

ST. BONAVENTURE UNIVERSITY

FINANCIAL STATEMENTS

May 31, 2010

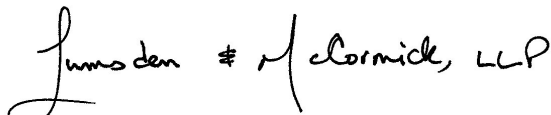
INDEPENDENT AUDITORS' REPORT

The Board of Trustees
St. Bonaventure University
St. Bonaventure, New York

We have audited the accompanying statements of financial position of St. Bonaventure University (the University) as of May 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University'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 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 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 as of May 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



August 30, 2010

ST. BONAVENTURE UNIVERSITY**Statements of Financial Position**

May 31,	2010	2009
Assets		
Cash	\$ 1,429,731	\$ 2,162,317
Investments (Note 2)	6,824,653	6,098,206
Bond proceeds invested for plant (Note 2)	51	51
Pledges and grants receivable, net (Note 3)	8,965,694	7,492,255
Notes and accounts receivable:		
Student accounts receivable		
Less: allowance for doubtful accounts of \$237,000	4,173,269	4,178,761
Other	1,276,787	791,957
Prepaid expenses and other assets	844,009	782,167
Land, buildings, and equipment, net (Note 4)	68,947,190	71,374,823
Construction in progress (Note 4)	313,099	71,794
Long-term investments (Note 2)	44,027,497	38,201,596
Total assets	\$ 136,801,980	\$ 131,153,927
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,581,986	\$ 3,966,122
Student and other deposits	330,134	323,363
Deferred revenue	1,774,623	2,756,983
U.S. government grants refundable	2,208,847	2,180,164
Other liabilities	878,444	875,693
Debt (Note 6)	18,540,370	20,452,266
Accrued interest payable	137,324	156,927
Asset retirement obligation (Note 1)	5,134,580	4,878,461
Total liabilities	32,586,308	35,589,979
Net assets:		
Unrestricted	62,040,437	57,257,963
Temporarily restricted	8,223,833	4,834,448
Permanently restricted	33,951,402	33,471,537
Total net assets	104,215,672	95,563,948
	\$ 136,801,980	\$ 131,153,927

See accompanying notes.

ST. BONAVENTURE UNIVERSITY
Statements of Activities
For the years ended May 31, 2010 and 2009

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Educational and general:				
Tuition and fees	\$ 55,227,506	\$ -	\$ -	\$ 55,227,506
Less: University-funded scholarships	(23,865,273)	-	-	(23,865,273)
Net educational and general	31,362,233	-	-	31,362,233
Government appropriations	198,915	677,954	-	876,869
Private gifts and grants	3,952,329	601,289	-	4,553,618
Interest on loans receivable	11,643	-	-	11,643
Other sources	2,217,698	92,897	-	2,310,595
Long-term investment income and gains allocated for operations	2,981,215	-	-	2,981,215
Auxiliary enterprises	10,664,068	-	-	10,664,068
Loss on disposal of land, buildings, and equipment	(59,344)	-	-	(59,344)
Net assets released from restrictions, satisfaction of program restrictions	1,421,323	(1,421,323)	-	-
Total operating revenue (loss)	52,750,080	(49,183)	-	52,700,897
Operating expenses:				
Salaries and benefits	30,467,381	-	-	30,467,381
Endowed scholarships and programs	1,201,933	-	-	1,201,933
Professional and contracted services	2,110,382	-	-	2,110,382
Insurance, utilities, and maintenance	3,703,259	-	-	3,703,259
Student programming	2,201,187	-	-	2,201,187
Supplies and other operating expense	6,604,667	-	-	6,604,667
Depreciation, accretion, and interest	4,380,344	-	-	4,380,344
Total operating expenses	50,669,153	-	-	50,669,153
Change in net assets from operating activities	2,080,927	(49,183)	-	2,031,744
Nonoperating activities:				
Annuity adjustment	(9,571)	-	-	(9,571)
Long-term investment activities:				
Long-term investment gains, net (Note 2)	4,776,631	-	-	4,776,631
Long-term investment income and gains allocated for operations (Note 2)	(2,981,215)	-	-	(2,981,215)
Total long-term investment activities	1,795,416	-	-	1,795,416
Capital giving activities:				
Capital gifts, grants, and appropriations	145,449	4,132,093	479,865	4,757,407
Net assets released from restriction, satisfaction of program restrictions	693,525	(693,525)	-	-
Total capital giving activities	838,974	3,438,568	479,865	4,757,407
Other activities:				
Indirect costs and salaries recovered	127,022	-	-	127,022
Other expenses	(50,294)	-	-	(50,294)
Total other activities	76,728	-	-	76,728
Change in net assets from nonoperating activities	2,701,547	3,438,568	479,865	6,619,980
Total change in net assets	4,782,474	3,389,385	479,865	8,651,724
Net assets - beginning of year	57,257,963	4,834,448	33,471,537	95,563,948
Net assets - end of year	\$ 62,040,437	\$ 8,223,833	\$ 33,951,402	\$ 104,215,672

See accompanying notes.

ST. BONAVENTURE UNIVERSITY

Statements of Activities

For the years ended May 31, 2010 and 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Educational and general:				
Tuition and fees	\$ 52,966,516	\$ -	\$ -	\$ 52,966,516
Less: University-funded scholarships	(21,994,523)	-	-	(21,994,523)
Net educational and general	30,971,993	-	-	30,971,993
Government appropriations	270,976	1,150,275	-	1,421,251
Private gifts and grants	4,773,924	(171,303)	-	4,602,621
Interest on loans receivable	13,724	-	-	13,724
Other sources	2,287,186	53,437	-	2,340,623
Long-term investment income and gains allocated for operations	2,044,948	-	-	2,044,948
Auxiliary enterprises	9,951,178	-	-	9,951,178
Gain on sale of land, buildings, and equipment	3,034	-	-	3,034
Net assets released from restrictions, satisfaction of program restrictions	1,789,734	(1,789,734)	-	-
Total operating revenue (loss)	52,106,697	(757,325)	-	51,349,372
Operating expenses:				
Salaries and benefits	30,346,061	-	-	30,346,061
Endowed scholarships and programs	1,308,998	-	-	1,308,998
Professional and contracted services	2,227,224	-	-	2,227,224
Insurance, utilities, and maintenance	4,055,494	-	-	4,055,494
Student programming	2,685,832	-	-	2,685,832
Supplies and other operating expense	7,145,236	-	-	7,145,236
Depreciation, accretion, and interest	4,421,742	-	-	4,421,742
Total operating expenses	52,190,587	-	-	52,190,587
Change in net assets from operating activities	(83,890)	(757,325)	-	(841,215)
Nonoperating activities:				
Annuity adjustment	(2,700)	-	-	(2,700)
Long-term investment activities:				
Long-term investment losses, net (Note 2)	(9,165,240)	-	-	(9,165,240)
Long-term investment income and gains allocated for operations (Note 2)	(2,044,948)	-	-	(2,044,948)
Total long-term investment activities	(11,210,188)	-	-	(11,210,188)
Capital giving activities:				
Capital gifts, grants, and appropriations	211,826	1,087,726	1,978,473	3,278,025
Net assets released from restriction, satisfaction of program restrictions	3,653,824	(3,653,824)	-	-
Total capital giving activities	3,865,650	(2,566,098)	1,978,473	3,278,025
Other activities:				
Indirect costs and salaries recovered	111,082	-	-	111,082
Other expenses	(98,860)	-	-	(98,860)
Total other activities	12,222	-	-	12,222
Change in net assets from nonoperating activities	(7,335,016)	(2,566,098)	1,978,473	(7,922,641)
Total change in net assets	(7,418,906)	(3,323,423)	1,978,473	(8,763,856)
Net assets - beginning of year	64,676,869	8,157,871	31,493,064	104,327,804
Net assets - end of year	\$ 57,257,963	\$ 4,834,448	\$ 33,471,537	\$ 95,563,948

See accompanying notes.

ST. BONAVENTURE UNIVERSITY

Statements of Cash Flows

For the years ended May 31,

2010

2009

Operating activities:

Change in net assets	\$ 8,651,724	\$ (8,763,856)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation, amortization, and accretion	3,407,337	3,359,546
(Gain) loss on disposal of land, buildings, and equipment	59,344	(3,034)
Net realized and unrealized (gain) losses on investments	(4,148,789)	10,359,921
Nonoperating investment losses	690,087	509,227
Contributions restricted for land, buildings, and equipment or endowment	(2,924,582)	(3,066,199)
Changes in operating assets and liabilities:		
Pledges and grants receivable	(1,473,439)	2,302,131
Student accounts receivable	5,492	(87,942)
Accounts receivable - other	(484,830)	(188,705)
Prepaid expenses and other assets	(61,842)	507,333
Accounts payable and accrued expenses	(384,136)	(1,764,231)
Student and other deposits	6,771	(7,760)
Deferred revenue	(982,360)	326,579
Other liabilities	10,754	(24,972)
Accrued interest payable	(19,603)	(20,433)
Net operating activities	2,351,928	3,437,605

Investing activities:

Investment sales	5,359,730	1,289,116
Investment purchases	(8,453,376)	(1,146,299)
Sale of land, buildings, and equipment	-	10,281
Purchases of land, buildings, and equipment	(1,024,234)	(4,348,533)
Net investing activities	(4,117,880)	(4,195,435)

Financing activities:

Contributions restricted for land, buildings, and equipment or endowment	2,924,582	3,066,199
Proceeds from issuance of debt	110,314	-
Payments on debt	(2,022,210)	(1,930,192)
Gift annuity principal repaid	(17,574)	(18,944)
Gift annuity adjustment	9,571	2,700
U.S. government grants refundable	28,683	1,447
Net financing activities	1,033,366	1,121,210

Net change in cash **(732,586)** **363,380**

Cash - beginning of year **2,162,317** **1,798,937**

Cash - end of year **\$ 1,429,731** **\$ 2,162,317**

Supplemental cash flow disclosures:

Cash paid for interest during the year on long-term debt **\$ 977,789** **\$ 1,072,034**

Purchases of land, buildings, and equipment in accounts payable and accrued expenses **\$ -** **\$ 158,330**

ST. BONAVENTURE UNIVERSITY

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization:

St. Bonaventure University (the "University") is an independent, coeducational university in the Franciscan tradition offering undergraduate programs through its Schools of Arts and Sciences, Business, Education, and Journalism and Mass Communication. Master's degrees are offered through its School of Graduate Studies.

Tax Status:

The University is a 501(c)(3) organization exempt from income taxation under Section 501(a) of the Internal Revenue Code. Management believes the University is no longer subject to examination by Federal and State taxing authorities for years ended prior to May 31, 2007.

Subsequent Events:

The University has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 30, 2010 (the date the financial statements were available to be issued).

Basis of Accounting:

The financial statements are prepared on the accrual basis of accounting. The University classifies resources for accounting and reporting purposes into three net asset categories: unrestricted, temporarily restricted, and permanently restricted net assets, according to externally (donor) imposed restrictions. Unconditional promises to give (pledges) are recorded as receivables and revenues and the University distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

Unrestricted Net Assets - include the following:

Undesignated - Includes the revenue and expenses associated with the principal educational mission of the University. Undesignated unrestricted net assets totaled \$7,175,081 at May 31, 2010 and \$4,934,808 at May 31, 2009.

Designated for Endowment - Include gifts and board of trustees designations to funds functioning as endowment, realized and unrealized gains, and reinvested income (income earned in excess of the spending policy) on all unrestricted (those without donor-imposed restrictions) long-term investments. Unrestricted net assets designated for endowment totaled \$6,834,741 at May 31, 2010 and \$3,777,193 at May 31, 2009.

Designated for Loan Programs - Student loan net assets include lending activity to students utilizing the University's resources designated for that purpose. Unrestricted net assets designated for loan programs totaled \$1,049,636 at May 31, 2010 and \$1,038,539 at May 31, 2009.

Designated for Plant and Plant Improvements - Include gifts and income earned on unexpended balances for capital projects and transfers from the operating budget to fund the debt service requirements for outstanding bonds, notes, and mortgages payable. The University follows the policy of lifting the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the long-lived assets begin construction or are acquired. Unrestricted net assets designated for plant and plant improvements totaled \$46,980,979 at May 31, 2010 and \$47,507,423 at May 31, 2009.

Temporarily Restricted Net Assets:

Temporarily restricted net assets include fundraising activities, gifts and certain governmental grants with provisions and donor-imposed restrictions which have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently Restricted Net Assets:

Permanently restricted net assets include gifts, which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The University's Board of Trustees has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the historical value of the original gift as of the date of the endowment gift, absent explicit donor stipulation to the contrary.

Endowment assets are monitored closely by management and the Board of Trustees; earnings are captured as temporarily restricted net assets until expended pursuant to donor requirements.

Fair Value of Financial Instruments:

Investments in cash equivalents, equity and fixed income securities are stated at fair value as determined by quoted prices in active markets. Alternative investments consist of limited partnerships (private equity) and include other similar pooled investment vehicles managed by independent portfolio managers that employ diverse, alternative investment strategies across a variety of asset classes. Values of alternative investments are based on the University's contributions, plus its allocable share of the investment's net income or loss, less any withdrawals or distributions. Certain alternative investment holdings are invested in marketable securities which have quoted prices in active markets.

The fair value of pledges and grants receivable is determined by the present value of estimated future cash flows using a discount rate determined by reference to financial instruments with similar maturities and terms. Rates currently available to the University for debt with similar terms and remaining maturities are used to estimate fair value. The recorded amounts as of May 31, 2010 and 2009 approximate fair value. The fair values of other financial instruments approximate their recorded values.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash:

Cash in financial institutions potentially subjects the University to concentrations of credit risk since balances may exceed insured limits at various times during the year.

Student Accounts Receivable:

Student accounts receivable are presented net of an allowance for doubtful accounts. The University provides an allowance for doubtful collections based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Student accounts receivable are due the first day of classes. Receivables past due more than two years for non-active students are generally written off based on individual credit evaluation and specific circumstances of the student.

Notes and Accounts Receivable – Other:

Notes and accounts receivable includes matching gifts receivable, receivables from government agencies, and other miscellaneous receivables.

Prepaid Expenses and Other Assets:

Prepaid expenses and other assets include prepaid expenses and net deferred financing costs. Deferred financing costs are amortized over the life of the debt obligation, which approximates the effective interest method.

Land, Buildings, and Equipment:

Land, land improvements, buildings, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The ranges of estimated useful lives used are as follows:

Buildings and improvements	50 years
Land improvements	20 years
Equipment	14.3 years
Computer equipment	5 years
Vehicles	5 years
Furniture and fixtures	5 years

Deferred Revenue:

Student tuition and fees are reported as revenue when earned. Revenue and expenditures of the summer session are deferred and are recognized within the fiscal year in which the program is predominantly conducted. Grant funding received in advance of grant activities required to be performed is reported as deferred revenue.

Revenue Recognition:

Net tuition and fees and auxiliary enterprises are recognized as revenues over the service period. Government appropriations are recognized as revenues when the University satisfies the grant requirements. Private gifts and grants and capital gifts, grants and appropriations are recognized as revenues when they meet the requirements of unconditional promises to give.

Operating and Nonoperating Activities:

Operating activities represent revenues and expenses associated with the recurring educational operations of the University. Nonoperating activities represent activities that are either not directly attributable or related to the recurring educational operations of the University or are nonroutine in nature. Capital gifts related to specific capital campaigns are recognized as nonoperating activities.

Art Collections:

The University does not assign a value to art and other collections received as gifts. Management believes it is not practicable to determine the fair value of the collection.

Accounting for Asset Retirement Obligations:

The University records all known asset retirement obligations for which the fair value of the liability can be reasonably estimated. As of May 31, 2010, the University's asset retirement obligations were \$5,134,580 (net of accumulative accretion) and its capitalized asset retirement costs were \$207,912 (net of accumulated depreciation).

The University is not aware of any other conditional asset retirement obligations as of May 31, 2010. Accordingly, no additional conditional asset retirement obligations have been recorded in the financial statements. A liability for such obligations will be recorded when additional liabilities become known.

2. Investments:

Long-term investment income activity for the years ended May 31, 2010 and 2009 consisted of:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 627,842	\$ 1,194,681
Realized losses	(1,317,929)	(1,703,908)
Unrealized gains (losses)	5,466,718	(8,656,013)
Total long-term investment gains (losses)	<u>\$ 4,776,631</u>	<u>\$ (9,165,240)</u>

The University classifies monies that are expected to be utilized within one year as investments. Endowment and annuity investments are classified as long-term investments because donor restrictions require the corpus to be invested in perpetuity. Bond proceeds invested for plant represent unexpended bond proceeds currently invested in money market funds until drawn down in accordance with construction needs. Long-term investments include cash required for debt service reserves of \$3,263,214 and \$3,263,744 at May 31, 2010 and 2009.

The cost (original purchase price) and related carrying value (as described at Note 1) of investments at May 31, 2010 and 2009 are as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Actively Traded:				
Cash equivalents	\$ 10,092,792	\$ 10,092,792	\$ 9,363,261	\$ 9,363,261
Equity (mutual and index funds)	12,963,475	13,199,033	7,212,120	6,217,338
Fixed income	4,720,772	4,903,240	4,911,684	4,806,406
	<u>\$ 27,777,039</u>	<u>\$ 28,195,065</u>	<u>\$ 21,487,065</u>	<u>\$ 20,387,005</u>
Alternative and Other:				
Equity (mutual funds)	\$ 9,403,602	\$ 10,979,905	\$ 14,112,452	\$ 12,666,739
Other (limited partnerships and real estate)	11,136,962	11,677,231	11,571,454	11,246,109
	<u>\$ 20,540,564</u>	<u>\$ 22,657,136</u>	<u>\$ 25,683,906</u>	<u>\$ 23,912,848</u>
Total investments	<u>\$ 48,317,603</u>	<u>\$ 50,852,201</u>	<u>\$ 47,170,971</u>	<u>\$ 44,299,853</u>

Included within investments are certain alternative investments with carrying values of \$19,248,272 and \$20,697,513 as of May 31, 2010 and 2009.

Endowment and similar investments for the University's various scholarship funds are pooled together. These investments are not pooled with investments of other institutions or entities. The value of pooled assets at May 31, 2010 and 2009 was \$42,382,256 and \$38,551,397, respectively. The portion of pooled assets reserved for endowment had a value at May 31, 2010 and 2009 of \$38,153,627 and \$33,073,610. Investment income is allocated to operations using the Investment Spending Policy adopted by the University's Board of Trustees. During the year ended May 31, 2010, \$1,855,709 and \$1,125,506 (\$410,363 and \$1,634,585 for 2009) were included as operating revenues of unrestricted net assets to fund current operations and scholarships and other endowed programs, respectively as approved by the University's Board of Trustees.

3. Pledges and Grants Receivable:

Unconditional promises to give are recorded as pledges receivable, and the University distinguishes between contributions received for each net asset category. Outstanding pledges and grants receivable are discounted using a rate which approximates the risk-free rate of return and are further reduced by an allowance for doubtful collections. At May 31, 2010 and 2009, the balance is comprised of the following:

	<u>2010</u>	<u>2009</u>
Amounts receivable in less than 1 year	\$ 4,743,657	\$ 4,934,260
Amounts receivable in 1 to 5 years	5,290,818	3,254,612
	<u>10,034,475</u>	<u>8,188,872</u>
Less present value discount	(673,983)	(403,298)
Less allowance for doubtful collections	<u>(394,798)</u>	<u>(293,319)</u>
	<u>\$ 8,965,694</u>	<u>\$ 7,492,255</u>

4. Land, Buildings, and Equipment – Net:

Land, buildings, and equipment at May 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 5,457,160	\$ 5,431,305
Building and improvements	92,810,177	92,890,338
Equipment	<u>22,208,304</u>	<u>21,564,075</u>
	<u>120,475,641</u>	<u>119,885,718</u>
Accumulated depreciation	<u>(51,528,451)</u>	<u>(48,510,895)</u>
	<u>\$ 68,947,190</u>	<u>\$ 71,374,823</u>

Depreciation charged to operating expense amounted to \$3,151,218 and \$3,116,202 for the years ended May 31, 2010 and 2009.

Total interest expense was \$973,007 for the year ended May 31, 2010 and \$1,062,196 for the year ended May 31, 2009.

Construction in progress of \$313,099 at May 31, 2010 is primarily related to the Bona Trail access improvements. The University will begin depreciating these assets at the time they are put into service.

5. Employee Benefit Plans:

Retirement Plans - The University provides a defined contribution retirement plan for its instructional, administrative, and hourly employees, under Internal Revenue Code Section 403(b), which utilizes the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA/CREF) and the Equitable Insurance Company. The approximate cost to the University for the years ended May 31, 2010 and 2009 was \$1,746,000 and \$1,814,000.

Postretirement Healthcare Plan - The University provides healthcare benefits for certain employees retired prior to May 31, 1995, and certain other employees. The following table provides a reconciliation of the changes in the benefit obligation for the years ended May 31, 2010 and 2009, and a statement of the funded status as of May 31, 2010 and 2009. The measurement dates are May 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 604,768	\$ 629,740
Service cost	-	-
Interest cost	35,590	33,974
Plan participants' contributions	27,339	26,489
Actuarial loss	49,931	13,028
Benefits paid	<u>(102,106)</u>	<u>(98,463)</u>
Accrued benefit obligation at end of year within other liabilities (funded status/accrued liability)	<u>615,522</u>	<u>604,768</u>
Estimated current portion	<u>72,319</u>	<u>70,669</u>
Estimated noncurrent portion	<u>\$ 543,203</u>	<u>\$ 534,099</u>
Accumulated benefit obligation	<u>\$ 615,522</u>	<u>\$ 604,768</u>
	<u>2010</u>	<u>2009</u>
Components of net periodic benefit cost		
Service cost	\$ -	\$ -
Interest cost	35,590	33,974
Net amortization	49,931	13,028
Net periodic benefit cost	<u>\$ 85,521</u>	<u>\$ 47,002</u>

For measurement purposes, a 8.81% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for fiscal 2010 and 9.14% for 2009. The rate is assumed to decrease gradually to 4.5% in 2029 and remain level thereafter. The assumed discount rate used in determining the accrued benefit costs was 5.0% for the year ended May 31, 2010 and 6.25% for the year ended May 31, 2009. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost components	\$ 2,153	\$ (1,975)
Effect on postretirement benefit obligation	\$ 34,718	\$ (31,860)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Fiscal Years ending May 31,</u>	Estimated Future Payments
2011	\$ 72,000
2012	71,000
2013	69,000
2014	65,000
2015	62,000
Succeeding five years	<u>260,000</u>
	<u>\$ 599,000</u>

6. Debt:

	<u>2010</u>	<u>2009</u>
Mortgages and Notes Payable:		
Five-year installment note, payable in monthly installments of \$381 including interest at 5.09% through June 2010	\$ -	\$ 4,466
Four-year installment note, payable in monthly installments of \$458 including interest at 6.00%, beginning March 2010; secured by vehicle, due February 2014	18,389	-
Six-year installment note, payable in monthly installments of \$433 including interest at 6.99%, beginning August 2009; secured by vehicle, due July 2015	22,465	-
Four-year installment note, payable in monthly installments of \$1,536 including interest at 5.88%, beginning January 2010; secured by vehicles, due December 2013	59,316	-
Real estate mortgage, payable in quarterly installments of \$24,400 beginning November 2003, plus interest at LIBOR plus 350 basis points on the unpaid principal balance; secured by commercial real estate. The loan was refinanced on May 8, 2009 with the same quarterly installments and interest terms of November 2003, with maturity in May 2012 and balloon payment of \$634,400	805,200	902,800
Total Mortgages and Notes Payable	<u>905,370</u>	<u>907,266</u>
Bonds payable:		
1998 Civic Facility Revenue Bonds (a)	8,170,000	9,970,000
1999 Civic Facility Revenue Bonds (b)	1,465,000	1,575,000
2006 Civic Facility Revenue Bonds (c)	8,000,000	8,000,000
Total bonds payable	<u>17,635,000</u>	<u>19,545,000</u>
	<u>\$ 18,540,370</u>	<u>\$ 20,452,266</u>

- (a) On November 25, 1998, the University issued \$24,330,000 of Civic Facility Revenue Bonds to be used to retire the 1990 Industrial Revenue Bonds, to retire the 1994 Industrial Revenue Bonds, to refinance prior mortgages and construction loans, and to fund various deferred maintenance projects. The bonds are payable serially beginning on September 15, 1999, with annual principal payments beginning at \$1,120,000 and ending September 15, 2013, at \$2,015,000. Interest on the issue began at 4.05% and increases to 5.2% through maturity.
- (b) On May 1, 1999, the University issued \$2,345,000 of Civic Facility Revenue Bonds to be used for the construction of three new student housing apartments. These term bonds are due on September 15, beginning at \$390,000 in 2004, \$490,000 in 2009, and \$1,465,000 in 2019. Interest ranges from 4.4% to 5.45%. A mandatory sinking fund redemption schedule requires annual debt service payments between \$70,000 and \$185,000 per year.

- (c) On May 4, 2006, the University issued \$8,000,000 of Civic Facility Revenue Bonds to be used for dormitory renovations and an addition and renovation to the student dining facility. These term bonds are due on May 1, beginning at \$390,000 in 2014 and ending at \$650,000 in 2031. Interest ranges from 4.9% to 5.1%. A mandatory sinking fund redemption schedule requires annual debt service payments between \$295,000 and \$650,000 per year.

The 2006 Civic Facility Revenue Bonds require that the University meet specified requirements for net revenues available for debt service and maximum annual debt service on outstanding and proposed long-term indebtedness. The University was in compliance with these covenants at May 31, 2010.

Principal payments on debt for the next five fiscal years and thereafter will be approximately:

2011	\$ 2,136,154
2012	2,837,635
2013	2,241,620
2014	2,739,163
2015	439,945
Thereafter	<u>8,145,853</u>
	<u>\$ 18,540,370</u>

7. Operating Leases:

The University leases equipment under terms of various noncancelable operating lease agreements. Rentals under the leases are expensed on the straight-line basis. Rental expense for operating leases for the years ended May 31, 2010 and 2009 amounted to approximately \$464,000 and \$486,000. The following is a schedule of required operating lease payments as of May 31, 2010, for the next five fiscal years:

2011	\$ 296,447
2012	227,716
2013	44,291
2014	37,857
2015	<u>26,081</u>
	<u>\$ 632,392</u>

8. Line of Credit:

The University maintains two lines of credit with two institutions with an available balance of \$1,300,000. Maintained at the first institution is an available balance of \$1,000,000 at the prime rate (3.25% at May 31, 2010 and 2009). The line is subject to annual approval by the lender. There was no outstanding balance at May 31, 2010 and 2009, and no amounts were borrowed during the years ended May 31, 2010 and 2009.

During May 31, 2010, the University obtained a vehicle/equipment line of credit at a second institution with an available balance of \$300,000 to facilitate the purchase of University vehicles. The interest rate, maturity and other terms of each borrowing are agreed to by the University and lender prior to issuance under this revolving credit facility. At May 31, 2010, two borrowings have been financed with this line of credit in the amounts of \$59,316 and \$18,389 with rates of 5.88% and 6%, respectively, and are included in debt on the balance sheet (Note 6).

9. Amounts Held In Trust By Others (Unaudited):

Amounts held in trust by others are resources neither in the possession nor under the control of the University, but held and administered by outside organizations. These investments had a fair value of approximately \$1,406,000 and \$1,325,000 at May 31, 2010 and 2009 respectively, and are excluded from the accompanying financial statements. Earnings thereon are included in the University's statement of activities and are designated for scholarships, and totaled \$36,156 and \$38,515 for the years ended May 31, 2010 and 2009.

10. Allocation of Operational Costs:

The University has allocated various costs including interest, depreciation, accretion, and operation and maintenance of plant costs to its functional categories. The allocation is based on total square footage occupied by the various functions.

11. Litigation and Contingencies:

The University is a party to various legal actions arising in the normal course of business. For matters not recorded as a liability in the financial statements, the University believes that its ultimate liability, if any, will not have a material effect on the University's financial statements.

12. Net Assets Released From Restrictions:

Temporarily restricted net assets released from restrictions due to satisfaction of program restrictions for the years ended May 31, 2010 and 2009 were comprised of the following:

	<u>2010</u>	<u>2009</u>
Instruction	\$ 375,275	\$ 476,272
Research	778,940	811,718
Academic support	26,888	52,292
Student services	810	341,698
Institutional support	(1,008)	12,424
Scholarships and fellowships	247,486	12,488
Auxiliary enterprises	(7,068)	82,842
	<u>1,421,323</u>	<u>1,789,734</u>
Capital activities	693,525	3,653,824
	<u>\$ 2,114,848</u>	<u>\$ 5,443,558</u>

13. Expenses by Functional Category:

The following schedule of expense by functional category for the years ended May 31, 2010 and 2009 is provided in support of expense by natural classification as reported in the statements of activities:

	<u>2010</u>	<u>2009</u>
Instruction	\$ 17,316,423	\$ 17,903,133
Research	1,690,854	1,698,212
Academic support	6,594,082	6,778,032
Student services	10,555,923	10,809,350
Endowed scholarships and programs	1,299,961	1,437,990
Auxiliary enterprises	5,958,050	6,474,066
Institutional support	7,253,860	7,089,804
	<u>\$ 50,669,153</u>	<u>\$ 52,190,587</u>