KPMG

UNIVERSITY OF NEW HAVEN

Financial Statements

June 30, 2008

(With Independent Auditors' Report Thereon)

UNIVERSITY OF NEW HAVEN

Financial Statements

June 30, 2008

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KPMG LLP
One Financial Plaza
Hartford, CT 06103-4103

Independent Auditors' Report

Board of Governors
University of New Haven:

We have audited the accompanying statement of financial position of University of New Haven (the University) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2007 financial statements and, in our report dated November 27, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 11, 2008

UNIVERSITY OF NEW HAVEN

Statement of Financial Position

June 30, 2008

(with comparative information as of June 30, 2007)

Assets		**2008**	**2007**
Cash and cash equivalents	$	7,488,571	10,308,619
Accounts and loans receivable, net (note 3)		7,659,417	6,103,217
Pledges receivable, net (note 4)		5,827,473	6,520,472
Other assets (note 10)		1,362,829	2,491,825
Investments (note 5)		14,806,941	13,271,598
Investments held in trust by others (note 8)		4,531,954	3,954,664
Deposits with bond trustee and restricted cash (note 9)		2,077,346	7,905,908
Investment in plant, net (notes 6, 7 and 9)		77,779,136	64,080,820
Total assets	$	121,533,667	114,637,123
Liabilities			
Accounts payable and accrued expenses	$	12,512,282	10,652,567
Deposits and deferred income		2,182,941	1,396,600
Capital lease obligation		—	153,905
Bonds and notes payable (note 9)		41,912,720	42,789,557
Interest rate swap liability (notes 6 and 10)		3,288,122	181,977
Post-retirement obligation (note 14)		2,292,810	1,933,136
Government grants refundable		3,453,060	3,453,060
Total liabilities		65,641,935	60,560,802
Net Assets			
Unrestricted		29,756,491	29,413,491
Temporarily restricted (notes 8 and 12)		18,519,159	17,670,215
Permanently restricted (note 12)		7,616,082	6,992,615
Total net assets		55,891,732	54,076,321
Commitments and contingencies (note 15)			
Total liabilities and net assets	$	121,533,667	114,637,123

See accompanying notes to financial statements.

UNIVERSITY OF NEW HAVEN

Statement of Activities

Year ended June 30, 2008

(with comparative totals for the year ended June 30, 2007)

	2008 Unrestricted	2008 Temporarily restricted	2008 Permanently restricted	2008 Total	2007 Total
Operating activities:					
Revenues, gains, and other support:					
Tuition and fees	$ 95,434,464	—	—	95,434,464	86,550,441
Residence and dining	17,677,847	—	—	17,677,847	15,807,132
Less: Scholarships and grants	(27,810,406)	—	—	(27,810,406)	(23,991,104)
Net student fees	85,301,905	—	—	85,301,905	78,366,469
Federal, state, and private grants and gifts	4,636,188	2,864,833	623,467	8,124,488	8,366,719
Endowment spending used in operations (note 5)	384,062	—	—	384,062	332,111
Interest income and other sources	1,693,150	188,558	—	1,881,708	1,735,148
Other auxiliary services	536,587	—	—	536,587	488,604
Net assets released from restrictions (note 13)	2,781,737	(2,781,737)	—	—	—
Total revenue from operations	95,333,629	271,654	623,467	96,228,750	89,289,051
Expenses:					
Instructional	35,875,231	—	—	35,875,231	33,439,186
Academic support	5,544,587	—	—	5,544,587	4,607,882
Student services	16,695,381	—	—	16,695,381	14,811,446
Institutional support	18,659,766	—	—	18,659,766	15,435,188
Residence and dining	13,084,101	—	—	13,084,101	12,235,888
Total expenses	89,859,066	—	—	89,859,066	80,529,590
Change in net assets from operations	5,474,563	271,654	623,467	6,369,684	8,759,461
Nonoperating activities:					
Net return on long-term investments, net of amounts used in operations (note 5)	(817,390)	—	—	(817,390)	1,858,634
Unrealized gains on investments held in trust by others (note 8)	—	577,290	—	577,290	1,243,306
Change in market value of interest rate swap (note 10)	(4,314,173)	—	—	(4,314,173)	(318,314)
Effect of a change in accounting principle (note 14)	—	—	—	—	(560,966)
Change in net assets	343,000	848,944	623,467	1,815,411	10,982,121
Net assets, beginning of year	29,413,491	17,670,215	6,992,615	54,076,321	43,094,200
Net assets, end of year	$ 29,756,491	18,519,159	7,616,082	55,891,732	54,076,321

See accompanying notes to financial statements.

UNIVERSITY OF NEW HAVEN

Statement of Cash Flows

Year ended June 30, 2008

(with comparative information for the year ended June 30, 2007)

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ 1,815,411	10,982,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,551,478	4,297,096
Effect of a change in accounting principle	—	560,966
Change in market value of interest rate swap	4,314,173	318,314
Net unrealized and realized losses (gains) on investments	703,689	(1,258,928)
Gains on investments held in trust by others	(577,290)	(1,243,306)
Contributions restricted for long-term investment	(623,467)	(237,423)
Change in accounts and pledges receivable	(723,403)	1,334,327
Change in other assets	249,816	(363,811)
Change in accounts payable and accrued expenses	1,178,611	306,316
Change in deposits and deferred income	786,341	(1,585,301)
Net cash provided by operating activities	12,675,359	13,110,371
Cash flows from investing activities:		
Purchases of plant and equipment	(18,173,157)	(14,697,183)
Proceeds from maturity and sale of investments	8,927,616	8,127,825
Purchases of investments	(11,523,191)	(9,933,467)
(Increase) decrease in loans receivable	(139,799)	185,019
Net cash used by investing activities	(20,908,531)	(16,317,806)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	623,467	237,423
Proceeds from issuance of bonds and notes payable	—	15,890,000
Principal payments on bonds and notes payable	(885,000)	(5,215,000)
Bond issuance costs	—	(424,474)
Principal payments on capital leases	(153,905)	(180,000)
Change in restricted cash and deposits with bond trustee	5,828,562	(627,553)
Net cash provided by financing activities	5,413,124	9,680,396
Net (decrease) increase in cash and cash equivalents	(2,820,048)	6,472,961
Cash and cash equivalents at beginning of year	10,308,619	3,835,658
Cash and cash equivalents at end of year	$ 7,488,571	10,308,619
Supplemental data:		
Interest paid	$ 1,234,058	1,160,068

See accompanying notes to financial statements.

(1) Organization

The University of New Haven (the University) is a private, tax-exempt, nonprofit educational institution. The University was founded in 1920 and is located on 78 acres in suburban West Haven, Connecticut.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The accompanying financial statements have been prepared using accrual accounting, and include the accounts of the University and the Henry C. Lee Institute.

The accompanying financial statements present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use, for general or specific purposes, all or part of the income and capital gains, if any, on related investments.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met by actions of the University and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

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. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Donor-restricted contributions, and any income earned on those contributions, whose restrictions are met in the same reporting period have been reported as unrestricted support in the statement of activities. Gifts of long-lived assets are considered unrestricted support.

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

(Continued)

(b) Liquidity Information

In order to provide information about liquidity, assets have been sequenced in the statement of financial position according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their maturity and resulting use of cash.

(c) Contribution Revenue

The University reports contributions (including unconditional promises to give) as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at an appropriate discount rate. The discount rate represents the risk-free rate in existence at the date of the gift. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity.

(d) Cash Equivalents

The University considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents, except for cash held with investment managers for long-term investment.

(e) Investments

Investments are reported in the financial statements at fair value based on quoted market sources. Accordingly, the gains and losses that result from market fluctuations are recognized in the statement of activities in the period in which the fluctuations occur.

(f) Spending Policy

The University uses an endowment spending rate, established by the Board of Governors. This policy is set at an annual rate that is the lesser of four and one-half percent (4.5%) based upon the twelve-quarter moving average market value at the beginning of each quarter with a one- quarter lag, or total annual yield (dividends and interest) as measured by the preceding fiscal year.

(g) Investment in Plant

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until placed in service. When plant assets are retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the statement of activities.

(Continued)

(h) Unamortized Bond Issuance Costs

Deferred bond issuance costs are stated net of accumulated amortization, and are amortized over the lives of the related bonds.

(i) Income Taxes

The University was granted an exempt status under the Internal Revenue Code (IRC) Section 501(a), as an organization described in Section 501(c)(3). Under IRC Section 501(a) the University is generally exempt from income taxes.

Effective July 1, 2007, the, University adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FIN 48 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The adoption of FIN 48 had no impact on the University's financial statements.

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Fair Value of Financial Instruments

The fair value of investments, which is based upon quoted market prices, is disclosed in note 5. For all other financial instruments, the carrying amount as disclosed in the accompanying financial statements approximates fair value.

(m) UPMIFA

Through September 30, 2007, the University's management and investment of donor-restricted endowment funds were subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's concept of historic dollar value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending. Effective October 1, 2007, the State of Connecticut enacted UPMIFA, the provisions of which apply to funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the University has determined that retaining its existing policies regarding net asset classification of its donor-restricted endowment funds is appropriate as of June 30, 2008 based on accounting standards in effect.

In August 2008, FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds (FSP)*, was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The University will adopt the FSP for the year ending June 30, 2009, which will require the June 30, 2008 financial statements to be retrospectively adjusted to reflect a reclassification of net assets from unrestricted to temporarily restricted of approximately $1.5 million. The University does not believe this net asset reclassification will be operationally significant. Another key component of that FSP is a requirement for expanded disclosures for all endowment funds.

(n) New Accounting Pronouncement

In September 2006, the Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. This standard expands the disclosure that is required for the use of fair value measure assets and liabilities. The new disclosure will focus on the inputs used to measure fair value and the effect, if any, on the measurement of changes in net assets for the period. The University will adopt this standard in its financial statements for the year ended June 30, 2009.

(o) Reclassifications

Certain items in 2007 have been reclassified to conform to the current year presentation.

(3) Accounts and Loans Receivable

Accounts receivable consist of the following at June 30:

		2008	2007
Students	$	7,119,974	5,327,498
Grants		1,620,067	1,630,500
Others		284,422	281,313
Allowance for doubtful accounts		(4,734,298)	(4,367,240)
Net accounts receivable	$	4,290,165	2,872,071

Loans receivable consist of the following at June 30:

		2008	2007
Perkins loans	$	3,744,252	3,606,146
Allowance for doubtful accounts		(375,000)	(375,000)
Net loans receivable	$	3,369,252	3,231,146

(4) Pledges Receivable

Pledges receivable consist of the following unconditional promises to give as of June 30:

		2008	2007
Amounts due in:			
Less than one year	$	3,897,816	3,056,006
One to five years		2,289,208	3,846,106
Greater than five years		7,394	254,496
Charitable remainder trust (note 8)		836,794	902,884
Gross pledges receivable		7,031,212	8,059,492
Less:			
Allowance for uncollectible pledges		(848,215)	(962,386)
Discount to present value		(355,524)	(576,634)
Net pledges receivable	$	5,827,473	6,520,472

Pledges recorded at June 30, 2008 and 2007 are discounted at rates ranging from 2.36% to 6.25%.

Fundraising expenses for the years ended June 30, 2008 and 2007 totaling $1,256,393 and $1,659,867, respectively, have been classified as institutional support expenses in the statement of activities.

(5) Investments

The fair value of investments at June 30 is summarized as follows:

		2008	2007
Cash and short-term investments	$	592,678	947,609
Common stocks		9,246,418	8,365,110
Bonds		4,959,931	3,936,407
Equity mutual funds		6,313	17,842
Fixed income mutual funds		1,601	4,630
Total investments	$	14,806,941	13,271,598

The University's total return on its invested assets consists of the following components reported on the statement of activities:

		2008	2007
Investment income, net of investment expenses	$	270,361	931,817
Net realized and unrealized (losses) gains		(703,689)	1,258,928
Total return on investments		(433,328)	2,190,745
Endowment spending used in operations		(384,062)	(332,111)
Net return on long-term investments, net of amounts used in operations	$	(817,390)	1,858,634

(6) Investment in Plant

Plant assets consist of the following at June 30:

		2008	2007	Estimated useful lives
Land	$	4,577,956	3,166,490	—
Land improvements		7,581,850	5,674,888	50 years
Buildings and building improvements		85,748,879	68,185,877	30 years
Furniture and equipment		40,239,584	37,173,601	3-10 years
Construction in progress		5,488,391	10,221,664	—
		143,636,660	124,422,520	
Less accumulated depreciation		(65,857,524)	(60,341,700)	
	$	77,779,136	64,080,820	

The University capitalized $438,895 and $436,609 of interest on construction projects during the years ended June 30, 2008 and 2007, respectively.

Depreciation expense for the years ended June 30, 2008 and 2007 amounted to $5,521,472 and $4,285,746, respectively.

As of July 1, 2005, the University adopted the provisions of FASB Interpretation No. 47 to account for conditional asset retirement obligations. The University determined that it had conditional asset retirement obligations at that date primarily related to the removal and disposal of asbestos insulation in several buildings. Conditional asset retirement obligations of $449,945 and $443,840 are included within other liabilities in the statement of financial position at June 30, 2008 and 2007, respectively.

(Continued)

(7) Leases

The University has entered into operating lease agreements to rent property for office space and for off campus residences. These lease agreements have varying remaining terms until fiscal year 2017.

In fiscal year 2003, the University signed two leases with Acorn Property Management (Acorn) for the leasing of grounds and a residence hall that Acorn constructed. The principal owner of Acorn was formerly a trustee of the University. The initial leasing term is eight years. During the lease term, the average annual commitment is $859,375. The lease has a renewal option in which the University can extend the lease for an additional seven years and five additional renewal options of five years each.

The approximate future minimum rental commitments under operating lease agreements are as follows:

Year ending June 30:		
2009	$	2,326,045
2010		2,070,704
2011		1,820,447
2012		1,507,427
2013		456,639
Thereafter		1,291,566
Total required minimum lease payments	$	9,472,828

Rent expense for the years ended June 30, 2008 and 2007 was $2,444,539 and $1,816,359, respectively.

(8) Investments Held in Trust by Others

The University is the sole beneficiary of a charitable trust ($4,531,954 and $3,954,664 at June 30, 2008 and 2007, respectively) of which the University is not the trustee. The trust is time restricted. The University's beneficial interest in the trust is recognized as a temporarily restricted net asset. Distributions are reflected as reductions in the beneficial interest of the trust and as reclassifications from temporarily restricted to unrestricted net assets.

The University is the sole beneficiary of a charitable remainder trust payable to the University in fiscal 2013. The University is also a beneficiary of a share of a charitable lead annuity trust payable to the University over a 10-year term ending in April 2014. The assets of the trusts are recorded as temporarily and permanently restricted pledges receivable, respectively, at the present value of estimated future payments, as disclosed in note 4.

The University is named as a beneficiary of a charitable remainder trust. Under the trust agreement, distributions for the benefit of the primary beneficiaries may include the expenditure of principal causing the remainder amount the University expects to receive to be undeterminable. As a result, the trust has not been recorded in the University's financial statements.

(9) Debt

(a) Bonds and Notes Payable

The following is a summary of bonds and notes payable at June 30:

		2008	2007
Connecticut Health and Education Facilities Authority (CHEFA):			
Series E bonds, issued in August 2005 with interest, set at 2 basis points below The Securities Industry and Financial Markets Association Municipal Swap Index, 3.96% at June 30, 2008, maturities to 2035, payable in increasing monthly installments ranging from $27,083 to $155,000, plus interest, through 2035	$	26,490,000	27,135,000
Series G bonds, issued in August 2006 with interest, set at 2 basis points above one month LIBOR, 3.96% at June 30, 2008, maturities to 2036, payable in increasing monthly installments ranging from $20,000 to $61,666, plus interest, through 2036		15,650,000	15,890,000
Bonds payable		42,140,000	43,025,000
Unamortized bond discount		(227,280)	(235,443)
Bonds payable, net	$	41,912,720	42,789,557

In August 2006, the University issued $15,890,000 of CHEFA Series G tax-exempt bonds. The proceeds were used to finance (a) the construction and equipping of a new student recreation center; and (b) the defeasance of the prior issue Series F bonds; and (c) paying capitalized interest with respect to the bonds; and (d) paying costs of issuance and credit enhancement fees with respect to the bonds. The University incurred $424,474 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds.

As part of the closing on the $15,890,000 in State of Connecticut Health and Educational Facilities Authority (CHEFA) variable rate demand revenue bonds, University of New Haven Issue, Series G, CHEFA required that the University place $427,520 in escrow in response to the property tax assessment by the City of West Haven on University-owned property at 390 Orange Avenue, West Haven, CT. The $427,520 tax was paid in fiscal 2008.

In August 2005, the University issued $27,460,000 of CHEFA Series E tax-exempt bonds and $4,800,000 of CHEFA Series F taxable bonds. The proceeds were used to finance (a) deferred maintenance and various improvements to the University's campus, including classroom, lab, faculty office and residence hall renovations; and (b) the defeasance of the prior issue Series D bonds. The University incurred $638,848 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds.

Under the bond agreement with CHEFA and a line of credit agreement with Wachovia Bank, the University has agreed to certain financial covenants. The University has met its financial covenants as of June 30, 2008.

Substantially all property and equipment is pledged as collateral for the above notes. Additionally, the University has granted to CHEFA and the aforementioned bank a security interest in certain gross receipts, as defined, from annual student tuition and other dormitory fees.

The following is a schedule of debt maturities payable over the next five years and thereafter by the University:

Year ending June 30:		
2009	$	955,000
2010		1,200,000
2011		1,245,000
2012		1,295,000
2013		1,345,000
Thereafter		36,100,000
Total	$	42,140,000

(b) Short-Term Line of Credit

The University has a revolving line of credit agreement with Wachovia Bank for $4,500,000 until December 31, 2008. The line is secured by a mortgage on certain University property. Borrowings under the line bear interest at the LIBOR Market Index Rate. Outstanding borrowings against the line of credit were $0 at June 30, 2008 and 2007.

(10) Interest Rate Swap

In conjunction with the University's August 2005 issuance of variable rate debt, the University entered into an interest rate swap agreement with a financial institution counterparty. The purpose of this agreement is to swap the variable rate on underlying debt for fixed rates. The University entered into the agreement to manage the risk associated with the cash flows attributable to interest payments on the debt and does not use such instruments for speculative purposes. Under SFAS No. 133, *Accounting for Derivatives and Hedging Activities*, the instrument's fair value and changes therein must be measured in the University's net assets. The value of the swap instruments represents the estimated benefit or cost to the University to cancel the agreement at the reporting date, and is based on an option pricing model that considers risks and market factors.

Trade date	Notional amount	Maturity	Series	Rate	Fair value at June 30 2008	Fair value at June 30 2007
August 17, 2005	$ 26,490,000	July 1, 2035	2005	3.425%	$ (407,681)	$ 1,208,026
August 28, 2006	$ 15,650,000	July 1, 2036	2006	3.960%	(1,107,635)	(181,977)
July 1, 2008	$ 42,000,000	July 1, 2038	2008	3.605%	(1,604,109)	—
July 1, 2008	$ 4,000,000	July 1, 2038	2008	3.638%	(168,699)	—
			Total		$ (3,288,124)	$ 1,026,049

Subsequent to June 30, 2008, the financial markets in the United States have experienced significant turmoil. The University has, as part of its management of debt, entered into various swap agreements as previously discussed. The continued effectiveness of these swaps will be contingent upon the ability of the counterparty to meet its contractual obligations under these agreements.

(11) Pension Plan

The University maintains a defined contribution retirement program with the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF). The University generally contributes 7% of base salaries, as defined, for both exempt and non-exempt participating employees. Eligible employees may contribute a percentage of their annual compensation, pretax, subject to various restrictions within the Internal Revenue Code. Pension expense for the years ended June 30, 2008 and 2007 was $2,594,365 and $2,390,912, respectively.

(12) Temporarily and Permanently Restricted Net Assets

Restricted net assets as of June 30 consist of:

		2008	2007
Temporarily restricted net assets:			
Time restricted	$	3,724,126	5,927,608
Investments held in trust by others		4,532,124	3,954,664
Use restricted:			
Capital projects		9,388,447	7,408,192
Other		874,462	379,751
Total	$	18,519,159	17,670,215
Permanently restricted net assets:			
Scholarships	$	4,883,912	5,413,005
General University support		2,732,170	1,579,610
Total	$	7,616,082	6,992,615

(13) Net Assets Released from Restrictions

Temporarily restricted assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor. For the years ended June 30, 2008 and 2007, temporarily restricted net assets were released as follows:

		2008	2007
Expiration of time restrictions	$	—	213,606
Capital projects		1,754,841	1,133,653
Academic support		153,223	67,533
Student services		195,380	292,156
Institutional support		205,074	13,262
Instruction		28,561	45,633
Student aid		444,658	235,322
Total	$	2,781,737	2,001,165

(Continued)

(14) Postretirement Medical Benefits Plan

The University provides certain health care benefits, including medical care and prescription drug components, for certain of its retired employees. As of June 30, 2007, the University adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit and Other Postretirement Plans*. The net effect of adopting FASB Statement No. 158 was $560,966, which is included as a change in accounting principle in the statement of activities. Information with respect to the plan is as follows:

		June 30	
		2008	2007
Change in benefit obligation:			
Benefit obligation at beginning of year	$	1,933,136	1,183,658
Service cost		558,175	494,465
Interest cost		118,576	72,319
Plan amendment		—	120,020
Assumption change (gains) losses		(247,857)	52,570
Experience losses		—	68,983
Benefits paid		(69,220)	(58,879)
Benefit obligation at end of year	$	2,292,810	1,933,136
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Actual return on plan assets		—	—
Employer contribution		69,220	58,879
Plan participants' contributions		—	—
Benefits paid		(69,220)	(58,879)
Fair value of plan assets at end of year	$	—	—
Funded status	$	(2,292,810)	(1,933,136)

	June 30	
	2008	2007
Discount rate used to value obligations	6.75%	6.25%
Weighted average health care cost trend:		
Initial trend rate:		
Pre-65	9.00%	9.00%
Post-65	9.00%	9.00%
Ultimate trend rate:		
Pre-65	5.00%	5.00%
Post-65	5.00%	5.00%
Year ultimate trend rate attained	2010	2010

	June 30	
	2008	**2007**
Components of net periodic postretirement benefit cost:		
Service cost	$ 558,175	494,465
Interest cost	118,576	72,319
Amortization of actuarial loss	54,376	7,771
Amortization of unrecognized prior service cost	313,276	193,257
Net periodic postretirement benefit cost	$ 1,044,403	767,812

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	2008	**2007**
Impact of 1% increase in health care cost trend:		
On interest cost plus service cost during past year	$ 77,566	70,997
On accumulated postretirement benefit obligation	237,154	210,376
Impact of 1% decrease in health care cost trend:		
On interest cost plus service cost during past year	(66,294)	(60,358)
On accumulated postretirement benefit obligation	(233,729)	(179,635)

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

	Estimated benefit payment
Fiscal year:	
2009	$ 169,800
2010	179,500
2011	187,900
2012	194,600
2013	185,300
2014-2017	877,300

The expected employer contribution for fiscal year 2009 is $169,800.

(15) Commitments and Contingencies

The University participates in a number of federal programs that are subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the University does not expect these amounts, if any, to be material to the financial statements.

The University is subject to certain legal proceedings and claims that arose in the ordinary course of its business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the University's financial position.