Consolidated Financial Statements

Wentworth Institute of Technology, Inc.

June 30, 2010 and 2009

MHM

Mayer Hoffman McCann P.C.
An Independent CPA Firm
Tofias New England Division

WENTWORTH INSTITUTE OF TECHNOLOGY, INC

Consolidated Financial Statements

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Independent Auditors' Report

Board of Trustees
Wentworth Institute of Technology, Inc.
Boston, Massachusetts

We have audited the accompanying consolidated statements of financial position of Wentworth Institute of Technology, Inc. (the "Institute") as of June 30, 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 Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wentworth Institute of Technology, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

October 22, 2010
Cambridge, Massachusetts

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Consolidated Statements of Financial Position

as of June 30, 2010 and 2009

	2010	2009
Assets:		
Cash and cash equivalents	$ 11,056,420	$ 10,991,670
Investments - short-term	15,081,895	5,174,169
Student accounts receivable (net of allowance for doubtful accounts of $500,000)	859,220	977,476
Other receivables	1,150,259	1,197,270
Student loans receivable	4,387,439	4,365,849
Prepaid expenses and deposits	1,306,636	1,410,400
Deposits with trustees	6,734,132	6,409,987
Funds restricted for property acquisitions	13,698,590	13,364,417
Pledges receivable, net	302,964	430,828
Investments - pooled	66,796,355	66,779,877
Investments - non-pooled	608,998	557,967
Deferred financing costs	628,699	565,632
Property and equipment, net	130,059,516	134,794,058
Total assets	$ 252,671,123	$ 247,019,600
Liabilities and net assets:		
Accounts payable and accrued expenses	$ 3,638,563	$ 3,034,581
Accrued salaries and wages	2,091,804	1,704,114
Unearned tuition, fees and deposits	8,006,018	7,807,689
Obligation on charitable annuity agreements	6,085,327	6,966,324
Obligation on interest rate swap agreements	9,725,312	7,030,972
Asset retirement obligations	1,763,470	1,715,444
Accumulated postretirement benefit obligation	2,569,656	2,662,374
Bonds payable	90,130,000	92,550,000
Perkins and other government advances	3,422,266	3,567,717
Total liabilities	127,432,416	127,039,215
Commitments and contingencies		
Net assets:		
Unrestricted		
Designated for specific purposes	7,746,934	2,535,238
Board designated	50,284,814	49,873,161
Net investment in plant	38,794,745	41,094,246
	96,826,493	93,502,645
Temporarily restricted	16,955,157	15,806,459
Permanently restricted	11,457,057	10,671,281
Total net assets	125,238,707	119,980,385
Total liabilities and net assets	$ 252,671,123	$ 247,019,600

The accompanying notes are an integral part of these consolidated financial statements.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Consolidated Statements of Activities

for the year ended June 30, 2010 (with comparative totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Operating:					
Revenues and gains:					
Student tuition and fees	$ 80,260,109			$ 80,260,109	$ 74,947,492
Less student aid	(18,454,289)			(18,454,289)	(16,465,597)
Net student tuition and fees	61,805,820			61,805,820	58,481,895
Auxiliary enterprises revenue	21,790,322			21,790,322	21,270,959
Gifts and bequests	409,184	$ 284,760		693,944	550,252
Governmental appropriations	511,378			511,378	485,341
Interest income	620,825	22,008		642,833	664,959
Net realized and unrealized gain (loss) on short-term investments	463,754			463,754	(1,749,729)
Other income	179,933	114,412		294,345	92,731
Investment income used for operations	3,091,007	655,393		3,746,400	4,350,280
Net assets released from restrictions	1,096,980	(1,096,980)		-	-
Total operating revenues and gains	89,969,203	(20,407)		89,948,796	84,146,688
Expenses:					
Instruction	24,723,945			24,723,945	23,310,422
Auxiliary expenditures	3,604,936			3,604,936	3,536,085
Library	1,115,282			1,115,282	1,021,801
Student services	8,502,807			8,502,807	8,934,798
General administration	15,108,915			15,108,915	14,220,936
Development	2,053,864			2,053,864	1,832,193
Physical plant	11,170,593			11,170,593	11,684,914
Depreciation and amortization	12,227,862			12,227,862	12,773,713
Interest expense	2,591,906			2,591,906	3,120,567
Other	2,548,216			2,548,216	2,262,327
Total operating expenses	83,648,326	-		83,648,326	82,697,756
Operating subtotal	6,320,877	(20,407)		6,300,470	1,448,932
Nonoperating:					
Gifts and bequests	103,737	(37,665)	$ 754,144	820,216	654,938
Investment income	765,084	817,427		1,582,511	2,104,908
Net unrealized loss on interest swaps	(2,694,340)			(2,694,340)	(4,284,070)
Net realized and unrealized gain (loss) on investments	1,919,497	1,044,736	31,632	2,995,865	(23,155,221)
Investment income used for operations	(3,091,007)	(655,393)		(3,746,400)	(4,350,280)
Nonoperating subtotal	(2,997,029)	1,169,105	785,776	(1,042,148)	(29,029,725)
Change in net assets	3,323,848	1,148,698	785,776	5,258,322	(27,580,793)
Net assets at beginning of year	93,502,645	15,806,459	10,671,281	119,980,385	147,561,178
Net assets at end of year	$ 96,826,493	$ 16,955,157	$ 11,457,057	$ 125,238,707	$ 119,980,385

The accompanying notes are an integral part of these consolidated financial statements.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Consolidated Statements of Activities

for the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Operating:				
Revenues and gains:				
Student tuition and fees	$ 74,947,492			$ 74,947,492
Less student aid	(16,465,597)			(16,465,597)
Net student tuition and fees	58,481,895			58,481,895
Auxiliary enterprises revenue	21,270,959			21,270,959
Gifts and bequests	345,228	$ 205,024		550,252
Governmental appropriations	485,341			485,341
Interest income	638,602	26,357		664,959
Net realized and unrealized loss on short-term investments	(1,749,729)			(1,749,729)
Other income	91,865	866		92,731
Investment income used for operations	3,659,818	690,462		4,350,280
Net assets released from restrictions	885,501	(885,501)		-
Total operating revenues and gains	84,109,480	37,208		84,146,688
Expenses:				
Instruction	23,310,422			23,310,422
Auxiliary expenditures	3,536,085			3,536,085
Library	1,021,801			1,021,801
Student services	8,934,798			8,934,798
General administration	14,220,936			14,220,936
Development	1,832,193			1,832,193
Physical plant	11,684,914			11,684,914
Depreciation and amortization	12,773,713			12,773,713
Interest expense	3,120,567			3,120,567
Other	2,262,327			2,262,327
Total operating expenses	82,697,756	-		82,697,756
Operating subtotal	1,411,724	37,208		1,448,932
Nonoperating:				
Gifts and bequests	625,752	5,270	$ 23,916	654,938
Investment income	859,968	1,244,940		2,104,908
Net unrealized loss on interest swaps	(4,284,070)			(4,284,070)
Net realized and unrealized loss on investments	(18,472,199)	(4,528,582)	(154,440)	(23,155,221)
Investment income used for operations	(3,659,818)	(690,462)		(4,350,280)
Net assets released from restrictions	817,120	(817,120)		-
Nonoperating subtotal	(24,113,247)	(4,785,954)	(130,524)	(29,029,725)
Change in net assets	(22,701,523)	(4,748,746)	(130,524)	(27,580,793)
Net assets at beginning of year	116,204,168	20,555,205	10,801,805	147,561,178
Net assets at end of year	$ 93,502,645	$ 15,806,459	$ 10,671,281	$ 119,980,385

The accompanying notes are an integral part of these consolidated financial statements.

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Consolidated Statements of Cash Flows

for the years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 5,258,322	$ (27,580,793)
Gifts of stock and property	(522,312)	(415,125)
Contributions restricted for long-term investment	(318,442)	(134,097)
Net realized and unrealized (gain) loss on investments	(2,651,910)	24,520,736
Unrealized loss on interest swaps	2,694,340	4,284,070
Depreciation and amortization	12,227,862	12,773,713
Loss on disposal of property and equipment	106,247	54,020
Change in operating assets and liabilities		
Student accounts and other receivables	264,395	(295,321)
Pledges receivable	163,877	192,520
Allowance for doubtful accounts	(36,013)	176,163
Prepaid expenses and deposits	103,764	78,812
Accounts payable, accrueds and unearned tuition, fees and deposits	1,190,001	363,534
Asset retirement obligations	48,026	(347,836)
Accumulated postretirement benefit obligation	(92,718)	68,319
Net cash provided by operating activities	18,435,439	13,738,715
Cash flows from investing activities:		
Purchases of property and equipment	(7,733,384)	(9,690,659)
Proceeds from sale of property and equipment	168,250	210,450
(Increase) decrease in funds restricted for property acquisitions	(334,173)	607,314
Proceeds from sale of investments	82,118,380	36,933,878
Purchase of investments	(89,160,068)	(31,900,631)
Net student loans advanced	(455,160)	(699,746)
Proceeds from student loans	433,570	366,029
Net cash used in investing activities	(14,962,585)	(4,173,365)
Cash flows from financing activities:		
Net Perkins and other government advances	(145,451)	153,190
(Payments for) amortization of financing costs	(89,250)	16,066
Change in funds held by trustees	(190,848)	137,622
Change in obligation on charitable annuity agreements	(880,997)	(370,297)
Gifts and bequests restricted for permanent endowment	273,007	130,111
Gifts and bequests restricted for acquisition of property and equipment	45,435	3,986
Principal payments on bonds payable	(2,420,000)	(2,300,000)
Net cash used in financing activities	(3,408,104)	(2,229,322)
Net increase in cash and cash equivalents	64,750	7,336,028
Cash and cash equivalents at beginning of year	10,991,670	3,655,642
Cash and cash equivalents at end of year	$ 11,056,420	$ 10,991,670
Supplemental data:		
Interest paid	$ 2,591,906	$ 3,287,549

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Nature of Business

Wentworth Institute of Technology, Inc. (the "Institute"), located in Boston, Massachusetts, is a not-for-profit, private educational institution founded in 1904 and accredited by the New England Association of Schools and Colleges. The Institute enrolls approximately 3,900 men and women in a variety of day and evening academic programs. The Institute's student population is predominately from the Northeast region of the United States. The Institute offers Baccalaureate degrees covering 14 undergraduate programs. In the Fall of 2009 the Institute enrolled students in its first Masters program, and will begin enrolling students in its second Masters program in the Fall of 2010.

The Institute participates in student financial aid programs sponsored by the United States Department of Education, the Commonwealth of Massachusetts, and other states within the United States of America, which facilitate the payment of tuition and other expenses for students.

Note 2 – Summary of Significant Accounting Policies

Basis of Statement Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting and have been prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets include all resources which are not subject to donor-imposed restrictions of more specific nature than those which only obligate the Institute to utilize funds in furtherance of its educational mission.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds or limitations imposed by law. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the Institute which fulfill the restriction.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been met and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Dividends, interest, reinvested gains, net realized gains and net unrealized appreciation, arising from investments, are reported:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the income or net gains; and
- as increases in unrestricted net assets in all other cases.

Note 2 – Summary of Significant Accounting Policies – continued

Nonoperating revenues include permanently restricted gifts, gifts for property and equipment, large estate gifts, investment income, realized and unrealized gains and losses on long-term investments, realized and unrealized gains and losses on interest rate swaps, and net assets released from restrictions for capital acquisitions. To the extent investment income and gains are used for operations as defined by the spending rate policy (see Note 14) they are reclassified as Investment income used for operations on the Consolidated Statements of Activities. All other activity is classified as operating revenue.

Principles of Consolidation

The consolidated financial statements include the accounts of the Institute and WIT Realty Corporation. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for doubtful loans and receivables, contributions and accounts receivable, fair value of certain investments, fair value of interest rate swap agreements, obligations under charitable annuity agreements, postretirement benefit obligations, asset retirement obligations, and the allocation of common expenses over program functions.

Fair Value Measurements

The Institute reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the Institute reports certain investments using the net asset value per share as determined by investment managers under the so called “practical expedient”. The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. These investments are generally redeemable or may be liquidated at net asset value (NAV) under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Fair value standards also require the Institute to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either level 2 or level 3 depending on lock up and notice periods associated with the underlying funds.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in the values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Note 2 – Summary of Significant Accounting Policies – continued

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

> Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.
>
> Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
>
> Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value of an instrument may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Management has determined that fair value approximates carrying value for cash and cash equivalents, student accounts receivable and accounts payable, given the short-term nature of these instruments. Management has no practical or cost effective way of assessing fair value for other receivables, student loans receivable, pledges receivable, and obligations under split-interest agreements. The fair value of bonds payable is believed to approximate carrying value. However, without the credit enhancements those instruments' fair value would be less than carrying value. Management has not calculated such amounts given the cost associated with such data and management's belief that this information is not meaningful to readers of these financial statements due to the long-term commitments from the credit enhancing partners.

For more information on the fair value of the Institute's financial instruments, see Note 4 – Fair Value Measurements.

<u>Cash and Cash Equivalents</u>

The Institute considers highly-liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents held by investment managers are considered part of Investments given the expectation of near term reinvestment.

The Institute maintains its cash balances at several financial institutions, which at times may exceed federally insured limits. The Institute monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

<u>Student Accounts Receivable</u>

Student accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the institution. Interest is not charged on receivables.

Note 2 – Summary of Significant Accounting Policies – continued

Funds Restricted for Property Acquisitions and Annuity Obligations

Funds restricted for property acquisitions and annuity obligations consists of donor restricted gifts that are earmarked for specific property, plant, and equipment acquisitions, or for specific property, plant, and equipment acquisitions after the satisfaction of obligations on charitable annuity agreements. These funds are comprised entirely of publicly traded money market and mutual funds.

Investments

Investments are reported at fair value. The Institute's short-term investments are available for general operating purposes. Pooled investments are endowment funds and funds functioning as endowments. Nonpooled investments are primarily comprised of a perpetual trust.

The Institute utilizes an investment adviser to assist with investment strategies, selection and monitoring which provides the Institute access to expertise relative to oversight of its investments.

Student Loans Receivable and Perkins Advances

Student loans receivable includes amounts due from students under a federally sponsored loan program (Perkins) which are subject to significant restrictions, and other loan programs sponsored by the Institute.

Perkins funds may be recycled as new loans by the Institute after collection. However, in the event that the Institute no longer participates in the Perkins Loan Program, the amounts are generally refundable to the Federal government. Loans receivable are considered candidates for collection if any portion of the receivable balance is more than 240 days past due. Loans that are in default and meet certain requirements are assigned to the Department of Education.

Loans made under programs sponsored by the Institute are carried at the net present value of anticipated future collections, which includes a reduction for doubtful accounts determined by using historical experience for similar loan programs.

Interest and late fees for all loan programs are recorded when received.

Deposits with Trustees

Deposits with trustees consist principally of investments in mutual funds investing in United States Government obligations, are held by Trustees as required under certain loan agreements and are carried at fair value. These amounts have been designated for specific purposes within unrestricted net assets on the Consolidated Statements of Financial Position.

Deferred Financing Costs

Costs incurred in connection with the placement of the Massachusetts Development Finance Agency, Wentworth Institute of Technology, Inc., Series 2008 bond issue, Series 2007A bond issue, and Series 2007B bond issue (hereinafter referred to as the "2008 Issue", "2007A Issue" and "2007B Issue", respectively), have been deferred and are being amortized over the terms of the related obligations on a straight-line basis.

Note 2 – Summary of Significant Accounting Policies – continued

Property and Equipment

Property and equipment are stated at cost at the date of acquisition, or fair value at the date of donation for contributed assets. Depreciation is computed using the straight-line method over the useful lives of the assets. Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and gains or losses are included in unrestricted net assets.

Interest Rate Swap Agreements

The Institute reports the value of its interest rate swaps at fair value. Net payments or receipts (for the difference between variable and fixed rate) under the swap agreements are included in interest expense in the Consolidated Statements of Activities. The change in fair value of the swaps is included in Nonoperating net unrealized loss on interest swaps.

Asset Retirement Obligations

The Institute recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the Institute capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded will be recognized as a gain or loss in the Consolidated Statements of Activities as unrestricted revenues or expenses.

Revenue Recognition

Substantially all of the Institute's revenue is derived from student tuition and fees, gifts and pledges, and auxiliary enterprises, such as food and housing services, provided by the Institute. Tuition, fees and auxiliary revenue are recognized as revenue in the period in which they are earned. Student reservation deposits along with advance payments for tuition and auxiliary enterprises are recognized as revenue when the related educational services are provided.

Gifts are recognized as revenue upon receipt. Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate (ranging from 3.28% to 5.02%) to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in gift revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plan on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

Split-Interest Agreements

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable gift annuities held and administered by the Institute whereby the Institute is obligated to make specified payments to the donor and other beneficiaries over the agreement’s term. Upon termination of the agreement, the Institute will receive the remaining assets. The present value of the estimated future distributions to beneficiaries from these annuity agreements is recorded as a liability as of the dates the agreements are established; the liability is adjusted as distributions are made and for changes in the present value of estimated future distributions. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the agreements are established.

Note 2 – Summary of Significant Accounting Policies – continued

For certain charitable gift annuities the use of the remaining assets to be received by the Institute upon termination of the agreement are restricted to acquisition of property.

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable remainder unitrusts held and administered by others. The present value of the estimated future cash receipts from the trusts are recognized as assets and contribution revenue as of the dates the trusts are established. Subsequent distributions to the Institute from these trusts are recorded as contributions and the carrying amount of the assets is adjusted for changes in the estimates of future receipts.

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable remainder unitrusts held and administered by the Institute whereby the Institute is obligated to make specified distributions to the donor over the trust's term. Upon termination of the trust, the Institute will receive the remaining assets. The present value of the estimated future distributions to beneficiaries from these trusts are recorded as a liability as of the dates the trusts are established; the liability is adjusted as distributions are made and for changes in the estimated present value of future distributions. The difference between the trust assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the trusts are established.

The present value of estimated future cash receipts and estimated future payments to beneficiaries for all types of split-interest agreements are calculated using various discount rates based on beneficiary life expectancies and other actuarial assumptions.

Guarantees

The Institute accounts for guarantees at fair value when initially made. Subsequent adjustments are made based upon facts and circumstances over the life of the guarantee.

Tax Status

The Institute and WIT Realty Corporation are recognized by the Internal Revenue Service as organizations described in Section 501(c)(3) and 501(c)(2), respectively, of the Internal Revenue Code and are generally exempt from Federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

The Institute accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Institute has identified its tax status as a tax exempt entity as a tax position; however, the Institute has determined that such tax position does not result in an uncertainty requiring recognition. The Institute is not currently under examination by any taxing jurisdiction. The Institute's Federal and state tax returns are generally open to examination for three years following the date filed.

Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform to the current year presentation.

Note 2 – Summary of Significant Accounting Policies – continued

Subsequent Events

The Institute has evaluated subsequent events through October 22, 2010, the date the financial statements were issued.

Note 3 – Investments

Investments at June 30, 2010 and 2009 consist of the following:

	2010		2009	
	Cost	Market or Fair Value	Cost	Market or Fair Value
Cash and cash equivalents	410,237	410,237	$ 4,483,458	$ 4,483,458
Equity securities	45,149,918	41,019,871	44,865,936	36,352,669
Fixed income securities	32,946,910	33,070,382	24,403,300	23,829,807
Partnerships	17,031,467	17,073,849	3,430,478	2,800,406
Hedge funds	4,088,236	4,013,058	14,858,126	13,544,637
Commodities	-	-	2,290,407	1,822,588
Real estate	5,569,226	598,441	4,536,951	3,042,865
	$ 105,195,994	$ 96,185,838	$ 98,868,656	$ 85,876,430
Investments - pooled	$ 75,781,459	$ 66,796,355	$ 79,006,170	$ 66,779,877
Funds restricted for property acquisitions and annuity obligations	13,539,769	13,698,590	13,525,489	13,364,417
Investments - short-term	15,249,575	15,081,895	5,805,687	5,174,169
Investments - non-pooled	625,191	608,998	531,310	557,967
	$ 105,195,994	$ 96,185,838	$ 98,868,656	$ 85,876,430

Total return (loss) on investments for the years ended June 30, 2010 and 2009, consisted of the following:

	2010	2009
Investment income, net of investment advisory fees	$ 2,036,257	$ 2,524,806
Net realized loss	(1,122,698)	(3,052,466)
Net unrealized gain (loss)	4,056,551	(21,442,848)
Total return (loss) on investments	$ 4,970,110	$ (21,970,508)

Note 3 – Investments – continued

Following is a reconciliation of total investment return (loss) to amounts reported in the Consolidated Statements of Activities for the years ended June 30, 2010 and 2009:

	2010	2009
Total return (loss) on investments	$ 4,970,110	$ (21,970,508)
Bank interest and fees	176,920	239,587
Gain (loss) on split-interest agreements	388,350	(321,599)
Gain (loss) on deposits with trustees	133,297	(87,338)
Other	16,286	4,775
	$ 5,684,963	$ (22,135,083)
Per Consolidated Statements of Activities		
Operating		
Interest income	$ 642,833	$ 664,959
Net realized and unrealized gain (loss) on short-term investments	463,754	(1,749,729)
Nonoperating		
Investment income	1,582,511	2,104,908
Net realized and unrealized gain (loss) on investments	2,995,865	(23,155,221)
	$ 5,684,963	$ (22,135,083)

Investment advisory fees amounted to $168,054 and $150,391 for the years ended June 30, 2010 and 2009, respectively.

Individual investments representing greater than 5% of the market value of the investment portfolio at June 30, 2010 include the following:

Vanguard Total Stock Market Index Fund	22.6%
PIMCO Total Return Fund	13.4%
Vanguard Developed Markets Index Fund	12.8%
JP Morgan Treasury and Agency Select Fund	6.2%
Weatherlow Offshore Fund	6.1%
PIMCO All Asset Fund	5.5%

Note 4 – Fair Values of Financial Instruments

The valuation of the Institute's instruments using the fair value hierarchy consisted of the following at June 30, 2010 and 2009:

	Quoted Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
June 30, 2010				
Assets				
Investments – pooled				
Cash and cash equivalents	$ 382,859			$ 382,859
Equity funds	35,653,660			35,653,660
Fixed income funds	7,430,407	$ 3,495,489		10,925,896
Hedge funds		2,020,884	$ 157,647	2,178,531
Private equity and venture funds			17,655,409	17,655,409
Funds restricted for property acquisitions and annuity obligations	13,698,590			13,698,590
Investments – short-term	15,081,895			15,081,895
Investments – non-pooled	608,998			608,998
Deposits with trustees	6,734,132			6,734,132
Total assets at fair value	$ 79,590,541	$ 5,516,373	$ 17,813,056	$ 102,919,970
Liabilities				
Obligation on interest rate swap agreements	$	$ (9,725,312)	$	$ (9,725,312)
Total liabilities at fair value	$ -	$ (9,725,312)	$ -	$ (9,725,312)
June 30, 2009				
Assets				
Investments – pooled				
Cash and cash equivalents	$ 1,083,487			$ 1,083,487
Equity funds			$ 35,758,244	35,758,244
Fixed income funds			10,287,455	10,287,455
Hedge funds			11,986,837	11,986,837
Private equity and venture funds			7,663,854	7,663,854
Funds restricted for property acquisitions and annuity obligations	13,364,417			13,364,417
Investments – short-term	5,174,169			5,174,169
Investments – non-pooled	557,967			557,967
Deposits with trustees	6,409,987			6,409,987
Total assets at fair value	$ 25,590,027	$ -	$ 65,696,390	$ 92,286,417
Liabilities				
Obligation on interest rate swap agreements	$	$ (7,030,972)	$	$ (7,030,972)
Total liabilities at fair value	$ -	$ (7,030,972)	$ -	$ (7,030,972)

Note 4 – Fair Values of Financial Instruments – continued

Approximately $59,000,000 of investments categorized as level 3 at June 30, 2009, which could be considered level 2 under current accounting standards, were liquidated in fiscal 2010 and replaced primarily with level 1 and level 2 funds.

The Institute owns interests in alternative investment funds, not in the securities underlying each fund; therefore, it is generally required to consider such investments as level 2 or level 3, even though the underlying securities may not be difficult to value or may be readily marketable. Management utilized NAV as a practical expedient to fair value for all level 2 and level 3 funds in the preceding table with the exception of one private equity fund, which represents approximately 3% of that category. That fund's fair value has been estimated based upon management's estimate of the exit price utilizing recent observable transaction information and issues regarding the fund's liquidity. To the extent NAV has been used as a practical expedient to estimate fair value of an investment, that investment's classification in the fair value hierarchy is based on the Institute's ability to redeem its interest at or near the date of the Statement of Financial Position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

The following table presents the Institute's activities for the years ended June 30, 2010 and 2009 for investments measured at fair value on a recurring basis using unobservable inputs (level 3):

	Equity Funds	Fixed Income Funds	Partnerships, Hedge, Private Equity and Venture Funds	Total
Balance as of July 1, 2008	$ 52,900,541	$ 14,669,679	$ 26,543,839	$ 94,114,059
Net realized and unrealized (loss)	(15,038,701)	(1,091,315)	(6,623,970)	(22,753,986)
Net purchases (sales)	2,619,823	(3,290,910)	(4,992,596)	(5,663,683)
Balance as of July 1, 2009	$ 40,481,663	$ 10,287,454	$ 14,927,273	$ 65,696,390
Net realized and unrealized gain (loss)	7,256,584	607,389	(1,792,904)	6,071,069
Net purchases (sales)	(47,738,247)	(10,894,843)	4,678,687	(53,954,403)
Balance as of June 30, 2010	$ -	$ -	$ 17,813,056	$ 17,813,056
Current year unrealized losses for investments still held at June 30, 2010	$ -	$ -	$ (2,712,716)	$ (2,712,716)

Note 4 – Fair Values of Financial Instruments – continued

The following investments are measured at fair value using level 2 or level 3 inputs. A summary of the significant categories of such investments as of June 30, 2010 and their attributes is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (in Days)
Fixed income funds	$ 3,495,489		Monthly	10 to 15
Partnerships	12,918,369		Quarterly or Annually	45 to 75
Hedge funds	2,020,884		Monthly	5 to 10
Private equity and venture funds	4,894,687	$ 3,569,269	N/A	N/A
	$ 23,329,429	$ 3,569,269		

Fixed income funds consist of one level 2 fund that invests primarily in debt or debt-like securities such as debt obligations issued by U.S. and foreign governments, their agencies and instrumentalities, U.S. and foreign corporations, collateralized mortgage obligations, zero coupon bonds, and floating-rate notes.

Partnerships consist of three partnerships other than the private equity and venture capital limited partnerships discussed below. One is a diversified fund of hedge funds that seeks to generate equity-like returns with bond-like volatility. This fund, which represents approximately 45% of this category, allows for quarterly redemptions but is categorized as a level 3 fund as of June 30, 2010 due to a restriction that does not permit redemptions in the first year after acquisition. A second is a fund that attempts to obtain long-term equity like returns with minimal correlation to major market averages, and a third is a fund of funds that invests primarily in equities and attempts to provide compound annual long-term returns that are superior to the broad market averages.

Hedge funds is a level 2 fund that invests in commodities relating to agriculture, energy, industrial metals, livestock, precious metals, foods, and fibers. The fund utilizes a passive buy-and-hold investment strategy. The investment objective of the fund is to provide value enhancement to an investor's portfolio as well as a partial inflation hedge, with an attractive risk/return profile as compared to other products using a commodity index or pool of commodities.

Private equity and venture funds include one venture capital fund that allocates capital among a diversified group of high quality venture capital managers having capital gains as the primary goal. This category includes five private equity limited partnerships that invest primarily in top-tier private equity funds, principally in the U.S. One of these partnerships seeks to invest in performing restructured debt, stressed debt, distressed debt, "special situation" and mezzanine debt investments, while striving for a net internal rate of return to investors in the mid-teens. The other four private equity limited partnerships allocate capital among a diversified group of high quality private equity investment managers whose primary goal is capital gains. Finally, there are three limited partnerships that invest primarily in natural resources such as oil and gas production and oilfield services and a diversified portfolio of investment properties composed of core, value-add, and development properties. The return objective of these funds is 10 to 15%, net of fees.

Note 5 – Other Receivables

Other receivables consist of the following at June 30, 2010 and 2009:

	2010	2009
Charitable remainder unitrusts	$ 926,893	$ 827,766
Other	223,366	369,504
	$ 1,150,259	$ 1,197,270

Note 6 – Split-Interest Agreements

Split-interest agreements included in the Consolidated Statements of Financial Position at June 30, 2010 and 2009 consist of the following:

	Discount Rates Used for Valuation	2010	2009
Charitable gift annuities			
Value of assets included in Funds restricted for property acquisitions and annuity obligations		$ 10,290,267	$ 10,000,279
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	4.0% to 10.1%	$ 5,909,896	$ 6,777,138
Charitable remainder unitrusts held and administered by others			
Net present value included in Other receivables	5.0% to 8.0%	$ 926,893	$ 827,766
Charitable remainder unitrusts held and administered by the Institute			
Value of trust assets included in Investments – pooled		$ 380,736	$ 391,884
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	7.0%	$ 175,431	$ 189,186

Note 7 – Deposits with Trustees

Deposits with trustees consist of the following at June 30, 2010 and 2009:

	2010	2009
Debt service reserve funds		
2007A Issue	$ 3,668,221	$ 3,521,857
2007B Issue	878,180	823,142
Debt service funds		
2008 Issue	808,263	760,456
2007A Issue	1,097,234	1,031,497
2007B Issue	282,234	273,035
	$ 6,734,132	$ 6,409,987

Note 7 – Deposits with Trustees – continued

Interest income on Deposits with trustees amounted to $141,255 and $174,220 in 2010 and 2009, respectively, and is reflected in the Consolidated Statements of Activities within Interest income.

Note 8 – Pledges Receivable

Pledges receivable at June 30, 2010 and 2009, are expected to be realized in the following time frames:

	2010	2009
Up to one year	$ 72,357	$ 173,112
One to five years	148,925	201,125
Five to ten years	-	14,000
More than ten years	389,000	390,000
	610,282	778,237
Less present value discount	241,468	245,546
	368,814	532,691
Less allowance for uncollectible pledges	65,850	101,863
Pledges receivable, net	$ 302,964	$ 430,828

Net pledges receivable are categorized as follows:

	2010	2009
Temporarily restricted	$ 136,848	$ 231,690
Permanently restricted	166,116	199,138
	$ 302,964	$ 430,828

Note 9 – Property and Equipment

Property and equipment are stated at cost or, if received as gifts, at fair value as of the date of the gift, less accumulated depreciation, and consists of the following at June 30, 2010 and 2009:

	Estimated Useful Life in Years	2010	2009
Academic facilities			
Land		$ 1,093,542	$ 1,093,542
Buildings and building improvements	20 to 40	73,971,673	71,883,082
Equipment	2 to 10	28,350,269	28,778,567
Land improvements	10 to 20	4,609,161	5,169,220
Construction in progress		325,560	390,456
Auxiliary facilities			
Land		12,832,003	13,076,332
Buildings and building improvements	20 to 40	98,882,522	98,250,509
Equipment	3 to 10	3,660,293	4,584,685
Land improvements	10 to 20	1,486,075	584,308
Construction in progress		27,638	63,312
		225,238,736	223,874,013
Less Accumulated depreciation		95,179,220	89,079,955
		$ 130,059,516	$ 134,794,058

Depreciation expense for the years ended June 30, 2010 and 2009 was $12,201,680 and $12,724,720, respectively.

In the year ended June 30, 2010, the Institute disposed of property and equipment with a cost of $6,351,260 and accumulated depreciation of $6,076,763. Loss on disposal of property and equipment for the years ended June 30, 2010 and 2009 was $106,247 and $54,020, respectively, and is included in the Consolidated Statements of Activities in Other expenses. The loss on disposal of property and equipment for the year ended June 30, 2010 includes a donation of land to Mission Hill Neighborhood Housing Services, Incorporated with a net book value of $195,279.

Note 10 – Asset Retirement Obligations

Interest accretion costs were $103,734 and $100,908 for the years ended June 30, 2010 and 2009, respectively. Other increases or decreases in the amount of the liability are principally due to changes in the expected timing or estimated cost of planned remediation of environmental contamination. These amounts are included in Other expenses in the Consolidated Statements of Activities.

Note 11 – Pension and Postretirement Benefit Plans

Pension Plan

Substantially all Institute employees have individual annuity accounts with Teachers Insurance and Annuity Association and College Retirement Equities Fund. The Institute contributes a certain percentage, based on employment status, of each participating employee's base salary. Total pension expense was $2,729,162 and $2,432,960 for the years ended June 30, 2010 and 2009, respectively.

Note 11 – Pension and Postretirement Benefit Plans – continued

Postretirement Benefit Plan

The Institute provides certain medical and dental benefits for substantially all former employees who retired after attaining specific age and service requirements. The cost of providing these benefits is shared with the retiree, and the Institute has capped the subsidy it provides to retirees at the level in effect since 1993. The plan was amended in 2001 to include only eligible employees that had achieved fifty years of age and ten years of service at the Institute at December 31, 2001. Employees who did not meet these criteria and employees hired after December 31, 2001 are not eligible for retiree benefits. The plan is unfunded. The estimated expected contribution for the year ending June 30, 2011 is $234,000.

The funded status of the plan as of June 30, 2010 and 2009 is as follows:

	2010	2009
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Employer contribution	156,821	162,702
Plan participants' contributions	421,641	413,739
Benefits paid	(551,229)	(551,430)
Allocation for expected benefit payments (implicit subsidy)	(27,233)	(25,011)
Fair value of plan assets at end of year	-	-
Change in benefit obligation		
Accumulated postretirement benefit obligation at beginning of year	2,662,374	2,594,055
Service cost	-	-
Interest cost	151,991	154,602
Plan participants' contributions	421,641	413,739
Benefits paid	(578,462)	(576,441)
Actuarial (gain) loss	(87,888)	76,419
Accumulated postretirement benefit obligation at end of year	2,569,656	2,662,374
Funded status at end of year	$ (2,569,656)	$ (2,662,374)

Net periodic postretirement benefit cost for the years ended June 30, 2010 and 2009 consists of the following:

	2010	2009
Interest cost on accumulated postretirement benefit obligation	$ 151,991	$ 154,602
Amortization of prior service credit	-	-
Amortization of net actuarial loss	51,091	40,792
Net periodic postretirement benefit cost	$ 203,082	$ 195,394

The estimated net actuarial loss and prior service cost that will be amortized into net periodic benefit cost over the next fiscal year are $30,000 and $0, respectively.

Note 11 – Pension and Postretirement Benefit Plans – continued

For measurement purposes a 6.5% and 7.0% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2010 and 2009, respectively; the rate was assumed to diminish by 0.5% per year until it reached a rate of increase of 5.0% per year and to remain at that level thereafter. The medical premiums currently exceed the maximum monthly employer subsidy; therefore, a trend rate no longer applies to the medical benefits.

The effect of a 1% increase in the health care cost trend rate is an increase of $202,504 in the accumulated postretirement benefit obligation and an increase of $12,997 in the service and interest cost components of the net postretirement benefit. The effect of a 1% decrease in the health care cost trend rate is a decrease of $179,635 in the accumulated postretirement benefit obligation and a decrease of $11,492 in the service and interest cost components of the net postretirement benefit.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 6.00% and 6.25% as of June 30, 2010 and 2009, respectively.

Estimated future benefit payments, net of participant contributions, are as follows:

Year Ending June 30,	
2011	$ 234,000
2012	234,000
2013	232,000
2014	232,000
2015	229,000
2016 through 2020	1,050,000
	$ 2,211,000

Note 12 – Bonds Payable and Interest Rate Swap Agreements

Bonds payable, consisting entirely of various issues of Massachusetts Development Finance Agency, consists of the following at June 30, 2010 and 2009:

	Maturity	Interest rate	2010	2009
2008 Issue	October 1, 2030	Variable	$ 28,285,000	$ 29,185,000
2007A Issue	October 1, 2033	Variable	47,830,000	49,025,000
2007B Issue	October 1, 2035	Variable	14,015,000	14,340,000
			$ 90,130,000	$ 92,550,000

2008 Issue

In June 2008 proceeds were received from the offering of the $30,060,000 Wentworth Institute of Technology, Inc. Series 2008 Bonds, which were used to refund the 2000 Issue bonds. The 2008 Issue contains certain restrictive covenants including limitations on obtaining additional debt, restrictions on the sale of assets, filings of annual financial statements, and meeting a certain debt coverage financial ratio.

Note 12 – Bonds Payable and Interest Rate Swap Agreements – continued

The 2008 Issue is collateralized by the Institute's unrestricted revenues and a letter of credit from a bank. The interest rate for the 2008 Issue is variable and set weekly, and at June 30, 2010 and 2009 was 0.32% and 0.30%, respectively. The letter of credit that collateralizes the 2008 Issue has an annual fee, payable quarterly, of 0.45% of the amount then available under the agreement, and expires June 30, 2011.

Due to a downgrade in the bank's credit rating, in August 2009 the 2008 Issue was amended to provide additional collateral in the form of a Federal Home Loan Bank wrap letter of credit, which expires June 30, 2011. In connection with the amendment, beginning August 2009 the related letter of credit has an annual fee, payable quarterly, of 1.40% of the amount then available under the agreement.

2007A Issue

In November 2007 proceeds were received from the offering of the $50,155,000 Wentworth Institute of Technology, Inc. Series 2007A Bonds, which were used to refund the 2003 Issue bonds. The 2007A Issue and related letter of credit contain certain restrictive covenants, including limitations on obtaining additional debt, restrictions on the sale of assets, filings of annual financial statements, and meeting certain debt coverage and liquidity financial ratios.

At June 30, 2010 the bonds required a Debt Service Reserve Fund of $3,577,926. The 2007A Issue is collateralized by the Institute's unrestricted revenues and a letter of credit from a bank. The interest rate for the 2007A Issue is variable and set weekly, and at June 30, 2010 and 2009 was 0.32% and 0.30%, respectively.

2007B Issue

In November 2007 proceeds were received from the offering of the $14,635,000 Wentworth Institute of Technology, Inc. Series 2007B Bonds, which were used to refund the 2005 Issue bonds. The 2007B Issue and related letter of credit contain certain restrictive covenants, including limitations on obtaining additional debt, restrictions on the sale of assets, filings of annual financial statements, and meeting certain debt coverage and liquidity financial ratios.

At June 30, 2010 the bonds required a Debt Service Reserve Fund of $849,643. The 2007B Issue is collateralized by the Institute's unrestricted revenues and a letter of credit from a bank. The interest rate for the 2007B Issue is variable and set weekly, and at June 30, 2010 and 2009 was 0.32% and 0.30%, respectively.

The letter of credit that collateralizes the 2007A and 2007B Issues has an annual fee, payable quarterly, of 0.22% of the amount then available under the agreement, and expires in November 2010.

The aggregate maturities due on long-term debt at June 30, 2010 are as follows:

Year Ending June 30,	Principal Amount
2011	$ 2,500,000
2012	2,600,000
2013	2,695,000
2014	2,795,000
2015	2,910,000
Thereafter	76,630,000
	$ 90,130,000

Note 12 – Bonds Payable and Interest Rate Swap Agreements – continued

Interest Rate Swap Agreements

The Institute uses interest rate swaps to manage interest rate risk exposure. The Institute's interest rate swaps effectively mitigate exposure to interest rate risk, primarily through converting portions of floating rate debt under the bond agreement to a fixed rate basis. These agreements involve the receipt or payment of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amounts. The Institute does not enter into derivative instruments for trading or speculative purposes.

All of the Institute's interest rate swaps have been recorded as liabilities in the Statement of Financial Position at fair value. Changes in fair value are recorded as Nonoperating Net unrealized gain (loss) on interest swaps in the Consolidated Statements of Activities.

As a result of the use of derivative instruments, the Institute is exposed to the risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty risk, the Institute only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. At June 30, 2010 and 2009, all of the counterparties to the Institute's interest rate swaps had investment grade ratings. The interest rate swap agreements contain provisions in which the counterparty could elect to terminate the agreement should the credit rating of the Institute or affiliated entities to the swap fall below investment grade. If this were to occur, the Institute could be required to terminate the swap agreement at its then fair value, which could result in the potential for cash outflows or the posting of a collateral account depending on the fair value of the swap at the time of the termination of the agreement.

The Institute had the following swaps outstanding at June 30, 2010 and 2009:

	2010			
Interest rate Received	Interest rate paid	Termination Date	Notional Amount	Fair Value
USD-LIBOR-BBA x 0.67	3.57%	10/01/2033	$ 39,580,000	$ (5,941,560)
USD-LIBOR-BBA x 0.67	3.30	10/01/2030	13,380,000	(1,517,033)
USD-LIBOR-BBA x 0.67	3.62	10/01/2035	13,905,000	(2,266,719)
			$ 66,865,000	$ (9,725,312)

	2009			
Interest rate Received	Interest rate paid	Termination Date	Notional Amount	Fair Value
USD-LIBOR-BBA x 0.67	3.57%	10/01/2033	$ 40,570,000	$ (4,376,025)
USD-LIBOR-BBA x 0.67	3.30	10/01/2030	13,805,000	(1,013,997)
USD-LIBOR-BBA x 0.67	3.62	10/01/2035	14,215,000	(1,640,950)
			$ 68,590,000	$ (7,030,972)

Note 13 – Commitments and Contingencies

The Institute is guarantor of $6,027,451 of loans made by a bank to various current and former students at the Institute. The total outstanding student loan balance was $2,393,179 and $2,898,226 at June 30, 2010 and 2009, respectively. The Institute has guaranteed the first 48% of potential loss in case of student default. At June 30, 2010 and 2009, the Institute recorded liabilities of $410,000 and $500,000, respectively, in accrued expenses related to this guarantee.

The Institute is committed under long-term operating leases for the rental of certain equipment and under long-term agreements for receipt of certain services. The commitments expire at various dates through November 30, 2018. Rental and service expenses incurred under the operating leases and service agreements for the years ended June 30, 2010 and 2009 were $3,314,898 and $4,449,154, respectively.

At June 30, 2010, the minimum commitments under these agreements are as follows:

Year Ending June 30,	Commitments
2011	$ 1,378,460
2012	1,363,226
2013	1,348,679
2014	21,507
2015	31,639
Thereafter	139,284
	$ 4,282,795

The Institute is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot be determined, the Institute believes that eventual liability, if any, will not have a material effect on the Institute's financial position.

The Institute participates in the Massachusetts Institute Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in Consumer Price Index plus 2%. This could result in discounts on tuition charged to students in the future.

All funds expended by the Institute in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2010.

The Institute has a partially self-insured medical plan (the Plan) for certain medical benefits covering employees and certain retirees. The Plan is self-insured, with stop-loss insurance providing coverage for claims in excess of $80,000 per participant in a calendar year, up to a lifetime stop-loss coverage limit of $1,000,000 per participant. An accrual of $261,309 and $201,110 has been recorded for benefit claims incurred but not reported at June 30, 2010 and 2009, respectively.

The Institute has a partially self-insured dental plan (the Plan) for certain dental benefits covering employees and certain retirees. The Plan is self-insured up to a maximum of $1,000 per participant in any policy year. An accrual of $20,000 has been recorded for benefits incurred but not reported at June 30, 2010 and 2009.

Note 13 – Commitments and Contingencies – continued

The Institute is a participant in a workers' compensation self-insured group (the Group). Workers' compensation expense is determined based on annual premiums less dividends received plus the Institute's prorated share of any excess of liabilities, if applicable. A comparison of net expense is as follows:

	2010	2009
Workers' compensation premiums	$ 181,979	$ 200,451
Less dividends received	103,044	125,688
Net workers' compensation cost	$ 78,935	$ 74,763

Specific excess reinsurance has been purchased to provide for statutory benefits and $1,000,000 employer's liability, subject to a $500,000 per occurrence retention.

The Institute is jointly and severally liable, in connection with the workers' compensation self insured group, for the following:

- Any unfunded obligation of the Group which it may become legally obligated to pay, in respect to any fund year or part thereof that the Institute participated in the Group.

- All necessary assessments and charges, as determined by the group trustee, to be paid into the Group at required intervals.

Faculty and certain facilities employees of the Institute are subject to collective bargaining agreements which expire December 31, 2010 and June 30, 2011, respectively.

Note 14 – Net Assets and Endowment Matters

Unrestricted Net Assets

Unrestricted net assets are comprised of the following:

Designated for specific purposes are funds set aside by the Board of Trustees for strategic purposes.

Board designated are funds added to the endowment by the Board of Trustees to provide investment income to support operations. These amounts may only be used with the approval of the Board of Trustees.

Net investment in plant is the value of buildings and equipment, net of depreciation, used in the Institute's operations. This amount is offset by outstanding liabilities related to the assets, such as bonds payable.

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following:

Net realized and unrealized gains on investments, in accordance with GAAP and the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA), represents unappropriated net gains on permanently restricted endowment investments.

Note 14 – Net Assets and Endowment Matters – continued

Physical plant represents amounts received with donor restrictions for capital additions and improvements which have not yet been expended for their designated purposes.

Charitable remainder unitrusts represents future interests in trusts received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

Scholarships represents amounts received with donor restrictions for student scholarships which have not yet been expended for their designated purposes.

Instruction represents amounts received with donor restrictions for instructional purposes which have not yet been expended for their designated purposes.

Pledges, net represents pledges received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

Other represents amounts received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

	2010	2009
Net realized and unrealized gains on investments		
Physical plant	$ 34,138	$ 36,550
Scholarships	3,296,148	3,437,629
Instruction	1,109,949	1,138,903
Other	88,179	92,293
	4,528,414	4,705,375
Other temporarily restricted net assets		
Physical plant	8,393,572	7,263,317
Scholarships	1,299,942	1,224,053
Instruction	920,827	886,440
Split-interest agreements	1,379,282	1,260,335
Pledges, net	136,848	231,690
Other	296,272	235,249
	$ 16,955,157	$ 15,806,459

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following:

Physical plant represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for physical plant expenditures and is recorded in temporarily restricted net assets until appropriated for expenditure.

Scholarship represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for student scholarships and is recorded in temporarily restricted net assets until appropriated for expenditure.

Instruction represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for instructional purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Note 14 – Net Assets and Endowment Matters – continued

Pledges, net represents pledged amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for various purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Other represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for various purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

	2010	2009
Endowed funds – physical plant	$ 101,000	$ 101,000
Endowed funds – scholarships	8,697,530	7,950,664
Endowed funds – instruction	1,771,384	1,731,384
Endowed funds – other	165,409	165,109
Perpetual trust	555,618	523,986
Pledges, net	166,116	199,138
	$ 11,457,057	$ 10,671,281

Net Assets Released from Restrictions

Net assets were released from donor restrictions as a result of the incurrence of expenses satisfying the restricted purposes, the occurrence of events specified by donors or by the change of restrictions specified by the donors. Net assets released from restriction were for the following purposes for the years ended June 30, 2010 and 2009:

	2010	2009
Scholarships	$ 516,603	$ 388,172
Split-interest agreements	265,429	277,215
Instruction	74,723	59,735
Other	240,225	160,379
Total Operating	$ 1,096,980	$ 885,501
Physical plant	$ -	$ 817,120
Total Nonoperating	$ -	$ 817,120

Note 14 – Net Assets and Endowment Matters – continued

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30, 2010 and 2009:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
June 30, 2010				
Donor-restricted endowment funds		$ 5,766,226	$ 10,735,323	$ 16,501,549
Board-designated endowment funds	$ 50,294,806			50,294,806
Total endowment as of June 30, 2010	$ 50,294,806	$ 5,766,226	$ 10,735,323	$ 66,796,355
June 30, 2009				
Donor-restricted endowment funds		$ 5,947,659	$ 9,948,157	$ 15,895,816
Board-designated endowment funds	$ 50,884,061			50,884,061
Total endowment as of June 30, 2009	$ 50,884,061	$ 5,947,659	$ 9,948,157	$ 66,779,877

The following represents required disclosures relative to the composition of the endowment at June 30, 2010 and 2009:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment as of July 1, 2008	$ 70,864,433	$ 10,403,734	$ 9,802,596	$ 91,070,763
Gifts and additions	999,415	(9,003)	145,233	1,135,645
Return (loss) on endowment				
Interest and dividends, net of fees	848,572	237,595	328	1,086,495
Net realized and unrealized loss	(18,168,541)	(3,994,205)		(22,162,746)
Expenditures				
Investment income used for operations	(3,659,818)	(690,462)		(4,350,280)
Endowment as of June 30, 2009	50,884,061	5,947,659	9,948,157	66,779,877
Gifts and additions	79,589	(4,473)	787,166	862,282
Return on endowment				
Interest and dividends, net of fees	765,084	215,312		980,396
Net realized and unrealized gain	1,657,079	263,121		1,920,200
Expenditures				
Investment income used for operations	(3,091,007)	(655,393)		(3,746,400)
Endowment as of June 30, 2010	$ 50,294,806	$ 5,766,226	$ 10,735,323	$ 66,796,355

Note 14 – Net Assets and Endowment Matters – continued

Endowment

The Institute's endowment consists of 117 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Board of Trustees of the Institute has interpreted UPMIFA, enacted in the Commonwealth of Massachusetts effective for the year ended June 30, 2009 and thereafter, as requiring the preservation of the original value of a gift of funds with permanent restrictions, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies the following as permanently restricted net assets:

- The original value of gifts donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- The investment policies of the Institute

Pooled investments are managed by one investment advisor and are maintained by one custodian. Distributions from the endowment are made using the total return method. Under the total return method, distributions consist of interest, dividends, realized and unrealized gains. Investment income is appropriated using a spending rate of 5% of a rolling three-year average fair value of the endowment. This spending rate was adopted by the Board of Trustees in order to protect the inviolate nature of the original corpus of gifts, as well as to preserve the purchasing power of these funds into the future. Units in the pool are assigned on the basis of market value at the time funds to be invested are received, and income is distributed quarterly thereafter on a per-unit basis. All realized and unrealized gains and losses arising from pooled investments are allocated to participating funds based on their respective number of units held on a quarterly basis.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and are $693,335 and $824,495 as of June 30, 2010 and 2009, respectively. Future market gains will be used to restore these deficiencies in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets

Note 14 – Net Assets and Endowment Matters – continued

Return Objectives and Risk Parameters

The Institute's endowment is managed to provide for the long-term support of the Institute. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain a total return that exceeds the spending rate plus inflation. The intent of this objective is to preserve, over time, the principal value of the assets as measured in inflation adjusted terms.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Institute seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 15 – Functional Expenses

Total operating expenses of the Institute by function for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Instruction	$ 33,138,378	$ 31,908,671
Auxiliary expenditures	18,804,089	19,471,073
Library	2,068,586	1,983,477
Student services	10,821,890	11,239,677
General administration	16,569,374	15,760,739
Development	2,246,009	2,334,119
	$ 83,648,326	$ 82,697,756

Depreciation, maintenance, interest and other expenses have been allocated to the above functions. Methods used in allocating these expenses include actual expenses incurred and percentage of square footage utilized by each functional area. Advertising costs are expensed to their associated functions when incurred and were $771,543 and $715,513 in fiscal 2010 and 2009, respectively.

Note 16 – Related Party Transactions

Through August 2008, an officer was renting a residential property from the Institute at the determined IRS rate of 5% per year based on the property's fair value. In May 2009 the property was sold by the Institute.