. The amounts are recorded at their estimated net present value assuming a discount rate in effect at the time the pledge was received, ranging from 5% to 6% at June 30, 2007. The pledges to be collected at June 30, 2007 are as follows:

Less than one year	\$	591,703
One to five years		<u>1,068,459</u>
		1,660,162
Less unamortized discount		<u>179,479</u>
	\$	<u><u>1,480,683</u></u>

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Notes to Financial Statements

June 30, 2007 and 2006

(3) Investments

Investments, stated at fair value, consist of the following at June 30:

	2007	2006
Equity funds	\$ 17,379,076	15,230,371
Bond funds	6,889,697	5,209,269
Hedge funds	2,930,012	2,576,816
Contributions receivable from beneficial interest trusts	1,778,172	1,474,591
Other investments	194,073	304,432
	\$ 29,171,030	24,795,479

Net investment income consists of the following:

	2007	2006
Interest and dividends	\$ 1,248,722	753,405
Net realized gains on sales	1,380,949	1,039,927
Net unrealized appreciation (depreciation)	2,435,659	(256,028)
Investment management fees	(133,623)	(76,563)
	\$ 4,931,707	1,460,741

The Foundation has established a pooled income fund trust and charitable gift annuity trust for the management and investment of property transferred to the Foundation by donors who retain a life interest. The trusts are held by investment trust companies which manage and invest the assets, and distribute amounts specified by the donors to the designated beneficiaries. Upon the death of the donor, or its designee, or expiration of a specified time period, the remaining funds will be paid to the Foundation. The assets held in trusts are recorded at fair value less the estimated present value of the future income beneficiary payments. On an annual basis, the Foundation revalues the payment liabilities based on actuarial assumptions using current discount rates and applicable mortality tables.

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Notes to Financial Statements

June 30, 2007 and 2006

(4) Property and Equipment

A summary of property and equipment at June 30 follows:

	2007	2006
Land	\$ 2,312,779	2,312,779
Buildings and leasehold improvements	63,784,313	60,862,245
Furniture and equipment	1,835,323	1,741,798
Construction-in-progress	2,416,431	—
	70,348,846	64,916,822
Less accumulated depreciation and amortization	9,763,200	7,232,563
	\$ 60,585,646	57,684,259

Construction-In-Progress: In 2007, the Foundation began construction on a Biotechnology Facility located at the East Campus. The total cost of the building is expected to be approximately \$4.4 million. The building, which is expected to be completed in 2008, is being financed with grant proceeds.

East Campus: Included in buildings and leasehold improvements are the buildings known as the Sterling Winthrop Research Laboratories Facility (the East Campus). In 1997, the Foundation transferred all rights and title to the Sterling site to the Rensselaer County Industrial Development Agency (RCIDA) for the sum of \$1.00. The Foundation became the lessee of the East Campus under a lease which expires December 31, 2017 or earlier at the option of the Foundation or the lessor, the RCIDA. The Foundation pays no rent under the terms of the lease, but is obligated to reimburse the RCIDA for administrative costs, if any. Upon termination, or if elected at an earlier date, the Foundation has the sole option to purchase the East Campus from RCIDA at a purchase price of \$1.00. The Foundation is utilizing the property to house University educational programs and to sublease to organizations which compliment the University's education and research programs. Also included in buildings and leasehold improvements are improvements to space occupied by a certain tenant under an agreement whereby the Foundation will reimburse the tenant for such costs incurred over a period of five years. The debt associated with this agreement is reflected as a note payable at June 30, 2007 and 2006 (see note 6). A summary of the East Campus, including improvements thereon, at June 30 follows:

	2007	2006
Land	\$ 1,852,915	1,852,915
Buildings and leasehold improvements	14,014,200	11,133,101
	15,867,115	12,986,016
Less accumulated depreciation and amortization	3,475,600	3,015,707
Land and net leased buildings	\$ 12,391,515	9,970,309

Depreciation expense on the buildings under capital lease was \$459,893 and \$456,606 for 2007 and 2006, respectively.

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Notes to Financial Statements

June 30, 2007 and 2006

Cancer Research Center: In 2003, the Foundation began a project to construct a Cancer Research Center (also referred to as the Gen*NY*Sis Center for Excellence in Cancer Genomics) on the East Campus. The Cancer Research Center, which was completed in 2006, cost approximately \$45.0 million, and provides tenants with facilities for offices, wet and dry laboratories, a small conference area, and other items necessary to support research and development activities related to biotechnology, pharmaceuticals and cellular research. The project was financed through the combination of grants from the State of New York, Town of East Greenbush and other agencies, and tax-exempt financing through the local industrial development agency.

(5) Literary Collection Payable

In 2003, the Foundation entered into an agreement to purchase a literary collection for the amount of \$500,000. Of this amount, \$100,000 was paid on the date of the agreement and the remaining balance is to be paid in \$50,000 annual installments thereafter. At June 30, 2007 and 2006, the amount outstanding is \$200,000 and \$250,000 respectively.

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Notes to Financial Statements

June 30, 2007 and 2006

(6) Debt

Long-term Debt: A summary of long-term debt at June 30 follows:

	2007	2006
Note payable to First Niagara Bank, in monthly installments, including interest at 4.48% through April 2008. At that time, the unpaid balance is payable in full. The note is secured by the East Campus property.	\$ 2,474,521	2,578,023
Mortgage loan payable to First Niagara Bank, in monthly installments, including interest at 5.31% through June 2009. At that time, the unpaid balance is payable in full. This loan is secured by property located at 2 University Place.	2,013,417	2,242,069
Mortgage loan payable to First Niagara Bank, in monthly installments, including interest at 5.50% through August 2016. The loan is secured by property located at 5 Englewood Place.	260,986	282,271
Note payable to Albany Molecular Research, in monthly installments, including interest at 3% through September 2009. (See note 4).	710,039	1,180,400
County of Rensselaer Industrial Development Agency Civic Facility Revenue Bonds (The University at Albany Foundation Project), Series 2003A, 4% serial bonds, interest payable monthly and annual principal payments through December 2013. (a)	3,027,626	3,136,149
County of Rensselaer Industrial Development Agency Civic Facility Revenue Bonds (The University at Albany Foundation Project), Series 2004A, 4% serial bonds, interest payable monthly and annual principal payments through March 2014. (a)	6,389,560	6,618,593
Loan payable to New York Power Authority, in monthly installments, including interest at 5.19% through May 2017. The loan is unsecured.	1,249,011	—
	16,125,160	16,037,505
Less current portion	3,468,288	1,002,387
	\$ 12,656,872	15,035,118

- (a) The Rensselaer County Industrial Development Agency (RCIDA) bonds are private placement Civic Facility Revenue Bonds Series 2003A (\$3,215,000) and Series 2004A (\$6,785,000), issued pursuant to the terms of a Bond Purchase and Building Loan Agreement between RCIDA (as Issuer), the Foundation (as Borrower), and First Niagara Bank (the Bank) (as Holder and Purchaser of the Bonds). Per the terms of the agreement, the Bank advanced bond proceeds to the Foundation to pay the costs of the Cancer Research Center based upon monthly submission of requisitions certified by Foundation and Bank architects and engineers.

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Notes to Financial Statements

June 30, 2007 and 2006

The term of the Bond financing is ten years, which covered both the construction and permanent loan period. The Bonds require annual principal payments, based on a twenty-year amortization schedule, with balloon payments due at maturity. Based on the permanent loan closing dates of the Series 2003A and Series 2004A Bonds, the maturity dates are scheduled to be in December 2013 and March 2014, respectively. The Series 2003A and Series 2004A balloon payments at maturity will approximate \$2,217,000 and \$4,602,000, respectively.

The Bonds are collateralized by a lien on the Cancer Research Center building and fixtures and an assignment of leases and rents of the facility. Also, the Bonds are subject to prepayment penalties, a cash reserve account requirement (see discussion below), and other annual financial, occupancy, and reporting covenants.

A summary of future principal payments at June 30, 2007 for the next five years and thereafter follows:

2008	\$	3,468,288
2009		2,614,580
2010		587,387
2011		542,329
2012		566,267
Thereafter		<u>8,346,309</u>
	\$	<u><u>16,125,160</u></u>

The Foundation believes the carrying value of debt approximates fair market value.

Cash Reserve Account: As a condition of the Bond and construction line-of-credit financing, the Foundation was required to establish and fund an interest bearing cash reserve account in the amount of \$721,000, to serve as collateral in the event of default. All proceeds in the cash reserve account will be released to the Foundation in three years provided no default or event of default has occurred and the required debt service coverage ratio amount is met. Funds released will be used to establish (or supplement if already established) a replacement reserve account relating to the Cancer Research Center. The balance within the cash reserve account, including interest at June 30, 2007 and 2006, is \$775,764 and \$744,241, respectively, and is included in the balance sheets at year end, under the caption assets limited as to use.

(7) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted for the following:

		<u>2007</u>	<u>2006</u>
Beneficial interest trusts available upon death of donors	\$	1,652,261	1,350,795
Other university programs		5,426,353	5,593,275
Completion of the Cancer Research Center and for equipment and other improvements on the East Campus		<u>11,756,177</u>	<u>12,727,085</u>
	\$	<u><u>18,834,791</u></u>	<u><u>19,671,155</u></u>

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Notes to Financial Statements

June 30, 2007 and 2006

In 2006, the Foundation was notified they would be the recipient of a \$25 million grant from the State of New York for completion of the Cancer Research Center and for equipment and other improvements at the East Campus. As of June 30, 2007, \$23 million of the grant proceeds were received and approximately \$11.8 million was spent. The unspent portion of the grant proceeds are reflected in the balance sheets under the caption assets limited as to use, as cash and cash equivalents.

Permanently restricted net assets represent a general endowment to be held in perpetuity, income from which is available to support various Foundation activities and scholarships.

(8) Pension Plan

Employees of the Foundation participate in a defined contribution plan sponsored by the University Auxiliary Services, Inc., a related not-for-profit organization. Employees who work at least 1,000 hours per year are eligible to participate after one year of service. The Foundation contributes 10% of employee compensation to the plan. Participants are fully vested after 3 years of service. Pension expense for 2007 and 2006 amounted to approximately \$51,000 and \$76,000, respectively.

(9) Rental Income

The Foundation's operations involve the leasing of office space and research laboratories to various tenants. A summary of minimum future rental income on noncancelable tenant leases for the next five years approximate the following:

Year ending June 30:	
2008	\$ 4,873,000
2009	4,750,000
2010	3,178,000
2011	1,009,000
2012	943,000
Thereafter	<u>3,064,000</u>
	<u>\$ 17,817,000</u>

In addition, there is rental income associated with various University tenants, which has not been disclosed above, as it represents income to be received under cancelable tenant agreements.

(10) Commitments and Contingencies

Equipment Transfers: Equipment transfers to the University include assets in the amount of \$600,196 that were purchased by the Foundation with the intent of being transferred to the University at Albany (University) for use by the University. The physical transfer of the equipment occurred in 2007 and is presently being used by the University in accordance with long standing Board policy established in 1990.

THE UNIVERSITY AT ALBANY FOUNDATION

Notes to Financial Statements

June 30, 2007 and 2006

In accordance with State University of New York policy, Foundation management is in the process of formalizing the transfer of the equipment with the adoption of a resolution of gift to be approved by the Foundation's Board of Directors in November 2007. The resolution of gift will memorialize the irrevocable and unconditional transfer of the Foundation's rights, title and interest in the equipment to the University, subject to the formal acceptance of the gift by the State University of New York Board of Trustees, acting through the Chancellor.

East Campus: The University at Albany Bioscience Development Corporation (UABDC) has been created as a new not-for-profit membership corporation, whose members are the Foundation and The Research Foundation. The sole purpose of UABDC is for acquiring, holding, and developing real property for, and managing the facilities and real estate of the East Campus and Cancer Research Center.

On July 16, 2007, the Foundation and UABDC executed an option for Ground Lease (Option). The Option calls for the Foundation to enter into a Ground Lease with UABDC for the buildings and property of the East Campus and Cancer Research Center. Upon exercise of the Option, UABDC will operate and maintain existing buildings and properties, collect all tenant rents and plan, design, and develop future use of the East Campus and Cancer Research Center. The Option is contingent upon the Foundation receiving funds that will be used to pay down long-term debt associated with the Cancer Research Center. The Option expires on December 31, 2007.

Investment Commitments: The Foundation has committed to invest in various alternative investment funds. The timing of each capital call is determined by the investment fund. At June 30, 2007, the commitment approximates \$1,950,000.

(11) Asset Retirement Obligation

In the event the Foundation was to renovate or demolish buildings on the East Campus, the Foundation has a legal obligation to perform certain asset retirement activity. Accordingly, a liability has been established equal to the present value of the obligation discounted at 4.5%.

Following is a reconciliation of the aggregate retirement liability associated with the Foundation's obligation to remediate certain conditions on the East Campus:

Balance, July 1, 2006	\$	1,000,000
Increase in the present value of the obligation (accretion expense in the corresponding amount charged against earnings)		<u>45,000</u>
Balance, June 30, 2007	\$	<u><u>1,045,000</u></u>

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Program Services

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Program services expenses:		
Awards and grants	\$ 748,104	743,128
Salaries and benefits	116,747	3,751
Professional fees	335,560	1,487
Printing	64,327	76,598
Supplies and services	149,895	194,354
Special events	126,891	112,474
Conferences and meetings	17,918	18,477
Meals and entertainment	301,831	223,182
Contributions	23,939	43,625
Travel and lodging	307,281	219,406
Computer supplies and services	53,411	46,635
Mailing services and postage	17,107	14,892
Advertising and promotion	9,775	2,383
Telephone	1,845	1,077
Books and publications	19,080	18,529
Tuition	5,182	5,225
Rentals, repairs and maintenance	92,600	12,553
Dues, memberships and fees	40,470	29,315
Total program services expenses	<u>\$ 2,431,963</u>	<u>1,767,091</u>

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Real Estate
Years ended June 30, 2007 and 2006

	East Campus	Cancer Research Center	Five Englewood	Two University Place	423 State Street	Brubacher Hall	2007	2006
Real estate expenses:								
Supplies and services	\$ 18,997	21,704	718	18,725	—	—	60,144	35,422
Salaries and benefits	121,296	—	—	—	—	—	121,296	114,263
Professional fees	227,410	—	—	—	—	—	227,410	156,319
Contracted services	1,234,880	269,069	—	152,568	—	—	1,656,517	1,613,244
Interest	143,340	389,621	14,927	115,322	—	—	663,210	795,208
Real estate taxes	463,531	159,000	—	—	—	—	622,531	618,008
Utilities	1,867,918	764,699	14,253	124,196	—	—	2,771,066	3,362,936
Insurance	103,325	38,019	14,957	6,794	4,000	—	167,095	177,834
Bad debt expense	10,751	—	—	—	—	—	10,751	10,444
Building repairs and maintenance	317,849	77,810	2,057	—	—	—	397,716	465,331
Depreciation and amortization	486,335	1,862,064	26,449	118,368	36,227	—	2,529,443	2,445,238
Total real estate expenses	\$ 4,995,632	3,581,986	73,361	535,973	40,227	—	9,227,179	9,794,247

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Fund-Raising Activities

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Fund-raising activities:		
Salaries and benefits	\$ 254,431	302,672
Telepledge services	91,867	90,756
Donor cultivation and recognition	42,947	98,413
Supplies and services	73,589	80,146
Mailing services and postage	82,966	100,449
Travel and lodging	3,194	5,955
Conferences and meetings	1,445	4,538
Professional fees	81,855	—
Total fund-raising activities	<u>\$ 632,294</u>	<u>682,929</u>

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION
Schedules of Expenditures – General and Administrative
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
General and administrative expenses:		
Salaries and benefits	\$ 428,550	746,987
Professional fees	50,440	52,956
Insurance	18,644	16,902
Supplies and services	33,641	11,373
Conferences and meetings	6,763	8,281
Travel and lodging	1,010	1,769
Depreciation and amortization	1,195	1,249
Mailing services and postage	1,307	—
Total general and administrative expenses	<u>\$ 541,550</u>	<u>839,517</u>

See accompanying independent auditors' report.