



**UNIVERSITY OF HAWAII FOUNDATION**

Financial Statements

June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
PO Box 4150  
Honolulu, HI 96812-4150

## **Independent Auditors' Report**

The Board of Trustees  
University of Hawaii Foundation:

We have audited the accompanying statements of financial position of the University of Hawaii Foundation (the Foundation) as of June 30, 2006 and 2005, 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 of Hawaii Foundation as of June 30, 2006 and 2005, 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.

As explained in note 1(g), the financial statements include investments valued at \$51,279,955 (26% of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the external investment managers.

**KPMG LLP**

March 14, 2007

**UNIVERSITY OF HAWAII FOUNDATION**

Statements of Financial Position

June 30, 2006 and 2005

<b>Assets</b>	<b>2006</b>	<b>2005</b>
Cash and cash equivalents	\$ 9,260,416	2,124,864
Contributions receivable, net (note 2)	12,303,005	9,727,777
Prepaid expenses and other receivables (note 9)	923,557	962,001
Property and equipment, at cost, net of accumulated depreciation and amortization of \$1,619,585 in 2006 and \$1,688,766 in 2005	2,252,557	2,237,155
Other assets, at cost	1,049,003	1,185,001
Investments (notes 3 and 10)	169,831,382	153,398,841
Beneficial interest in trusts held by others	11,789,284	11,649,455
Total assets	\$ 207,409,204	181,285,094
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 475,923	1,065,951
Liabilities under split-interest agreements	3,811,028	3,390,482
Amounts held for others	2,168,353	2,590,911
Other liabilities	259,142	339,199
Total liabilities	6,714,446	7,386,543
Net assets:		
Unrestricted (note 10)	3,356,401	1,880,642
Temporarily restricted (note 7)	93,326,383	75,218,285
Permanently restricted (note 7)	104,011,974	96,799,624
Total net assets	200,694,758	173,898,551
Commitments (notes 5, 6, 9, and 10)		
Total liabilities and net assets	\$ 207,409,204	181,285,094

See accompanying notes to financial statements.

**UNIVERSITY OF HAWAII FOUNDATION**

Statement of Activities

Year ended June 30, 2006

	Net assets			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues:				
Contributions	\$ 452,637	19,357,159	7,085,502	26,895,298
Fees, honoraria, royalties, and other (notes 6 and 9)	3,335,420	3,428,269	1,170	6,764,859
Investment return (note 3)	1,877,974	15,105,961	259,314	17,243,249
Administrative fees	2,612,282	(2,478,632)	(133,636)	14
Fund-raising events and projects	—	2,071,485	—	2,071,485
	<u>8,278,313</u>	<u>37,484,242</u>	<u>7,212,350</u>	<u>52,974,905</u>
Net assets released from restrictions (note 7)	<u>19,376,144</u>	<u>(19,376,144)</u>	<u>—</u>	<u>—</u>
	<u>27,654,457</u>	<u>18,108,098</u>	<u>7,212,350</u>	<u>52,974,905</u>
Expenses (notes 5 and 6):				
Program services:				
Extension and public services	573,172	—	—	573,172
Academic support	4,077,778	—	—	4,077,778
Research	1,933,828	—	—	1,933,828
Student aid and services	5,551,711	—	—	5,551,711
Faculty and staff support	1,188,601	—	—	1,188,601
Capital projects	151,036	—	—	151,036
Athletics	2,367,382	—	—	2,367,382
Special and other	3,532,636	—	—	3,532,636
Total program services	<u>19,376,144</u>	<u>—</u>	<u>—</u>	<u>19,376,144</u>
Supporting services:				
Administrative, management, and fiscal services (note 6)	2,383,372	—	—	2,383,372
Development	4,419,182	—	—	4,419,182
Total supporting services	<u>6,802,554</u>	<u>—</u>	<u>—</u>	<u>6,802,554</u>
Change in net assets	1,475,759	18,108,098	7,212,350	26,796,207
Net assets at beginning of year	<u>1,880,642</u>	<u>75,218,285</u>	<u>96,799,624</u>	<u>173,898,551</u>
Net assets at end of year	\$ <u><u>3,356,401</u></u>	<u><u>93,326,383</u></u>	<u><u>104,011,974</u></u>	<u><u>200,694,758</u></u>

See accompanying notes to financial statements.

**UNIVERSITY OF HAWAII FOUNDATION**

Statement of Activities

Year ended June 30, 2005

	<b>Net assets</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	
<b>Revenues:</b>				
Contributions	\$ 198,164	20,959,670	7,145,806	28,303,640
Fees, honoraria, royalties, and other (notes 6 and 9)	3,249,872	970,340	1,562,701	5,782,913
Investment return (note 3)	1,255,585	9,308,488	646,967	11,211,040
Administrative fees	2,383,462	(2,299,601)	(83,689)	172
Fund-raising events and projects	—	744,131	—	744,131
	<u>7,087,083</u>	<u>29,683,028</u>	<u>9,271,785</u>	<u>46,041,896</u>
Net assets released from restrictions (note 7)	<u>18,655,119</u>	<u>(18,655,119)</u>	<u>—</u>	<u>—</u>
	<u>25,742,202</u>	<u>11,027,909</u>	<u>9,271,785</u>	<u>46,041,896</u>
<b>Expenses (notes 5 and 6):</b>				
<b>Program services:</b>				
Extension and public services	516,722	—	—	516,722
Academic support	2,941,773	—	—	2,941,773
Research	2,333,870	—	—	2,333,870
Student aid and services	5,866,234	—	—	5,866,234
Faculty and staff support	1,112,754	—	—	1,112,754
Capital projects	770,043	—	—	770,043
Athletics	1,871,746	—	—	1,871,746
Special and other	3,241,977	—	—	3,241,977
<b>Total program services</b>	<u>18,655,119</u>	<u>—</u>	<u>—</u>	<u>18,655,119</u>
<b>Supporting services:</b>				
Administrative, management, and fiscal services (note 6)	2,310,960	—	—	2,310,960
Development	4,146,249	—	—	4,146,249
<b>Total supporting services</b>	<u>6,457,209</u>	<u>—</u>	<u>—</u>	<u>6,457,209</u>
<b>Change in net assets</b>	629,874	11,027,909	9,271,785	20,929,568
Net assets at beginning of year	<u>1,250,768</u>	<u>64,190,376</u>	<u>87,527,839</u>	<u>152,968,983</u>
Net assets at end of year	\$ <u><u>1,880,642</u></u>	<u><u>75,218,285</u></u>	<u><u>96,799,624</u></u>	<u><u>173,898,551</u></u>

See accompanying notes to financial statements.

**UNIVERSITY OF HAWAII FOUNDATION**

Statements of Cash Flows

Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 19,575,701	18,294,643
Cash received for fees, honoraria, royalties, and other	6,830,008	4,332,673
Investment return received	3,508,443	3,547,907
Program and supporting service expenses paid	<u>(26,793,528)</u>	<u>(24,692,626)</u>
Net cash provided by operating activities	<u>3,120,624</u>	<u>1,482,597</u>
Cash flows from investing activities:		
Purchase of investments	(208,193,344)	(92,069,821)
Proceeds from sale of investments	208,386,579	83,763,467
Purchases of property and equipment	<u>(98,532)</u>	<u>(68,432)</u>
Net cash provided by (used in) investing activities	<u>94,703</u>	<u>(8,374,786)</u>
Cash flows provided by financing activity:		
Amounts restricted for long-term investment	<u>3,920,225</u>	<u>7,830,640</u>
Net increase in cash and cash equivalents	7,135,552	938,451
Cash and cash equivalents at beginning of year	<u>2,124,864</u>	<u>1,186,413</u>
Cash and cash equivalents at end of year	<u>\$ 9,260,416</u>	<u>2,124,864</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 26,796,207	20,929,568
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	83,130	108,010
Realized and unrealized gains on investments	(13,336,881)	(7,062,544)
Increase in contributions receivable	(2,575,228)	(3,006,582)
Decrease in prepaid expenses and other receivables	38,444	35,433
Increase (decrease) in other assets	135,998	(684,601)
Increase (decrease) in accounts payable	(590,028)	489,827
Increase (decrease) in liabilities under split-interest agreements	420,546	(9,852)
Increase (decrease) in amounts held for others, net	(559,157)	56,230
Decrease in other liabilities	(80,057)	(101,107)
Amounts restricted for long-term investment	<u>(7,212,350)</u>	<u>(9,271,785)</u>
Net cash provided by operating activities	<u>\$ 3,120,624</u>	<u>1,482,597</u>

Supplemental disclosure of noncash activities:

The Foundation received noncash contributions in the amount of \$3,292,125 and \$1,441,145 in 2006 and 2005, respectively.

Unrealized losses on assets held for others were \$136,599 and \$48,037 for the years ended June 30, 2006 and 2005, respectively.

See accompanying notes to financial statements.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2006 and 2005

### (1) Summary of Significant Accounting Policies

#### (a) *Organization*

The University of Hawaii Foundation (the Foundation) is a not-for-profit entity established to solicit and manage funds for the benefit of the University of Hawaii (University). The Foundation is governed by a self-perpetuating board of trustees primarily consisting of elected volunteers.

#### (b) *Financial Statement Presentation*

The financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes (unrestricted, temporarily restricted, or permanently restricted) as follows:

**Unrestricted Net Assets** – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

**Permanently Restricted Net Assets** – net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the University.

#### (c) *Amounts Held for Others*

Resources received in transactions that the Foundation acts as an agent are reported as amounts held for others. Investment income earned on amounts received increases amounts held for others. Distributions to specified recipients decrease amounts held for others.

#### (d) *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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (e) *Cash Equivalents*

Short-term investments held for operations with original maturities of three months or less are classified as cash equivalents. Cash equivalents include short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at cost, which approximate fair value. Short-term investments held for investment purposes are reflected as investments.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2006 and 2005

(f) **Contributions**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Certain noncash contributions are reported as other assets until liquidation. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Foundation provides an allowance for uncollectible pledges based upon historical experience with its donors as well as individual donor circumstances.

(g) **Investments**

**Marketable Securities**

Debt and equity securities with readily determinable fair values are reported at fair value with unrealized gains and losses included in the statements of activities. Fair value is based on quoted market prices. Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**Other Investments**

Other investments include partnerships, private equity securities, real estate, and other equity securities that do not have readily determinable fair value. Other investments are reported at fair value with unrealized gains and losses included in the statements of activities. Fair value is generally based on information provided by the respective external investment managers at the most recent valuation date and from the valuation date to fiscal year-end, if applicable. These valuations involve assumptions and methods that are reviewed by management. Because other investments are not readily marketable, their estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for such investment existed. Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2006 and 2005

**(h) *Property and Equipment***

Property and equipment are stated at cost and include approximately \$2,000,000 in land. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years, commencing at the time the asset is placed into service.

The Foundation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived 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 long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**(i) *Split-Interest Agreements***

The Foundation's split-interest agreements with donors consist of irrevocable pooled income funds, charitable remainder trusts, and charitable gift annuities for which the Foundation serves as trustee. Assets held under these split-interest agreements are included in investments. Contribution revenues are recognized at the date the split-interest agreements are established after recording liabilities for the present value (utilizing discount rates ranging between 2% to 5%) of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the split-interest agreements for changes in the fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits. For the years ended June 30, 2006 and 2005, contributions revenue included \$942,820 and \$906,945, respectively, attributable to split-interest agreements. For the years ended June 30, 2006 and 2005, investment return included \$442,611 and \$553,037, respectively, for changes in the value of split-interest agreements.

**(j) *Interest in Trusts Held by Others***

The Foundation is also the beneficiary of certain trusts held and administered by others. The fair value of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues when the Foundation is notified of its existence. The carrying value of the assets is adjusted to fair value.

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2006 and 2005

**(2) Contributions Receivable**

At June 30, 2006 and 2005, contributions receivable, net of discount for present value and allowance for uncollectible contributions, consisted of the following:

	<b>2006</b>	<b>2005</b>
Contributions receivable	\$ 12,841,012	10,291,562
Less discount to present value (2% – 5% discount rate)	353,415	193,290
Subtotal	12,487,597	10,098,272
Less allowance for uncollectible pledges	184,592	370,495
Contributions receivable, net	\$ 12,303,005	9,727,777
Amounts to be collected in:		
Less than one year	\$ 5,652,175	4,700,588
One year to five years	7,188,837	5,590,974
Total	\$ 12,841,012	10,291,562

**(3) Investments**

Investments at June 30, 2006 and 2005 consisted of the following:

	<b>2006</b>		<b>2005</b>	
	<b>Fair values</b>	<b>Cost</b>	<b>Fair values</b>	<b>Cost</b>
Marketable securities:				
Domestic common stocks	\$ 33,802,583	26,678,281	39,591,953	32,864,310
Fixed income securities	43,145,141	44,102,080	44,096,328	44,300,478
Foreign common stocks	38,040,965	32,582,723	30,312,057	26,043,039
Mutual funds	2,593,274	2,601,474	9,222,359	9,145,396
Money market funds	806,231	806,231	502,750	502,750
Other	163,233	141,619	—	—
Other investments:				
Absolute return	20,616,148	17,538,747	18,790,264	17,538,747
Real assets	17,688,130	11,894,453	9,534,097	6,979,870
Private equity securities	1,742,032	1,791,125	584,646	626,258
Other	11,233,645	10,732,376	764,387	722,633
	\$ 169,831,382	148,869,109	153,398,841	138,723,481

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2006 and 2005

At June 30, 2006 and 2005, investments are classified as short-term and long-term as follows:

	<u>2006</u>	<u>2005</u>
Short-term	\$ 76,090,202	66,822,378
Long-term:		
Split-interest agreements	5,287,038	4,118,655
Permanently restricted	<u>88,454,142</u>	<u>82,457,808</u>
Total long-term	<u>93,741,180</u>	<u>86,576,463</u>
	<u>\$ 169,831,382</u>	<u>153,398,841</u>

Investments are generally pooled and managed under various asset diversification strategies, depending upon the investment objectives and to avoid significant concentrations of market risk. Earnings on permanently restricted contributions (endowment) which the donor designates as being available for program operations are considered temporarily restricted until the specific restrictions have been met. Under the Foundation's endowment spending policy, certain amounts (based on a percentage of the adjusted fair value of the investment pool) are appropriated and are available to support operations. In 2006 and 2005, \$4,910,959 and \$4,282,044, respectively, were made available to support programs. Investment management fees amounted to \$288,216 in 2006 and \$227,953 in 2005. The following schedule summarizes the investment return and its classification in the statements of activities:

	<u>Net assets</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
2006:				
Dividends and interest	\$ 1,004,607	2,715,623	186,138	3,906,368
Realized and unrealized gains, net	<u>873,367</u>	<u>12,390,338</u>	<u>73,176</u>	<u>13,336,881</u>
Total return on investments	<u>\$ 1,877,974</u>	<u>15,105,961</u>	<u>259,314</u>	<u>17,243,249</u>
2005:				
Dividends and interest	\$ 775,190	3,100,359	272,947	4,148,496
Realized and unrealized gains, net	<u>480,395</u>	<u>6,208,129</u>	<u>374,020</u>	<u>7,062,544</u>
Total return on investments	<u>\$ 1,255,585</u>	<u>9,308,488</u>	<u>646,967</u>	<u>11,211,040</u>

The Foundation invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2006 and 2005

**(4) Income Taxes**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities.

**(5) Retirement Annuity Plan**

The Foundation has a defined contribution retirement annuity plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund covering substantially all of its employees. The Foundation recorded contribution expense of \$376,590 in 2006 and \$357,088 in 2005.

**(6) Leases**

The Foundation leases office space from the University under an annual operating lease, which provides for a nominal rental amount. The estimated fair rental value of the property has been reported as unrestricted revenue with an offsetting amount charged to supporting services of \$255,444 and \$212,868 in 2006 and 2005, respectively.

**(7) Restricted Net Assets**

Restricted net assets consisted of the following restricted amounts at June 30, 2006 and 2005:

	<b>Temporarily restricted</b>	<b>Permanently restricted</b>
2006:		
Extension and public services	\$ 2,625,704	924,314
Academic support	17,936,418	8,987,978
Research	6,099,604	608,159
Student aid and services	27,978,535	47,232,270
Faculty and staff support	14,774,293	31,364,638
Capital projects	5,042,956	1,099,332
Athletics	1,990,543	237,315
Special and other	16,878,330	13,557,968
Total	\$ 93,326,383	104,011,974
2005:		
Extension and public services	\$ 2,403,417	889,808
Academic support	12,412,260	8,870,245
Research	7,291,360	645,340
Student aid and services	19,101,186	43,108,060
Faculty and staff support	11,352,480	29,040,412
Capital projects	3,726,237	997,065
Athletics	3,711,298	232,895
Special and other	15,220,047	13,015,799
Total	\$ 75,218,285	96,799,624

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2006 and 2005

**(8) Fair Value of Financial Instruments**

The following table presents the carrying amounts and estimated fair values of the Foundation’s financial instruments at June 30, 2006 and 2005. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	<b>2006</b>		<b>2005</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 9,260,416	9,260,416	2,124,864	2,124,864
Contributions receivable, net	12,303,005	12,303,005	9,727,777	9,727,777
Other receivables	877,660	877,660	908,754	908,754
Investments	169,831,382	169,831,382	153,398,841	153,398,841
Beneficial interest in trusts held by others	11,789,284	11,789,284	11,649,455	11,649,455
Accounts payable	475,923	475,923	1,065,951	1,065,951
Liabilities under split interest agreements	3,811,028	3,811,028	3,390,482	3,390,482
Amounts held for others	2,168,353	2,168,353	2,590,911	2,590,911
Other liabilities	259,142	259,142	339,199	339,199

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Cash and cash equivalents, accounts payable, and other liabilities** – the carrying amounts approximate fair value because of the short maturity of these instruments.

**Contributions receivable, net, other receivables, and liabilities under split-interest agreements** – the fair value of contribution receivables, other receivables, and liabilities under split-interest agreements are valued at the present value of expected future cash flows discounted at an interest rate commensurate with the risk associated with the respective financial instrument. The carrying value of interest and other receivables approximates fair value because of the short maturity of these instruments.

**Investments, beneficial interest in trusts held by others, and amounts held for others** – the fair value of investments in marketable securities and interest in trusts held by others are based primarily on quoted market prices. The fair value of other investments that do not have readily determinable fair values are generally based on information provided by the respective external investment managers at the most recent valuation date and adjusted for cash flows from the valuation date to fiscal year-end, if applicable. The fair value for amounts held for others is based on the fair value of the underlying investment.

## UNIVERSITY OF HAWAII FOUNDATION

### Notes to Financial Statements

June 30, 2006 and 2005

**(9) Transactions with the University**

The Foundation has an agreement with the University to provide fund-raising and alumni services through December 31, 2007. Annual compensation to the Foundation amounted to \$2,995,300 and \$3,012,676 for the years ended June 30, 2006 and 2005, respectively, of which approximately \$185,979 and \$314,000 was payable to the Foundation at June 30, 2006 and 2005, respectively. Amounts received for the year ended June 30, 2006 include reimbursement for half the compensation cost of certain development personnel.

**(10) Commitments**

The Foundation has commitments to contribute additional amounts to its existing investments of up to approximately \$13,360,000 at June 30, 2006.