

University of Maine Foundation

**REPORT ON FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008  
(With comparative totals for 2007)

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### Independent Auditor's Report

Board of Directors  
University of Maine Foundation

We have audited the accompanying statement of financial position of the University of Maine Foundation (a nonprofit corporation) as of June 30, 2008 and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements; and in our report dated November 6, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Maine Foundation as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

*Brantner Thibodeau & Associates*

Bangor, Maine  
October 8, 2008

**University of Maine Foundation**  
**Statement of Financial Position**  
**June 30, 2008**  
(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 113,851	\$ 91,406
Other receivables	172,639	328,916
Promises to give, less allowance for uncollectible pledges of \$50,000 for 2008 and 2007	1,776,589	1,658,142
Short term investments	2,626,167	1,946,361
Cash surrender value of life insurance	116,084	116,519
Long term investments	142,788,147	145,123,477
Long term investments, life income plans	6,529,532	7,352,730
Equity in Buchanan Alumni House	2,875,193	2,960,361
Investment real estate	10,801,956	11,171,956
Property and equipment, net of accumulated depreciation of \$82,200 and \$83,306, respectively	147,948	111,788
Other assets	617,179	389,479
Irrevocable trusts	15,387,284	16,657,739
Assets managed for Buchanan Alumni House	217,945	217,334
Net funding to be provided from Buchanan Alumni House	<u>456,296</u>	<u>489,036</u>
 Total assets	 <u>\$ 184,626,810</u>	 <u>\$ 188,615,244</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 16,390	\$ 63,411
Distributions due income beneficiaries	2,523,252	2,415,695
Accrued expenses	866,639	835,463
Notes payable	698,067	739,837
Custodial accounts payable	<u>3,646,073</u>	<u>3,257,173</u>
 Total liabilities	 <u>7,750,421</u>	 <u>7,311,579</u>
<b>NET ASSETS</b>		
Unrestricted net assets	11,886,510	12,356,648
Temporarily restricted net assets	57,944,668	71,578,808
Permanently restricted net assets	<u>107,045,211</u>	<u>97,368,209</u>
 Total net assets	 <u>176,876,389</u>	 <u>181,303,665</u>
 Total liabilities and net assets	 <u>\$ 184,626,810</u>	 <u>\$ 188,615,244</u>

University of Maine Foundation  
Statement of Activities  
For the Year Ended June 30, 2008  
(With comparative totals for 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2008	2007
<b>SUPPORT, REVENUES AND RECLASSIFICATION</b>					
Contributions	\$ 1,662,930	\$ 1,636,953	\$ 9,788,165	\$ 13,088,048	\$ 25,667,374
Investment income	(388,601)	(4,478,225)	328	(4,866,498)	19,280,365
Investment income, life income plans	511,113	(784,548)	-	(273,435)	880,926
Other revenue, gains and (losses)	24,429	(1,358,685)	(117,739)	(1,451,995)	1,569,972
Net assets released from restrictions	8,643,387	(8,649,635)	6,248	-	-
Total support, revenues and reclassification	<u>10,453,258</u>	<u>(13,634,140)</u>	<u>9,677,002</u>	<u>6,496,120</u>	<u>47,398,637</u>
<b>EXPENSES</b>					
Program services	9,573,084	-	-	9,573,084	7,673,471
Management and general	594,302	-	-	594,302	516,074
Fundraising	756,010	-	-	756,010	721,542
Total expenses	<u>10,923,396</u>	<u>-</u>	<u>-</u>	<u>10,923,396</u>	<u>8,911,087</u>
Increase (decrease) in net assets	(470,138)	(13,634,140)	9,677,002	(4,427,276)	38,487,550
<b>NET ASSETS, BEGINNING OF YEAR - RESTATED</b>	<u>12,356,648</u>	<u>71,578,808</u>	<u>97,368,209</u>	<u>181,303,665</u>	<u>142,816,115</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 11,886,510</u>	<u>\$ 57,944,668</u>	<u>\$ 107,045,211</u>	<u>\$ 176,876,389</u>	<u>\$ 181,303,665</u>

University of Maine Foundation  
Statement of Cash Flows  
For the Year Ended June 30, 2008  
(With comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (4,427,276)	\$ 38,487,550
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	30,295	21,181
Loss on disposal of assets	52,283	35,844
Equity in the earnings of Buchanan Alumni House	85,168	69,948
Noncash contributions	(2,909,499)	(18,666,390)
Net realized and unrealized (gain) loss on investments	8,791,666	(19,971,171)
(Increase) decrease in operating assets		
Accounts receivable	156,277	(32,325)
Deferred expense	-	43,772
Promises to give	(118,447)	(144,389)
Increase (decrease) in operating liabilities		
Accounts payable	(47,021)	30,662
Distributions due to beneficiaries	107,557	787,775
Accrued expenses	31,347	36,005
Custodial funds	388,900	1,774,257
Total adjustments	<u>6,568,526</u>	<u>(36,014,831)</u>
Net cash provided by operating activities	<u>2,141,250</u>	<u>2,472,719</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale and maturity of investments	76,088,093	90,052,432
Purchases of investments	(78,628,583)	(93,025,679)
Purchases of property and equipment	(58,937)	(33,501)
Proceeds from the sale of property and equipment	-	8,250
Purchase of other asset	(220,200)	-
Proceeds from the sale of other assets	427,500	5,650
Proceeds from the sale of real estate	298,285	625,867
Proceeds from surrender of life insurance policy	14,486	-
Increase in the cash surrender value of life policies	<u>(14,051)</u>	<u>(6,767)</u>
Net cash used in investing activities	<u>(2,093,407)</u>	<u>(2,373,748)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of notes payable	<u>(25,398)</u>	<u>(25,994)</u>
Net increase in cash and equivalents	22,445	72,977
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>91,406</u>	<u>18,429</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 113,851</u>	<u>\$ 91,406</u>

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The University of Maine Foundation assists in the development activities of the University of Maine by encouraging gifts and bequests for scholarships, instruction, research, endowment, and other purposes that will benefit the University.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of Accounting**

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less, except for investments designated as endowment assets or deposits with trustees which are classified as long-term investments.

**Contributions**

The University of Maine Foundation accounts for contributions in accordance with the recommendations of FASB in SFAS No. 116. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Restricted contributions whose restrictions are met in the period the contributions are received are reported as unrestricted contributions.

**Custodial Funds**

The Foundation holds custodial accounts for entities that control their own spending. Income and disbursements to these accounts are reported as increases or decreases to the liability accounts of the Foundation.

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments in marketable securities with readily determinable fair values are stated at fair value. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

The Foundation maintains a general pool of investments for its endowments. Realized and unrealized gains and losses from securities in the investment pool are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

**Split-interest agreements**

The Foundation participates in trust or other arrangements initiated by donors under which the Foundation will receive benefits that are shared with the donor or third party beneficiaries. The arrangements include pooled life income plans, charitable remainder trusts, charitable lead trusts, and charitable gift annuities. The contributed assets are recognized at fair market value when received. The carrying values are also at fair market value. Future annuity benefit obligations are discounted to the present value based upon various rates of return and life expectancies of the annuitants.

**Financial Instruments**

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments that are not held for trading purposes:

Cash, cash equivalents, accounts receivable, and short-term unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Notes receivable: The carrying amount reported approximates the fair value based on expected principal collections.

Short-term and long-term investments: The fair values of investments are based on quoted market prices for those of similar investments.

Remainder interest, irrevocable trusts: The trustees provide the values based upon their records. Generally, the fair values are of investments based on quoted market prices.

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current rate of return.

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of Credit Risk**

The Foundation has significant investments in equity and debt securities that are owned and administered by the Foundation and is therefore subject to concentrations of credit risk. Investment advisors who are supervised by Trustees of the Foundation manage investments. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Foundation's Trustees believe that the investment policy is prudent for the long-term welfare of the organization.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. Vehicles and equipment are assumed to have useful lives of five and ten years. No depreciation is recorded in the year of acquisition. Depreciation expense for the years ended June 30, 2008 and 2007 was \$30,295 and \$21,181, respectively.

**Income Taxes**

The Foundation is exempt from federal income taxes under the provision of Section 501(C)(3) of the Internal Revenue code and is not a private foundation.

**Endowment Spending Policy**

The Foundation utilizes a spending policy for its pooled endowment in order to provide for the current and long-term needs of endowment recipients. The spending policy determines the endowment income to be distributed based on 5 ½% of the average market value for the six previous years ending December 31.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information only in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**Functional Allocation of Expenses**

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**2. PROMISES TO GIVE**

Unconditional promises to give are recorded in the financial statements as promises to give. Promises to give exceeding one year are recorded at the present value of the future cash flows using a 10% discount rate.

Promises to give are expected to be realized in the following periods, on a calendar year basis:

	<b>2008</b>	<b>2007</b>
In one year or less	\$ 84,945	\$ 449,432
Between one to five years	2,257,830	1,619,958
Over five years	463,950	24,800
 Total	 2,806,725	 2,094,190
Less discounts to present value	(980,136)	(386,048)
Less allowance for uncollectible pledges	(50,000)	(50,000)
 Net unconditional promises to give	 <u>\$1,776,589</u>	 <u>\$1,658,142</u>

The Foundation may receive conditional promises to give from bequests, revocable trusts and other conditional promises. At this time, the University of Maine Foundation may not have been notified as such or provided with the financial information and, therefore, amounts expected to be received from these promises cannot be accurately estimated.

**3. CASH SURRENDER VALUE OF LIFE INSURANCE**

The Foundation owns life insurance policies on the lives of certain donors. The cash surrender values as of June 30, 2008 and 2007 were \$116,084 and \$116,519, respectively. This represents the value of the policies if they were cancelled as of the statement of financial position date. The total death benefits due the Foundation upon the deaths of those insured was \$427,199 for 2008 and \$352,199 for 2007.

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**4. LONG-TERM INVESTMENTS**

Long-term investments as of June 30, 2008 and 2007 were as follows:

	<b>2008</b>	
	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 7,299,646	\$ 7,299,646
U.S. government securities	2,350,077	2,349,910
Stocks	66,225,247	72,405,397
Bonds	11,715,540	11,476,577
Alternative investments	<u>46,144,495</u>	<u>49,256,617</u>
<b>Total long-term investments</b>	<b><u>\$133,735,005</u></b>	<b><u>\$142,788,147</u></b>

  

	<b>2007</b>	
	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 6,245,455	\$ 6,245,455
U.S. government securities	1,232,541	1,223,943
Stocks	77,059,837	95,958,774
Bonds	10,944,441	11,303,703
Alternative investments	<u>27,244,495</u>	<u>30,391,602</u>
<b>Total long-term investments</b>	<b><u>\$122,726,769</u></b>	<b><u>\$145,123,477</u></b>

The following summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2008 and 2007.

	<b>2008</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ -	\$ 2,559,847	\$328	\$ 2,560,175
Realized gains	-	6,372,614	-	6,372,614
Investment fees	-	(604,182)	-	(604,182)
Unrealized gains	<u>(388,601)</u>	<u>(12,806,504)</u>	-	<u>(13,195,105)</u>
<b>Net investment income</b>	<b><u>\$(388,601)</u></b>	<b><u>\$ (4,478,225)</u></b>	<b><u>\$328</u></b>	<b><u>\$ (4,866,498)</u></b>

University of Maine Foundation  
Notes to Financial Statements  
June 30, 2008  
(With comparative totals for 2007)

4. LONG-TERM INVESTMENTS (CONTINUED)

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ -	\$ 2,536,231	\$850	\$ 2,537,081
Realized gains	-	11,755,054	-	11,755,054
Investment fees	-	(700,119)	-	(700,119)
Unrealized gains	<u>639,903</u>	<u>5,048,446</u>	<u>-</u>	<u>5,688,349</u>
Net investment income	<u>\$639,903</u>	<u>\$18,639,612</u>	<u>\$850</u>	<u>\$19,280,365</u>

Life Income Plans as of June 30, 2008 and 2007 were as follows:

	2008	
	Cost	Market
Cash and cash equivalents	\$ 21,861	\$ 21,861
Stocks and mutual funds	4,418,281	5,568,881
Bonds	<u>995,636</u>	<u>938,790</u>
Total long-term investments	<u>\$5,435,778</u>	<u>\$6,529,532</u>

	2007	
	Cost	Market
Cash and cash equivalents	\$ 27,912	\$ 27,912
Stocks and mutual funds	4,623,244	6,153,745
Bonds	<u>1,225,284</u>	<u>1,171,073</u>
Total long-term investments	<u>\$5,876,440</u>	<u>\$7,352,730</u>

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
(With comparative totals for 2007)

**4. LONG-TERM INVESTMENTS (CONTINUED)**

The following summarizes the life income plan investment return and its classification in the statement of activities for the years ended June 30, 2008 and 2007.

<b>2008</b>				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 75,560	\$ -	\$ -	\$ 75,560
Realized gains and (losses)	49,502	-	-	49,502
Unrealized gains	402,013	(784,548)	-	(382,535)
Investment fees	<u>(15,962)</u>	<u>-</u>	<u>-</u>	<u>(15,962)</u>
Net investment income	<u>\$511,113</u>	<u>\$(784,548)</u>	<u>\$ -</u>	<u>\$(273,435)</u>
<b>2007</b>				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 74,380	\$ -	\$ -	\$ 74,380
Realized gains and (losses)	(2,531)	-	-	(2,531)
Unrealized gains	400,235	424,312	-	824,547
Investment fees	<u>(15,470)</u>	<u>-</u>	<u>-</u>	<u>(15,470)</u>
Net investment income	<u>\$456,614</u>	<u>\$424,312</u>	<u>\$ -</u>	<u>\$880,926</u>

**5. REAL ESTATE**

At the date of the gift, real estate is recorded at the appraised value. As the market changes, the carrying values are updated. The real estate is stated primarily at current appraised value. There are various restrictions to the use and disposition of the real estate.

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**6. ACCRUED EXPENSES**

Accrued expenses of the Foundation at June 30, 2008 and 2007 consist of the following:

	2008	2007
Durst education fund	\$122,501	\$135,658
Post-retirement benefits (total estimated future benefits of \$922,803 and \$922,605, respectively discounted to present value of 10%)	620,811	593,033
Accrued vacation and other	119,728	103,002
Accrued interest	3,599	3,770
Total	<u>\$866,639</u>	<u>\$835,463</u>

**7. OPERATING LEASES**

As of March 1, 2008, the Foundation extended the lease for general office use in Portland, Maine. The extension term commenced on March 1, 2008 and ends on February 28, 2011. Under a written arrangement with the University of Maine, the Foundation has assigned the rights, responsibilities, obligations and use of the premises to the University of Maine. The University of Maine will assume the rental obligations; however, the Foundation reimburses the University \$1,730 per month for office space. The Foundation's portion of the minimum future payments under this noncancelable operating lease are as follows.

2009	\$20,966
2010	21,595
2011	14,682
	<u>\$57,243</u>

**8. DEFINED CONTRIBUTION PLAN**

The Foundation sponsors a defined contribution plan covering all full-time and regular part-time employees after completing one full year of service. The Foundation contributes 10% of eligible employees' gross salary to the fund each year. Pension expense that is reported in the schedule of functional expenses with payroll taxes and fringe benefits totaled \$68,549 and \$64,833 for the years ended June 30, 2008 and 2007, respectively.

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**9. BUCHANAN ALUMNI HOUSE**

On October 19, 1999, the University of Maine Foundation and the University of Maine Alumni Association entered into an agreement as co-owners of the Buchanan Alumni House. The owners did not create a partnership and each owns an undivided half interest in the building.

The Buchanan Alumni House provides office space for the Foundation and the Association to conduct their respective charitable and non-profit missions. The facility acts as the front door to the University of Maine providing a home for Maine's many alumni and friends. Buchanan Alumni House serves all campus visitors providing the University with functional space to welcome and host alumni, prospective students, faculty, campus guests, and visiting dignitaries.

Buchanan Alumni House was constructed solely from private funds. The Foundation and Association, as the owners of Buchanan Alumni House, each paid \$11,000 per month toward the costs of operating the facility.

As the legal owner of several Buchanan Alumni designated assets, the Foundation is administering the following assets at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Checking account	\$ 56,081	\$ 85,807
Certificates of deposit	<u>161,864</u>	<u>131,527</u>
Total assets managed by the University of Maine Foundation	<u>\$217,945</u>	<u>\$217,334</u>

As the obligor of a loan through Bangor Savings Bank, the Buchanan Alumni House recognizes the obligation as a pass-through debt managed by the Foundation. The following constitutes debt administered by the Foundation at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Note principal	\$670,642	\$702,600
Accrued interest	<u>3,599</u>	<u>3,770</u>
Total debt managed by the University of Maine Foundation	<u>\$674,241</u>	<u>\$706,370</u>

**University of Maine Foundation  
Notes to Financial Statements  
June 30, 2008  
(With comparative totals for 2007)**

**10. LONG-TERM DEBT**

Long term debt consists of the following:

	<u>2008</u>	<u>2007</u>
Note payable to Bangor Savings Bank in monthly installments of \$482 including interest at 7.14%; secured by a vehicle. Matures in December 2006.	\$ 11,175	\$ -
Note payable to Bangor Savings Bank in monthly installments of \$492 including interest at 4.34%; secured by a vehicle. Matures in August 2007.	-	951
Variable rate note payable to Bangor Savings Bank in monthly installments of \$6,417 with an interest rate presently at 6.44%. Beginning May 3, 2011, the interest rate will adjust and in each five year period thereafter through May 3, 2021 at which time all amounts of interest and principal on the note are due. The loan is secured by a University of Maine Foundation securities account. While legally payable by the Foundation, it is the intent to satisfy this debt through the Buchanan Alumni House ownership and therefore, the debt is recorded on those financial statements.	670,642	702,600
Note payable to Bangor Savings Bank in monthly installments of \$599 including interest at 5.09%; secured by a vehicle. Matures in July 2008.	533	7,503
Note payable to Bangor Savings Bank in monthly installments of \$563 including interest at 6.24%; secured by a vehicle. Matures in April 2009.	5,383	11,602
Note payable to Bangor Savings Bank in monthly installments of \$644 including interest at 6.24%; secured by a vehicle. Matures in December 2009.	<u>10,334</u>	<u>17,181</u>
Total long-term debt	698,067	739,837
Less current portion	<u>53,241</u>	<u>53,702</u>
Total long-term debt net of current portion	<u>\$644,826</u>	<u>\$686,135</u>

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**10. LONG-TERM DEBT (CONTINUED)**

Principal payment maturities during the next five years, assuming a continuation of June 30, 2008 interest rates are as follows:

June 30	
2009	\$ 53,241
2010	45,786
2011	40,153
2012	42,299
2013	45,105
Due thereafter	<u>471,483</u>
Total	<u>\$698,067</u>

**11. STATEMENT OF CASH FLOWS DISCLOSURES**

During 2008, the Foundation received non-cash contributions of other assets of \$407,500; and investment securities totaling \$2,501,999. The Foundation also paid interest of \$12,547 during the year. Also during 2008, the Foundation purchased an automobile totaling \$19,630 by obtaining a note payable of \$15,586 and trading a vehicle with a net book value \$6,617. The Foundation also disposed of assets totaling \$22,927 that were considered obsolete. During 2008, the Foundation used proceeds of \$14,486 from a \$25,000 life insurance policy to purchase a new life insurance policy with a face value of \$100,000.

During 2007, the Foundation received non-cash contributions of real estate of \$4,233,000; life insurance policy of \$9,432; other assets of \$1,500; and investment securities totaling \$14,422,458. The Foundation also paid interest of \$29,697 during the year. Also during 2007, the Foundation purchased automobiles totaling \$29,057 by obtaining a note payable of \$21,057.

**12. COMMITMENTS**

The Foundation is currently committed to the purchase of equipment totaling \$734,000. The balance to be paid on this equipment as of June 30, 2008 was \$513,800.

**University of Maine Foundation**  
**Notes to Financial Statements**  
**June 30, 2008**  
**(With comparative totals for 2007)**

**13. RESTATED NET ASSETS**

Net assets at June 30, 2007 have been restated for a \$250,000 intent to give which was erroneously recorded as an unconditional promise to give. In addition, various split-interest agreements have been reclassified as temporarily restricted to reflect the time element of the proceeds not becoming permanently restricted until the donor's death.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$12,356,648	\$50,316,017	\$118,881,000	\$181,553,665
Correct recording of intent to give	-	-	(250,000)	(250,000)
Reclassify split-interest agreements	<u>-</u>	<u>21,262,791</u>	<u>(21,262,791)</u>	<u>-</u>
Net assets, beginning of year - restated	<u>\$12,356,468</u>	<u>\$71,578,808</u>	<u>\$ 97,368,209</u>	<u>\$181,303,665</u>

**University of Maine Foundation**  
**Schedule of Functional Expenses**  
**For the Year Ended June 30, 2008**  
**(With comparative totals for 2007)**

	Program Services	Management and General	Fundraising	Total Expenses	
				2008	2007
Salaries	\$ 186,410	\$ 224,216	\$ 332,282	\$ 742,908	\$ 691,646
Payroll taxes and employee benefits	55,576	66,848	99,066	221,490	223,184
<b>Total compensation</b>	<b>241,986</b>	<b>291,064</b>	<b>431,348</b>	<b>964,398</b>	<b>914,830</b>
Distributions supporting University	8,505,828	-	-	8,505,828	6,460,510
Distributions to life income participants	511,113	-	-	511,113	456,614
Distributions, other	186,449	-	-	186,449	391,580
Fundraising and public relations	-	-	119,383	119,383	113,258
Equity in earnings of Buchanan					
Alumni House	-	85,168	-	85,168	69,948
Post retirement expense	-	49,852	-	49,852	33,616
Occupancy	24,814	29,848	44,234	98,896	98,375
Tax and audit	-	9,375	-	9,375	7,905
Consulting	-	15,908	-	15,908	-
Travel	6,067	7,298	10,815	24,180	25,059
Insurance	8,052	9,685	14,353	32,090	37,479
Postage	4,619	5,555	8,233	18,407	19,688
Printing	7,116	8,559	12,685	28,360	20,411
Depreciation	7,602	9,143	13,550	30,295	21,181
Interest	12,547	-	-	12,547	29,697
Dues and subscriptions	3,493	4,202	6,227	13,922	14,194
Advertising	3,042	3,659	5,422	12,123	10,986
Telephone	2,327	2,799	4,148	9,274	8,911
Legal	-	4,420	-	4,420	2,235
Miscellaneous	1,485	1,784	2,646	5,915	4,392
Entertainment	3,264	3,926	5,818	13,008	7,207
Supplies	3,301	3,969	5,883	13,153	9,239
Education and training	3,236	3,893	5,769	12,898	8,032
Auto expense	1,728	2,079	3,081	6,888	6,740
Equipment expense	3,216	3,868	5,732	12,816	8,816
Property management	31,799	38,248	56,683	126,730	130,184
<b>Total functional expenses (Exhibit B)</b>	<b>\$ 9,573,084</b>	<b>\$ 594,302</b>	<b>\$ 756,010</b>	<b>\$ 10,923,396</b>	<b>\$ 8,911,087</b>