

**FREDONIA COLLEGE FOUNDATION OF
STATE UNIVERSITY OF NEW YORK, INC.**

**REPORT ON
FINANCIAL STATEMENTS**

**YEAR ENDED
DECEMBER 31, 2007**

**FREDONIA COLLEGE FOUNDATION OF
STATE UNIVERSITY OF NEW YORK, INC.**

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Independent Auditors' Report

**To The Board of Directors of
Fredonia College Foundation of
State University of New York, Inc.
Fredonia, New York**

We have audited the accompanying statement of financial position of the **Fredonia College Foundation of State University of New York, Inc.** as of December 31, 2007 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 **Fredonia College Foundation of State University of New York, Inc.'s** December 31, 2006 financial statements, and in our report dated April 27, 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 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 **Fredonia College Foundation of State University of New York, Inc.** as of December 31, 2007 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 11 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 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.

Buffamante Whipple Buttafaro, P.C.

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
May 29, 2008**

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2006

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	2007	2006
Assets		
Cash and cash equivalents	\$ 1,153,311	\$ 507,397
Investments in securities, at fair value	17,417,974	16,666,724
Receivables	248,439	316,761
Prepaid expenses and deposits	355	2,363
Unconditional promises to give	135,000	244,831
Beneficial interest in charitable remainder trust	630,000	502,418
Other investments	71,418	69,799
Property and equipment, net	383,552	391,601
	<hr/>	<hr/>
Total assets	\$ 20,040,049	\$ 18,701,894
	<hr/>	<hr/>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 13,756	\$ 18,271
Annuities payable	324,946	271,820
Long-term debt	-	208,104
	<hr/>	<hr/>
Total liabilities	338,702	498,195
	<hr/>	<hr/>
Net assets		
Unrestricted		
Undesignated	596,125	291,548
Board designated endowments	1,247,080	1,210,264
	<hr/>	<hr/>
Total unrestricted	1,843,205	1,501,812
Temporarily restricted	6,341,027	6,239,237
Permanently restricted	11,517,115	10,462,650
	<hr/>	<hr/>
Total net assets	19,701,347	18,203,699
	<hr/>	<hr/>
Total liabilities and net assets	\$ 20,040,049	\$ 18,701,894
	<hr/>	<hr/>

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2006

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	2007				2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Gifts and bequests	\$ 422,505	\$ 778,996	\$ 929,598	\$ 2,131,099	\$ 1,842,701
Investment income	31,077	848,407	10,617	890,101	1,939,910
Change in value of split-interest agreements	--	--	127,582	127,582	12,873
Donated services	474,682	--	--	474,682	483,210
Miscellaneous income	58,800	--	--	58,800	42,000
Net assets released from restrictions through satisfaction of program restrictions	1,525,613	(1,525,613)	--	--	--
Total support and revenue	2,512,677	101,790	1,067,797	3,682,264	4,320,694
Expenses					
Grants	1,298,949	--	--	1,298,949	1,191,356
Administrative expenses	832,137	--	--	832,137	832,460
Actuarial loss on annuities	40,198	--	13,332	53,530	27,632
Total expenses	2,171,284	--	13,332	2,184,616	2,051,448
Increase in net assets	341,393	101,790	1,054,465	1,497,648	2,269,246
Net assets, beginning of year	1,501,812	6,239,237	10,462,650	18,203,699	15,934,453
Net assets, end of year	\$ 1,843,205	\$ 6,341,027	\$ 11,517,115	\$ 19,701,347	\$ 18,203,699

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2006

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	2007	2006
Cash flows from operating activities		
Increase in net assets	\$ 1,497,648	\$ 2,269,246
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	19,527	17,601
Realized gain on sale of investments	(702,289)	(249,061)
Unrealized (gain) loss on investments	387,066	(1,175,282)
Changes in:		
Receivables	68,322	124,883
Prepaid expenses	2,008	(952)
Unconditional promises to give	109,831	(244,831)
Beneficial interest in remainder trust	(127,582)	(12,873)
Accounts payable and accrued expenses	(4,515)	11,894
Annuities payable	53,126	(19,375)
Net cash provided by operating activities	1,303,142	721,250
Cash flows from investing activities		
Proceeds from sales of investments in securities	10,023,833	4,112,786
Purchases of investments in securities	(10,459,860)	(4,718,980)
Increase in other investments	(1,619)	(9,957)
Purchases of property and equipment	(11,478)	(39,226)
Net cash used in investing activities	(449,124)	(655,377)
Cash flows from financing activities		
Repayment of long-term debt	(208,104)	(25,885)
Net cash used in financing activities	(208,104)	(25,885)
Net increase in cash	645,914	39,988
Cash, beginning of year	507,397	467,409
Cash, end of year	\$ 1,153,311	\$ 507,397
Supplementary schedule of cash flow information:		
Interest paid	\$ 13,035	\$ 14,296
<u>Non-cash operating activities:</u>		
Donated services received (payroll and benefits)	\$ 474,682	\$ 483,210

See accompanying independent auditors' report and notes to financial statements.

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The **Fredonia College Foundation of State University of New York, Inc.** (the **Foundation**), a not-for-profit corporation, was formed in 1964 to encourage and accept gifts and endowments in support of the priority needs of the State University of New York at Fredonia, its faculty and students.

Basis of Accounting

The financial statements of the **Foundation** have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 117; "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the **Foundation** is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the **Foundation's** governing board.

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

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the **Foundation**. Generally, the donors of these assets permit the **Foundation** to use all or part of the income earned on related investments for general or specific purposes.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be a cash equivalent. Cash and cash equivalents in the amounts of \$97,201 and \$462,450 were classified as investments as of December 31, 2007 and 2006, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the **Foundation**. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Capitalization of Property and Equipment

Property and equipment are recorded at cost or if donated, at the fair market value at the date of the gift in the case of the donated equipment. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets (five to thirty years). Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

Contributed Services and Facilities

During the years ended December 31, 2007 and 2006, the value of contributed services meeting the requirements for recognition in the financial statements amounted to \$474,682 and \$483,210 respectively. These services were provided by SUNY Fredonia at no cost to the Foundation. The value of the donated use of the facilities meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Allocation of Income

The Board of Directors' policy is to calculate investment earnings on a total return basis. This method takes into account the income earned on securities, gains or losses on securities sold and net change in the fair value of securities held. Available funds are credited to the accumulated income account of each participating endowment on a quarterly basis at an established fixed rate of return (spending rate). The spending rate is determined annually by the Board of Directors with the objective of long-term maximum prudent total return. During the year ended December 31, 2006, the spending rate was 4.0% of the total permanently restricted net assets valued at fair value. For the year ended December 31, 2007, the Board raised the spending rate to 5.0%

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allocation of Income (cont'd)

In the event actual yield and increase in market value for a period are in excess of the guaranteed spending rate authorized by the Board, the excess is transferred to an earnings reserve account. Conversely, any shortfalls for a given period will be charged against the earnings reserve account. See note 10 for an analysis of changes in the earnings reserve account.

Temporarily restricted net assets are primarily college department and organization accounts and generally do not receive an allocation of investment income. For the calendar year ended December 31, 2006, the Foundation charged an annual fee of 1% against deposits into these accounts. For the year beginning January 1, 2007, the fee has increased to 3%.

A \$10,000 minimum balance is required in order to establish an endowment with the Foundation. All accounts created that do not meet this minimum are held and receive an allocation of investment income. No awards are made from these funds until the minimum endowment balance is attained either through accumulated investment earnings or additional capital contributions.

Allocation of Expenses

The costs of providing various programs and other activities have been adequately detailed in the statement of activities. Allocation of management and general expenses between program and supporting services is not considered significant to the operations of the Foundation, therefore, no such allocation has been provided.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from New York State income taxes under Article 7-A of the New York State Executive Law. Therefore, no provision has been made for Federal or New York State income taxes in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and had been classified as an Agency other than a private foundation under Section 509(a)(3) of the Internal Revenue Code. On September 28, 2007, the IRS reclassified the Foundation's as an Agency other than a private foundation under Section 509(a)(1).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Board Designation of Unrestricted Net Assets Toward Endowment

It is the policy of the Board of Directors of the Foundation to plan for the future by designating funds for specific purposes. As of December 31, 2007 and 2006, the Board had designated \$1,247,080 and \$1,210,264. The restrictions can be lifted by a majority vote of the Board at any time.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information 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 Foundation's financial statements for the year ended December 31, 2006, from which the summarized information is derived.

NOTE 2 - RECEIVABLES

A summary of receivables consisted of the following as of December 31:

	<u>2007</u>	<u>2006</u>
State University College at Fredonia Alumni Association, Inc.	\$ 29,666	\$ 10,216
Loans to students	1,424	2,527
Fredonia Loan Fund	17,000	17,000
Bequests	201,849	288,518
Subtotal	249,939	318,261
Less: allowance for doubtful accounts	(1,500)	(1,500)
Total receivables	<u>\$ 248,439</u>	<u>\$ 316,761</u>

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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NOTE 3 - INVESTMENTS

The Foundation's assets are primarily invested with Fidelity Investments by consultant Alesco Advisors, LLC, of Pittsford, NY in a number of indexed equity and bond funds, and in an equities portfolio. It is the policy of the Foundation to liquidate gifts received in the form of specific securities as soon as practical. During 2007 all investments were moved to Fidelity. The cost and fair value of investments in marketable securities at December 31, 2007 and 2006 are summarized as follows:

2007

Fidelity Investments 614-414565	Cost	Fair Value	Unrealized Gain/(Loss)
Vanguard total Bond Market Instl.	\$ 5,323,831	\$ 5,421,887	\$ 98,056
Inflation Protected Securities Adm.	550,035	573,454	23,419
Vanguard Total International Stock Index	788,802	1,471,709	682,907
Vanuard Instl. Index	5,002,498	4,827,376	(175,122)
Ishares TR S&P Midcap 400 Index FD	521,055	586,086	65,031
Ishares S&P Midcap 400 Growth	162,181	196,064	33,883
Ishares S&P Midcap 400 Value	170,794	190,944	20,150
Ishares S&P 500/Growth Index FD Shares	502,142	495,793	(6,349)
Ishares S&P Smallcap 600 Index	469,109	497,403	28,294
Ishares S&P Smallcap 600 Value	185,305	196,000	10,695
Ishares S&P Smallcap 600 Growth	164,478	188,805	24,327
Vanguard Index FDS	764,163	731,374	(32,789)
DFA International Small Company	429,180	505,953	76,773
Dimensional Advisor US Large	458,975	464,865	5,890
Dimensional Advisor US Micro	110,035	89,475	(20,560)
S&P 500 Depository Receipt (SPY)	142,928	146,210	3,282
SPDR Inxv SHS FDS DJ Wilshire International	257,603	256,275	(1,328)
Cash (Core Account)	68,994	68,994	-
Total Account 614-414565	16,072,108	16,908,667	836,559
Fidelity Investments 672-471569			
Ishares TR MSCI EAFE Index Fund	18,156	17,663	(493)
Ishares TR S&P Midcap 400 Index Fund	20,930	19,961	(969)
Ishares Trust S&P Smallcap 600 Index Fund	27,497	25,033	(2,464)
S&P 500 Depositor Receipt (SPY)	93,846	91,381	(2,465)
Dimensional Advisor US Micro Cap Port (DFSCX)	7,835	6,329	(1,506)
DFA International Small Company Port (DFISX)	7,835	6,742	(1,093)
Vanguard Total Bond Market Index Signal (VBTSX)	223,280	231,229	7,949
Vanguard Inflation Protected SECS (VIPSX)	20,789	21,800	1,011
Cash (Core Account)	22,882	22,882	-
Total Account 672-471569	443,050	443,020	(30)
Fidelity Investments 672-471704			
Vanguard Total Bond Market Index Signal	35,035	36,028	993
Ishares TR	3,939	3,925	(14)
Ishares TR S&P	3,040	2,973	(67)
Ishares Trust S&P	5,143	4,877	(266)
S&P 500 Depository	13,307	13,159	(148)
Cash (Core Account)	5,325	5,325	-
Total Account 672-471704	65,789	66,287	498
Total Investments	\$ 16,580,947	\$ 17,417,974	\$ 837,027

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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NOTE 3 - INVESTMENTS (CONT'D)

	<u>2006</u>		<u>Unrealized</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Gain/ (Loss)</u>
The Vanguard Group			
Total Bond Mkt. Index Inv	\$ 299,651	\$ 292,309	\$ (7,342)
Inflation-Protect Sec Inv	47,205	46,147	(1,058)
500 Index Fund Adm	47,205	51,268	4,063
REIT Index Fund Inv	26,145	25,835	(310)
Small-Cap Index Fund Adm	47,205	51,895	4,690
Total Int'l Stock Index	23,602	25,937	2,335
Total Vanguard	491,013	493,391	2,378
Rorer Asset Management			
Cash and cash equivalents	223,162	223,162	-
Common equity securities	3,896,402	4,612,676	716,274
Total Rorer Asset Management	4,119,564	4,835,838	716,274
Fidelity Investments			
Total Bond Mkt. Index Adm	4,870,205	4,882,084	11,879
Inflation-Protected Securities Adm.	550,035	542,729	(7,306)
Total Int'l Stock Index	841,000	1,479,780	638,780
Ishares TR S&P Midcap 400 Index FD	428,206	473,003	44,797
Ishares S&P Midcap 400 Growth	159,860	175,362	15,502
Ishares S&P Midcap 400 Value	246,267	277,340	31,073
Ishares S&P Smallcap 600 Index	422,048	475,128	53,080
Ishares S&P Smallcap 600 Value	242,048	278,758	36,710
Ishares S&P Smallcap 600 Growth	162,436	179,144	16,708
Vanguard Index FDS	793,097	977,900	184,803
DFA International Small Co.	363,482	461,482	98,000
Dimensional Advisor US Large	800,105	895,497	95,392
Cash (Core Account)	239,288	239,288	--
Total Fidelity	10,118,077	11,337,495	1,219,418
Total Investments	\$14,728,654	\$16,666,724	\$ 1,938,070

Investments in securities are stated at fair value. The fair value of securities is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in investment income in the statements of activities. A summary of investment income for the years ended December 31, 2007 and 2006 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007</u>	<u>2006</u>
Interest	\$ 29,015	\$ 534,698	\$ 11,165	\$ 574,878	\$ 515,818
Realized gain (loss) on sale of investments	(17)	696,567	5,739	702,289	249,069
Unrealized gain (loss) in fair value of marketable securities	2,079	(382,858)	(6,287)	(387,066)	1,175,023
Total Investment Income	\$ 31,077	\$ 848,407	\$ 10,617	\$ 890,101	\$ 1,939,910

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

A summary of unconditional promises to give, which are primarily related to scholarships and reported net of a discount to present value (at a rate of 4%), consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Receivables due in less than one year	\$ 150,000	\$ 150,000
Receivables due in one to five years	--	150,000
Subtotal	150,000	300,000
Less:		
Discount to net present value	--	10,169
Allowance for doubtful accounts	15,000	45,000
Total unconditional promises to give	<u>\$ 135,000</u>	<u>\$ 244,831</u>

NOTE 5 - BENEFICIAL INTEREST IN REMAINDER TRUST

The Foundation is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has a legally enforceable right to 70% of the \$1,000,000 trust upon the demise of a life income beneficiary. The beneficial interest was recorded at its estimated present value of \$502,418 on December 31, 2006. The life income beneficiary passed away February 2008. The Foundation discounted the \$700,000 remainder based upon the expectation of receipt by the Foundation. The net balance as of December 31, 2007 is \$630,000. The net asset balance is classified as permanently restricted because it represents an additional contribution to an existing permanently restricted endowment.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment are detailed as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 5,000	\$ 5,000
Building	349,940	349,940
Improvements	105,282	94,539
Furnishings and equipment	<u>6,847</u>	<u>6,112</u>
Subtotal	467,069	455,591
Accumulated depreciation	<u>(83,517)</u>	<u>(63,990)</u>
Total	<u>\$ 383,552</u>	<u>\$ 391,601</u>

In 2002, the Foundation purchased a brick and frame dwelling located at 272 Central Avenue, Fredonia NY as the new site of the Foundation's offices. Land and buildings were pledged as collateral for the Foundation's mortgage payable (see Note 8). The Board voted to pay off the mortgage during 2007. Depreciation expense amounted to \$19,527 and \$17,601 for the years ended December 31, 2007 and 2006, respectively.

NOTE 7 - ANNUITIES PAYABLE

The value of annuities payable amounted to \$324,946 and \$271,820 at December 31, 2007 and 2006, respectively. The balance represents the present value of the aggregate liability for gift annuity agreements, based on acceptable life expectancy tables. Payments due during 2008 based on agreements existing at December 31, 2007 amounted to \$54,599.

NOTE 8 - LONG-TERM DEBT

The *Foundation's* obligations under notes payable consist of the following:

	<u>2007</u>	<u>2006</u>
6.25% mortgage payable, due in monthly installments of \$2,144, including interest, through November 2017, secured by the land and building.	\$ --	\$ 205,575
7.25% note payable, due in monthly installments of \$1,394, including interest, through January 2007, secured by the land and building.	--	2,529
	<u>\$ --</u>	<u>\$ 208,104</u>

Interest expense related to the long-term debt was \$13,003 and \$14,296 for the years ended December 31, 2007 and 2006, respectively.

During the current year the Board voted to pay off the mortgage, which was paid off in December 2007.

NOTE 9 - AGREEMENT WITH SUNY FREDONIA

The Foundation has an agreement to utilize certain office equipment and personnel of the State University of New York at Fredonia (SUNY Fredonia) at no cost. This agreement was amended and renewed retroactively on September 16, 2005 for the period commencing March 1, 2005 and ending February 28, 2010. The agreement is cancelable by either party within 45 days of written notice to terminate. Donated services received from SUNY Fredonia amounted to \$474,682 and \$483,210 for the years ended December 31, 2007, and 2006, respectively.

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
College departments, programs and support services	\$ 1,303,916	\$ 1,395,878
Scholarships and student awards	1,044,973	751,605
Earnings reserve-available for future periods	3,992,138	4,091,754
	<u>\$ 6,341,027</u>	<u>\$ 6,239,237</u>

The change in the earnings reserve for the years ended December 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 4,091,754	\$ 2,881,461
Additions:		
Interest and dividends	534,698	480,587
Realized gains (losses)	696,567	255,085
Unrealized appreciation	(382,858)	1,163,863
Deletions:		
Management fee released for unrestricted use	(216,850)	(153,291)
Spending rate established by board	(731,173)	(535,951)
	<u>\$ 3,992,138</u>	<u>\$ 4,091,754</u>

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which may be expended to support the following purposes at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Scholarship and student awards	\$ 7,151,060	\$ 6,726,574
Professorships and lectures	1,127,064	1,062,592
College departments, programs and support services	3,186,086	2,630,079
Other	52,905	43,405
	<u>\$11,517,115</u>	<u>\$10,462,650</u>

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions by incurring expenses in satisfaction of program restrictions for the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
<i>Temporarily Restricted</i>		
College departments, programs and support services	\$ 769,861	\$ 763,226
Scholarships and student awards	450,768	368,365
Other	304,984	206,329
	<u>\$ 1,525,613</u>	<u>\$ 1,337,920</u>

NOTE 13 - PENSION PLAN

The Foundation provides retirement benefits for employees through a defined contribution retirement plan. The plan operates under Section 403(b) of the Internal Revenue Code and uses the Teachers Insurance and Annuity Association of America and College Retirement Equities Fund (TIAA-CREF) to provide benefits. The plan requires that the Foundation contribute 10% of the participant's annual salary if the participant makes voluntary contributions during the year in an amount equal to 7% of their salary. Additionally, the Foundation will match additional participant contributions of up to 3% of the participant's salary. Participants of the plan are fully vested upon becoming members of the plan. The Foundation's policy is to fund the current pension plan costs accrued which amounted to \$12,217 and \$10,853 for the years ended December 31, 2007 and 2006, respectively.

SUPPLEMENTARY INFORMATION

FREDONIA COLLEGE FOUNDATION OF STATE UNIVERSITY OF NEW YORK, INC.
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2006

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	2007	2006
Administrative expenses		
Payroll and related benefits, including donated services	\$ 584,666	\$ 577,444
Printing	46,878	50,109
Phonathon	2,657	2,949
Donor and scholarship recipient recognition/cultivation	14,202	12,834
Donor recognition event	19,646	13,943
Alumni leadership conference	5,784	-
Meetings, conferences and seminars	3,497	3,103
Professional fees	21,533	12,494
Contracted services	30,596	35,329
President's discretionary fund	3,000	3,000
Memberships and dues	923	1,375
Insurance	1,013	4,590
Travel expense	1,592	12,590
Office supplies and postage	3,291	18,229
Lettershop	5,867	4,819
Publications	766	2,802
Software and support	1,910	720
Capital campaign	6,065	5,382
Miscellaneous expenses	13,032	7,470
Foundation house expenses		
Depreciation	19,527	17,601
Insurance	1,985	1,577
Interest expense	13,035	14,296
Repairs and maintenance	19,122	20,834
Utilities	11,550	8,970
Total administrative expenses	\$ 832,137	\$ 832,460