



THE UNIVERSITY AT ALBANY FOUNDATION

Financial Statements and Supplementary Information

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

THE UNIVERSITY AT ALBANY FOUNDATION
Financial Statements and Supplementary Information
June 30, 2008 and 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 18 through 21 for the years ended June 30, 2008 and 2007, 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 25, 2008

THE UNIVERSITY AT ALBANY FOUNDATION

Balance Sheets

June 30, 2008 and 2007

Assets	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 3,535,007	5,356,544
Rental receivable	93,219	43,930
Pledges receivable, current (note 2)	688,095	591,703
Other receivables and prepaid expenses	620,657	557,229
Assets limited as to use (notes 6 and 7)	465,412	1,550,589
Total current assets	<u>5,402,390</u>	<u>8,099,995</u>
Investments (note 3)	29,640,419	29,171,030
Assets limited as to use (notes 6 and 7):		
Cash and cash equivalents	5,508,023	10,205,588
Cash reserve account	808,899	775,764
	<u>6,316,922</u>	<u>10,981,352</u>
Pledges receivable, long-term (note 2)	1,035,646	888,980
Property and equipment, less accumulated depreciation and amortization (note 4)	61,348,242	60,585,646
Artwork and literary collections	1,788,538	1,733,658
	<u><u>\$ 105,532,157</u></u>	<u><u>111,460,661</u></u>

See accompanying notes to financial statements.

Liabilities and Net Assets	2008	2007
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,014,246	1,651,199
Literary collection payable, current (note 5)	50,000	50,000
Current portion of long-term debt (note 6)	2,556,389	3,468,288
Construction and retainage payable	465,412	1,550,589
Total current liabilities	<u>4,086,047</u>	<u>6,720,076</u>
Other liabilities (notes 3, 5 and 10):		
Discount for future interest	94,991	125,911
Literary collection payable, long-term	100,000	150,000
Asset retirement obligation	1,092,025	1,045,000
	<u>1,287,016</u>	<u>1,320,911</u>
Long-term debt, less current portion (note 6)	10,057,659	12,656,872
Commitments and contingencies (notes 3, 4 and 11)		
Net assets:		
Unrestricted:		
Designated	1,467,160	1,393,987
Undesignated	52,827,875	46,130,893
	<u>54,295,035</u>	<u>47,524,880</u>
Temporarily restricted (note 7)	11,402,812	18,834,791
Permanently restricted (note 7)	24,403,588	24,403,131
Total net assets	<u>90,101,435</u>	<u>90,762,802</u>
	<u>\$ 105,532,157</u>	<u>111,460,661</u>

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Statements of Activities

Years ended June 30, 2008 and 2007

	2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:				
Contributions, gifts, and grants	\$ 2,499,836	2,630,714	1,253,184	6,383,734
Rental income	6,667,068	—	—	6,667,068
Contributed services and support	1,934,661	—	—	1,934,661
Program activities and other revenue	416,008	4,013	—	420,021
Administrative fee income	60,000	—	—	60,000
Net investment income (loss) (note 3)	232,928	878,140	(2,994,112)	(1,883,044)
Transfers of permanently restricted net assets (note 7)	(159,677)	(1,581,708)	1,741,385	—
Net assets released from restrictions:				
Satisfaction of time and program designation restrictions	1,056,894	(1,056,894)	—	—
Satisfaction of property and equipment acquisition restrictions	8,306,244	(8,306,244)	—	—
Total support and revenue	<u>21,013,962</u>	<u>(7,431,979)</u>	<u>457</u>	<u>13,582,440</u>
Expenses and equity transfers:				
Program services	3,108,416	—	—	3,108,416
Real estate	9,714,989	—	—	9,714,989
Fund-raising activities	539,268	—	—	539,268
General and administrative	504,691	—	—	504,691
Equipment transferred to the University at Albany (note 11)	376,443	—	—	376,443
Total expenses and equity transfers	<u>14,243,807</u>	<u>—</u>	<u>—</u>	<u>14,243,807</u>
Change in net assets	6,770,155	(7,431,979)	457	(661,367)
Net assets, beginning of year	<u>47,524,880</u>	<u>18,834,791</u>	<u>24,403,131</u>	<u>90,762,802</u>
Net assets, end of year	\$ <u><u>54,295,035</u></u>	<u><u>11,402,812</u></u>	<u><u>24,403,588</u></u>	<u><u>90,101,435</u></u>

See accompanying notes to financial statements.

2007

Unrestricted	Temporarily restricted	Permanently restricted	Total
3,361,776	1,004,650	2,810,947	7,177,373
6,098,488	—	—	6,098,488
2,215,583	—	—	2,215,583
206,461	1,215	—	207,676
158,500	—	—	158,500
1,183,213	1,357,720	2,390,774	4,931,707
(396,368)	(561,307)	957,675	—
771,044	(771,044)	—	—
1,867,598	(1,867,598)	—	—
15,466,295	(836,364)	6,159,396	20,789,327
2,431,963	—	—	2,431,963
9,227,179	—	—	9,227,179
632,294	—	—	632,294
541,550	—	—	541,550
600,196	—	—	600,196
13,433,182	—	—	13,433,182
2,033,113	(836,364)	6,159,396	7,356,145
45,491,767	19,671,155	18,243,735	83,406,657
47,524,880	18,834,791	24,403,131	90,762,802

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Statements of Cash Flows

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (661,367)	7,356,145
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,678,551	2,530,638
Equipment transferred to The University at Albany	376,443	600,196
Net unrealized (losses) gains	3,491,267	(2,049,632)
Change in equity interest in limited partnerships	59,501	(374,584)
Restricted gifts	(522,387)	(1,070,721)
Transfers of permanently restricted net assets	(1,741,385)	(957,675)
Accretion of asset retirement obligation	47,025	45,000
Donated assets	(53,880)	(357,816)
Decrease (increase) in assets:		
Rental receivable	(49,289)	332,703
Other receivables and prepaid expenses	(63,428)	(189,245)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(636,953)	1,083,263
Literary collection payable	(50,000)	(50,000)
Net cash provided by operating activities	<u>2,874,098</u>	<u>6,898,272</u>
Cash flows from investing activities:		
Net purchase of investments	(4,020,157)	(1,951,335)
Purchase of property and equipment, net of construction and retainage payable	(4,526,324)	(2,668,949)
Decrease in assets limited as to use	5,749,607	950,198
Purchase of artwork	(1,000)	(23,429)
Net cash used by investing activities	<u>(2,797,874)</u>	<u>(3,693,515)</u>
Cash flows from financing activities:		
Cash received from restricted gifts and income	248,409	506,884
Transfers of permanently restricted net assets	1,741,385	957,675
Repayment of long-term debt	(3,511,112)	(1,161,356)
Equipment transferred to The University at Albany	(376,443)	(600,196)
Net cash used by financing activities	<u>(1,897,761)</u>	<u>(296,993)</u>
Net (decrease) increase in cash and cash equivalents	(1,821,537)	2,907,764
Cash and cash equivalents, beginning of year	<u>5,356,544</u>	<u>2,448,780</u>
Cash and cash equivalents, end of year	\$ <u><u>3,535,007</u></u>	\$ <u><u>5,356,544</u></u>
Supplemental information:		
Cash paid for interest	\$ 611,010	663,210
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, 2008 and 2007

(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 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.

Following is a summary of the Foundation's significant accounting policies:

(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 and grantors to a specific time period or purpose. Permanently restricted net assets are amounts restricted by donors to be maintained in perpetuity. In addition, 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

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Notes to Financial Statements

June 30, 2008 and 2007

computed using an interest rate applicable to the year in which the promise is received. Amortization 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, 2008 and 2007.

(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.

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June 30, 2008 and 2007

(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.

(i) Investments and Investment Income

Investments generally consist of equity funds, fixed income funds, and limited partnerships (i.e. hedge funds, private equity funds, and similar items). The Foundation maintains a diversified portfolio of investments to manage concentration risk. Concentration risk represents the Foundation's exposure to individual securities, industries or geographic regions.

Investments in equity and fixed income funds are measured at fair value based on quoted market prices in the accompanying balance sheets. Investments in limited partnerships are valued at fair value, with changes in fair value recorded as equity interest in limited partnerships. Fair value for these alternative investments is determined by management using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and 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 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.

(j) Income Taxes

The Foundation is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the code.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no impact to the Foundation's financial statements as a result of the adoption of FIN 48.

(k) Reclassifications

Certain 2007 amounts have been reclassified in order to conform to the 2008 presentation.

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(1) Recently Issued Accounting Pronouncements

In September 2006, the FASB released Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* (SFAS 157). SFAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The adoption of SFAS 157 is required for fiscal years beginning after November 15, 2007. Management is in the process of assessing the impact of this standard on the Foundation.

In February 2007, the FASB released Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The adoption of SFAS 159 is required for fiscal years beginning after November 15, 2007. Management is in the process of assessing the impact of this standard on the Foundation.

(2) Pledges Receivable

Pledges receivable represent gifts to support various Foundation and University programs which are expected to be collected at various times through 2013. 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, 2008. The pledges to be collected at June 30, 2008 are as follows:

Less than one year	\$	688,095
One to five years		1,213,829
		1,901,924
Less unamortized discount		178,183
	\$	1,723,741

(3) Investments

The components of investments at June 30 are summarized as follows:

	2008	2007
Equity funds	\$ 16,046,027	17,421,934
Fixed income funds	7,416,403	6,889,697
Limited partnerships	4,864,620	3,081,227
Assets held in beneficial interest trusts	1,313,369	1,778,172
	\$ 29,640,419	29,171,030

Maximum capital call commitments on limited partnership investments at June 30, 2008 approximate \$2.8 million.

Also, 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

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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.

Net investment income (loss) consists of the following:

	2008	2007
Interest and dividends	\$ 1,160,248	1,248,611
Change in equity interest in limited partnerships	(59,501)	374,584
Net realized gains on sales	625,173	1,369,137
Net unrealized (losses) gains	(3,491,267)	2,049,632
Investment management fees	(117,697)	(110,257)
	\$ (1,883,044)	4,931,707

(4) Property and Equipment

A summary of property and equipment at June 30 follows:

	2008	2007
Land	\$ 2,312,779	2,312,779
Buildings and leasehold improvements	69,105,111	63,784,313
Furniture and equipment	937,324	1,835,323
Construction-in-progress	536,780	2,416,431
	72,891,994	70,348,846
Less accumulated depreciation and amortization	11,543,752	9,763,200
	\$ 61,348,242	60,585,646

Construction-In-Progress: In 2008, the Foundation completed construction on Phase I of a Biotechnology Facility located at the East Campus and began construction on Phase II. The total cost of the Phase I building was approximately \$4.7 million and the total cost of Phase II is expected to be approximately \$1.3 million. Phase II is expected to be completed in 2009. Both buildings are financed with grant proceeds.

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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 complement 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, 2008 and 2007 (see note 6). A summary of the East Campus, including improvements thereon, at June 30 follows:

	2008	2007
Land	\$ 1,852,915	1,852,915
Buildings and leasehold improvements	14,602,210	14,014,200
	16,455,125	15,867,115
Less accumulated depreciation and amortization	4,016,922	3,475,600
Land and net leased buildings	\$ 12,438,203	12,391,515

Depreciation expense on the buildings under capital lease was \$541,322 and \$459,893 for 2008 and 2007, respectively.

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, 2008 and 2007, the amount outstanding is \$150,000 and \$200,000 respectively.

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Notes to Financial Statements

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(6) Debt

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

	2008	2007
Note payable to First Niagara Bank, in monthly installments, including interest at 4.48% through April 2008. The note was secured by the East Campus property. The note was paid in full in October 2007.	\$ —	2,474,521
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.	1,772,398	2,013,417
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.	238,502	260,986
Note payable to Albany Molecular Research, in monthly installments, including interest at 3% through September 2009. (See note 4).	393,811	710,039
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)	2,914,940	3,027,626
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)	6,151,746	6,389,560
Loan payable to New York Power Authority, in monthly installments, including interest at 5.19% through May 2017. The loan is unsecured.	1,142,651	1,249,011
	12,614,048	16,125,160
Less current portion	2,556,389	3,468,288
	\$ 10,057,659	12,656,872

(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

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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.

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 \$2,200,000 and \$4,600,000, 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 on long-term debt at June 30, 2008 for the next five years and thereafter follows:

2009	\$	2,556,389
2010		586,663
2011		541,572
2012		565,472
2013		590,445
Thereafter		<u>7,773,507</u>
	\$	<u><u>12,614,048</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 August 2008 for the establishment of a replacement reserve account relating to the Cancer Research Center. The balance within the cash reserve account, including interest at June 30, 2008 and 2007, is \$808,899 and \$775,764, respectively, and is included in the balance sheets at year end, under the caption assets limited as to use.

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Notes to Financial Statements

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(7) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted for the following:

	<u>2008</u>	<u>2007</u>
Beneficial interest trusts available upon death of donors	\$ 1,218,378	1,652,261
Other university programs	4,210,999	5,426,353
Completion of the Cancer Research Center and for equipment and other improvements on the East Campus	<u>5,973,435</u>	<u>11,756,177</u>
	<u>\$ 11,402,812</u>	<u>18,834,791</u>

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, 2008, \$25 million of the grant proceeds were received and approximately \$19.9 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 endowments to be held in perpetuity. Income from the endowment is made available to support scholarships and other activities in accordance with the spending policies and procedures of the Foundation. Transfers of permanently restricted net assets on the statements of activities represent unexpended distributions of income returned to endowment principal and unrestricted and temporarily restricted gifts received in prior years which are now directed towards the endowment by terms of donor agreements.

(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 2008 and 2007 amounted to approximately \$45,000 and \$51,000, respectively.

THE UNIVERSITY AT ALBANY FOUNDATION

Notes to Financial Statements

June 30, 2008 and 2007

(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 and thereafter approximate the following:

Year ending June 30:	
2009	\$ 5,054,000
2010	3,551,000
2011	1,288,000
2012	1,222,000
2013	1,222,000
Thereafter	6,497,000
	<u>\$ 18,834,000</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) 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, 2007	\$ 1,045,000
Increase in the present value of the obligation (accretion expense in the corresponding amount charged against earnings)	<u>47,025</u>
Balance, June 30, 2008	<u>\$ 1,092,025</u>

(11) Commitments

Equipment transfers to the University include assets in the amount of \$376,443 that were purchased by the Foundation or received as donations 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 2008 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, 2008 and 2007

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 2008. 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.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Program Services

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Program services expenses:		
Awards and grants	\$ 921,708	748,104
Salaries and benefits	143,191	116,747
Professional fees	303,512	335,560
Printing	74,725	64,327
Supplies and services	213,004	149,895
Special events	234,395	126,891
Conferences and meetings	46,878	17,918
Meals and entertainment	347,677	301,831
Contributions	134,118	23,939
Travel and lodging	254,433	307,281
Computer supplies and services	79,678	53,411
Mailing services and postage	8,497	17,107
Advertising and promotion	14,707	9,775
Telephone	1,172	1,845
Books and publications	26,789	19,080
Tuition	2,592	5,182
Rentals, repairs and maintenance	241,143	92,600
Dues, memberships and fees	60,197	40,470
Total program services expenses	<u>\$ 3,108,416</u>	<u>2,431,963</u>

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Real Estate

Years ended June 30, 2008 and 2007

	East Campus	Cancer Research Center	Five Englewood	Two University Place	423 State Street	Brubacher Hall	Total	
							2008	2007
Real estate expenses:								
Supplies and services	\$ 19,115	25,366	1,194	19,350	—	—	65,025	60,144
Salaries and benefits	121,584	—	—	—	—	—	121,584	121,296
Professional fees	95,880	—	—	—	—	—	95,880	227,410
Contracted services	1,245,431	260,523	—	173,866	—	—	1,679,820	1,656,517
Interest	117,652	376,676	13,728	102,954	—	—	611,010	663,210
Real estate taxes	485,387	159,000	655	—	—	—	645,042	622,531
Utilities	2,030,291	975,397	15,121	132,038	—	—	3,152,847	2,771,066
Insurance	99,740	37,046	14,689	5,699	4,455	—	161,629	167,095
Bad debt expense	—	—	—	—	—	—	—	10,751
Building repairs and maintenance	384,066	65,126	9,229	—	—	46,265	504,686	397,716
Depreciation and amortization	630,679	1,867,693	24,499	118,368	36,227	—	2,677,466	2,529,443
Total real estate expenses	\$ 5,229,825	3,766,827	79,115	552,275	40,682	46,265	9,714,989	9,227,179

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION

Schedules of Expenditures – Fund-Raising Activities

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Fund-raising activities:		
Salaries and benefits	\$ 171,893	254,431
Telepledge services	112,393	91,867
Donor cultivation and recognition	42,214	42,947
Supplies and services	53,923	73,589
Mailing services and postage	103,828	82,966
Travel and lodging	3,880	3,194
Conferences and meetings	11,205	1,445
Professional fees	39,932	81,855
Total fund-raising activities	<u>\$ 539,268</u>	<u>632,294</u>

See accompanying independent auditors' report.

THE UNIVERSITY AT ALBANY FOUNDATION
Schedules of Expenditures – General and Administrative
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
General and administrative expenses:		
Salaries and benefits	\$ 416,962	428,550
Professional fees	44,876	50,440
Insurance	17,753	18,644
Supplies and services	9,420	33,641
Conferences and meetings	14,247	6,763
Travel and lodging	133	1,010
Depreciation and amortization	1,085	1,195
Mailing services and postage	215	1,307
Total general and administrative expenses	<u>\$ 504,691</u>	<u>541,550</u>

See accompanying independent auditors' report.