McGladrey & Pullen
Certified Public Accountants

# Saint Martin’s University

## Financial Report
## June 30, 2009

Saint

Martin's

University

**Financial**

**Report**

June 30

2009

## Contents

McGladrey & Pullen
Certified Public Accountants

## Independent Auditor's Report on Financial Statements

To the Board of Trustees
**Saint Martin's University**
Lacey, Washington

We have audited the accompanying statements of financial position of **Saint Martin's University** as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of **Saint Martin's University**. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Saint Martin's University** as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our reports for the years ended June 30, 2009 and 2008, dated October 12, 2009, and October 1, 2008, respectively, on our consideration of **Saint Martin's University's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

McGladrey & Pullen, LLP

Olympia, Washington
October 12, 2009

# Financial

# Statements

## Statements of Financial Position

Saint Martin's University
June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents: | | |
| Operating cash | $ 55,549 | $ 1,142,258 |
| Invested cash | 7,855,121 | 9,704,322 |
| **Total cash and cash equivalents** | **7,910,670** | **10,846,580** |
| Student accounts receivable - net of allowance (2009 - $137,767; 2008 - $173,568) | 999,107 | 1,063,111 |
| Gate loan receivable - net of discount (2009 and 2008: $346,930 and $229,960) | 116,426 | 233,396 |
| Student loans receivable - Perkins Loan Program | 1,082,718 | 1,132,094 |
| Contributions receivable - net of allowance | 2,045,380 | 2,680,384 |
| Other receivables | 340,992 | 462,297 |
| Invested cash - bond proceeds designated for construction | 652,003 | 7,523,185 |
| Investments | 9,255,255 | 5,848,647 |
| Inventories | 137,401 | 118,786 |
| Prepaid expenses | 84,644 | 105,634 |
| Bond issuance costs - net | 433,383 | 448,860 |
| Bond reserve | 2,578,113 | 2,637,840 |
| Construction in progress | 3,376,390 | 15,604,322 |
| Fixed assets - net | 53,291,991 | 36,520,577 |
| **Total assets** | **$82,304,473** | **$85,225,713** |

*See notes to financial statements.*

| | 2009 | 2008 |
|---|---|---|
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable | $ 3,225,598 | $ 4,970,500 |
| Deferred revenues | 909,886 | 884,780 |
| Annuities payable | 754,461 | 785,834 |
| Bonds payable | 34,965,000 | 35,490,000 |
| Related-party notes payable | 700,096 | 723,481 |
| Interest rate swap | 6,453,776 | 3,870,214 |
| U.S. Government grants refundable | 972,178 | 972,178 |
| **Total liabilities** | **47,980,995** | **47,696,987** |
| **Commitments and Contingency** | **- -** | **- -** |
| **Net Assets** | | |
| Unrestricted: | | |
| Undesignated | 1,357,649 | 1,299,803 |
| Investment in plant | 18,164,857 | 20,015,669 |
| Designated: | | |
| Endowment/scholarships | 1,145,834 | 600,173 |
| Maintenance of plant | 926,371 | 993,565 |
| Other | 1,534,551 | 1,536,924 |
| **Total unrestricted** | **23,129,262** | **24,446,134** |
| Restricted: | | |
| Temporarily | 3,806,634 | 6,249,530 |
| Permanently | 7,387,582 | 6,833,062 |
| **Total net assets** | **34,323,478** | **37,528,726** |
| **Total liabilities and net assets** | **$82,304,473** | **$85,225,713** |

## Statement of Activities

Saint Martin's University
Year Ended June 30, 2009

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Revenues, Gains and Other Support** | | | | |
| Tuition and fees | $29,466,412 | $ - - | $ - - | $29,466,412 |
| Scholarship allowance | (10,950,032) | - - | - - | (10,950,032) |
| **Total tuition and fees - net of scholarship allowance** | **18,516,380** | **- -** | **- -** | **18,516,380** |
| Governmental grants and contracts | 1,774,107 | - - | - - | 1,774,107 |
| Contributions | 1,889,227 | 614,309 | 111,615 | 2,615,151 |
| Contributions from related party | 232,204 | - - | 10,559 | 242,763 |
| Auxiliary enterprises | 4,859,175 | - - | - - | 4,859,175 |
| Investment income and realized gains (losses) | 181,995 | (6,241) | - - | 175,754 |
| Unrealized gains on investments - net | 164,913 | 137,661 | - - | 302,574 |
| Other sources | 491,111 | - - | - - | 491,111 |
| Other revenues: | | | | |
| Change in value of split-interest agreement | (4,399) | - - | - - | (4,399) |
| **Total revenues, gains and other support before net assets released from restrictions** | **28,104,713** | **745,729** | **122,174** | **28,972,616** |
| Net assets released from restrictions | 3,173,166 | (3,173,166) | - - | - - |
| **Total revenues, gains and other support** | **31,277,879** | **(2,427,437)** | **122,174** | **28,972,616** |
| **Expenses** | | | | |
| Program expenses: | | | | |
| Instruction | 9,891,824 | - - | - - | 9,891,824 |
| Research | 128,606 | - - | - - | 128,606 |
| Student services | 6,391,728 | - - | - - | 6,391,728 |
| Auxiliary enterprises | 4,837,031 | - - | - - | 4,837,031 |
| | **21,249,189** | **- -** | **- -** | **21,249,189** |
| Support expenses: | | | | |
| Academic | 3,109,481 | - - | - - | 3,109,481 |
| Institutional | 5,235,632 | - - | - - | 5,235,632 |
| | **8,345,113** | **- -** | **- -** | **8,345,113** |
| **Total operating expenses** | **29,594,302** | **- -** | **- -** | **29,594,302** |

*(continued)*

*See notes to financial statements.*

**Statement of Activities**

*(concluded)*

Saint Martin's University
Year Ended June 30, 2009

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Expenses** *(concluded)* | | | | |
| Nonoperating expense: | | | | |
| Unrealized loss on interest rate swap | $ 2,583,562 | $ - - | $ - - | $ 2,583,562 |
| **Total expenses** | **32,177,864** | **- -** | **- -** | **32,177,864** |
| **Change in net assets before cumulative effect of change in accounting principle** | **(899,985)** | **(2,427,437)** | **122,174** | **(3,205,248)** |
| Cumulative effect of change in accounting principle (Note 14) | (416,887) | (15,459) | 432,346 | - - |
| **Change in net assets** | **(1,316,872)** | **(2,442,896)** | **554,520** | **(3,205,248)** |
| Net assets at June 30, 2008 | 24,446,134 | 6,249,530 | 6,833,062 | 37,528,726 |
| **Net assets at June 30, 2009** | **$23,129,262** | **$3,806,634** | **$7,387,582** | **$34,323,478** |

*See notes to financial statements.*

**Statement of Activities**

Saint Martin's University
Year Ended June 30, 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Revenues, Gains and Other Support** | | | | |
| Tuition and fees | $27,235,007 | $ - - | $ - - | $27,235,007 |
| Scholarship allowance | (9,408,863) | | | (9,408,863) |
| **Total tuition and fees - net of scholarship allowance** | **17,826,144** | **- -** | **- -** | **17,826,144** |
| Governmental grants and contracts | 1,857,452 | - - | - - | 1,857,452 |
| Contributions | 1,121,981 | 3,698,797 | 115,681 | 4,936,459 |
| Contributions from related party | 243,096 | 55,879 | 60,000 | 358,975 |
| Auxiliary enterprises | 4,481,706 | - - | - - | 4,481,706 |
| Investment income and realized gains | 1,365,799 | 119,220 | - - | 1,485,019 |
| Unrealized losses on investments - net | (312,890) | (379,059) | - - | (691,949) |
| Other sources | 397,643 | - - | - - | 397,643 |
| Other revenues: | | | | |
| Change in value of split-interest agreement | (6,476) | - - | - - | (6,476) |
| **Total revenues, gains and other support before net assets released from restrictions** | **26,974,455** | **3,494,837** | **175,681** | **30,644,973** |
| Net assets released from restrictions | 740,097 | (740,097) | - - | - - |
| **Total revenues, gains and other support** | **27,714,552** | **2,754,740** | **175,681** | **30,644,973** |
| **Expenses** | | | | |
| Program expenses: | | | | |
| Instruction | 9,289,762 | - - | - - | 9,289,762 |
| Research | 473,655 | - - | - - | 473,655 |
| Student services | 4,459,844 | - - | - - | 4,459,844 |
| Auxiliary enterprises | 4,820,147 | - - | - - | 4,820,147 |
| | **19,043,408** | **- -** | **- -** | **19,043,408** |
| Support expenses: | | | | |
| Academic | 2,738,346 | - - | - - | 2,738,346 |
| Institutional | 6,956,285 | - - | - - | 6,956,285 |
| | **9,694,631** | **- -** | **- -** | **9,694,631** |
| **Total operating expenses** | **28,738,039** | **- -** | **- -** | **28,738,039** |

*(continued)*

*See notes to financial statements.*

**Statement of Activities**

*(concluded)*

Saint Martin's University
Year Ended June 30, 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Expenses** *(concluded)* | | | | |
| Nonoperating expense: | | | | |
| Unrealized loss on interest rate swap | $ 3,870,214 | $ - - | $ - - | $ 3,870,214 |
| **Total expenses** | **32,608,253** | **- -** | **- -** | **32,608,253** |
| **Change in net assets** | **(4,893,701)** | **2,754,740** | **175,681** | **(1,963,280)** |
| Net assets at June 30, 2007 | 29,339,835 | 3,494,790 | 6,657,381 | 39,492,006 |
| **Net assets at June 30, 2008** | **$24,446,134** | **$6,249,530** | **$6,833,062** | **$37,528,726** |

*See notes to financial statements.*

## Statements of Cash Flows

Saint Martin's University
Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | ($ 3,205,248) | ($ 1,963,280) |
| Adjustments: | | |
| Depreciation | 2,256,555 | 2,045,593 |
| Unrealized (gains) losses on investments - net | (302,574) | 691,949 |
| Bad debt expense | 611,728 | 105,388 |
| Contributions restricted for long-term purposes | (122,174) | (163,193) |
| Cash surrender value of life insurance | (33,916) | (33,880) |
| Loss on disposal of assets | 77,144 | 47,048 |
| Fair value of interest rate swap | 2,583,562 | 3,870,214 |
| Bond issuance cost amortization | 15,477 | 15,479 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in student receivables | 32,157 | (210,619) |
| Decrease in gate loan receivable | - - | 2,019 |
| (Increase) decrease in contributions receivable | 391,496 | (2,429,384) |
| Decrease in other receivables | 121,305 | 288,833 |
| Decrease in prepaids and inventories | 2,375 | 576,166 |
| Increase (decrease) in accounts and annuities payable | (1,868,783) | 3,018,559 |
| Increase in deferred revenues | 25,106 | 84,453 |
| **Net cash provided by operating activities** | **584,210** | **5,945,345** |
| **Cash Flows from Investing Activities** | | |
| Purchase of fixed assets and construction in progress, net of bond proceeds used | (20,999) | (3,425,062) |
| Proceeds from sale of assets | 15,000 | - - |
| Purchase of investment securities | (18,719,213) | (17,436,338) |
| Sale of investment securities | 15,429,692 | 20,616,711 |
| (Increase) decrease in student loans receivable | 49,376 | (28,618) |
| Net (increase) decrease in bond reserve | 59,727 | (136,503) |
| **Net cash used in investing activities** | **(3,186,417)** | **(409,810)** |

*(continued)*

*See notes to financial statements.*

**Statements of Cash Flows**

*(concluded)*

Saint Martin's University
Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| **Cash Flows from Financing Activities** | | |
| Principal payments on long-term borrowings | ($ 548,385) | ($ 531,701) |
| Bond issuance costs | - - | (5,607) |
| Contributions received restricted for long-term purposes | 122,174 | 163,193 |
| Funds received under annuity agreements | 101,670 | - - |
| Payments made under annuity agreements | (9,162) | (6,477) |
| **Net cash used in financing activities** | **(333,703)** | **(380,592)** |
| **Net increase (decrease) in cash and cash equivalents** | **(2,935,910)** | **5,154,943** |
| **Cash and Cash Equivalents** | | |
| Beginning of year | 10,846,580 | 5,691,637 |
| **End of year** | **$ 7,910,670** | **$10,846,580** |
| **Supplemental Schedule of Non-Cash Investing Activities** | | |
| Restricted bond proceeds used for construction in progress additions | $6,871,182 | $11,881,755 |
| **Other Cash Flow Disclosure** | | |
| Interest paid | $1,811,882 | $1,373,406 |

*See notes to financial statements.*

Saint Martin's University
June 30, 2009 and 2008

## Note 1 - Nature of Business and Significant Accounting Policies

Saint Martin's University (the University) is a nonprofit, charitable institution of higher learning, which operates in accordance with its Catholic and Benedictine heritage. The University was established in 1895 by the monks of the Saint Martin's Benedictine monastic community, who have continued to support the education institution.

### Basis of Accounting

The University prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the University, and changes therein, are classified into the following three categories:

> Unrestricted net assets represent expendable funds available to support the University's operations. Certain funds included in these amounts have been designated by the board of trustees to be utilized for various programs.
>
> Temporarily restricted net assets consist of contributions restricted by the donor for specific purposes or not available for use until a specific time. Temporarily restricted net assets include income derived from the donated assets, if specifically restricted by the donor.
>
> Permanently restricted net assets consist of contributions with donor restrictions that stipulate the donated assets be maintained permanently but permit the University to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

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 are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

### Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial position, and revenues and expenses for the period. Actual results could differ significantly from those estimates.

*(continued)*

Saint Martin's University
June 30, 2009 and 2008

**Note 1 - Nature of Business and Significant Accounting Policies** *(continued)*

**Cash and Cash Equivalents**

Demand deposit accounts (checking accounts) held at June 30, 2009 and 2008, are classified as "operating" cash on the accompanying statements of financial position. "Invested" cash consists of short-term, highly liquid investments that are readily convertible to known amounts of cash, including savings accounts, money market accounts, and short-term certificates of deposit with an original maturity of three months or less.

The University maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts.

**Tuition Revenues**

Tuition revenues are recognized in the semester in which the class takes place. Deferred revenues represent primarily tuition from enrollment in summer school classes, which is attributable to the following fiscal year, and tuition deposits made by students in the current fiscal year that are to be used in following years.

**Grant Revenues**

Grant revenues are recognized when expenditures are made under reimbursement-type grants and when sufficient, verifiable evidence exists documenting that a promise was made by the donor for all other grants.

**Inventories**

Inventories are carried at the lower of cost (first-in, first-out) or market value.

**Auxiliary Enterprises**

Auxiliary enterprises consist of revenues and expenses relating to operation of the residence halls, food services and bookstore, and to the rental of facilities. Revenues from auxiliary enterprises are recorded at the time the related services are provided.

**Contributed Services and Long-Lived Assets**

The fair value of contributed services is recognized in the financial statements when the services received create or enhance nonfinancial assets, require specialized skills, which are provided by individuals possessing those skills, and would have been purchased if not donated. There were no significant contributed services received by the University for the years ended June 30, 2009 and 2008.

Contributions of long-lived assets are reported at fair value in the period received. It is the University's policy to record gifts of long-lived assets received without stipulation of how long the donated asset must be used as unrestricted support.

*(continued)*

**Note 1 - Nature of Business and Significant Accounting Policies** *(continued)*

**Contributions**

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The majority of the contributions receivable are collected within a 12-month period; therefore, no allowance for uncollectible accounts is recorded against those contributions. Amortization of discounts is recorded as additional contribution.

It is the University's policy to treat all temporarily restricted net assets received, whose restrictions expire within the current accounting period, as unrestricted.

**Interest Rate Swap Agreement**

The University maintains an interest rate risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility. The University's specific goal is to lower (where possible) the cost of its borrowed funds. The University has an interest rate swap agreement to convert variable rate debt to a fixed rate, as described in Note 5.

**Federal Income Taxes**

No provision for income taxes has been made in the financial statements since the University is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Additionally, the University has done an assessment of any uncertain tax positions as required under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, and has determined they currently have no uncertain tax benefits to record as a liability at June 30, 2009 and 2008.

Forms 990 and 990T filed by the University are subject to examinations by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by the University are no longer subject to examination for the fiscal years ended June 30, 2005, and prior.

**Fair Value of Financial Instruments**

The University's financial instruments include cash and cash equivalents, invested cash, investments, receivables, accounts payable and accrued liabilities, including annuities payable, long-term borrowings and an interest rate swap. The University believes that the fair value of these financial instruments approximates their carrying value based on current market indicators, such as prevailing interest rates and exchange rates. It is not practical to estimate the fair value of student receivables and the liability for U.S. government grants refundable as these loans are subject to restrictions on interest rates and transferability. The University recognizes the change in fair market value of derivative instruments on the statements of activities.

*(continued)*

**Note 1 - Nature of Business and Significant Accounting Policies** *(continued)*

**Student Accounts Receivable and Student Loans Receivable**

Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Student accounts receivable are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written off when deemed uncollectible and student loans receivable may be assigned to the Department of Education. Recoveries of student accounts receivable previously written off are recorded when received.

A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the last day of the semester. Interest is charged on all past-due accounts for students who are no longer enrolled in the University until the account is turned over to a collection agency. Late charges are charged on all student accounts receivable under a payment plan that is outstanding for more than 20 days after the due date.

After a student is no longer enrolled in an institution of higher education, and after a grace period, interest is charged on student loans receivable and recognized as it is charged. Late fees are charged if payments are not paid by the payment due date and recognized as they are charged. Student loans receivable are considered to be past due if a payment is not made within 90 days of the payment due date. After receivables become past due, the accrual of late charges is suspended. Students may be granted a deferment, forbearance or cancellation of their student loans receivable based on eligibility requirements defined by the Department of Education.

**Fundraising Costs**

The University incurred fundraising costs of $631,752 and $567,178 for the years ended June 30, 2009 and 2008, respectively, which are included in institutional support on the statements of activities.

**Capitalized Interest**

The University follows the policy of capitalizing interest as a component of fixed assets for self-constructed projects. Interest incurred on funds used during construction, less interest earned on related interest bearing investments, is capitalized as a cost of construction.

For the year ended June 30, 2009, total interest cost incurred was approximately $1,855,000, of which the entire amount was charged to interest expense. For the year ended June 30, 2008, total interest cost incurred was approximately $1,452,000, of which $1,201,000 was charged to interest expense and $251,000 was capitalized.

*(continued)*

**Note 1 - Nature of Business and Significant Accounting Policies** *(continued)*

**Implemented Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The University adopted SFAS No. 157 for the fiscal year beginning July 1, 2008, see Note 13.

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1 (FSP 117), *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*, to provide guidance on net asset classification of donor-restricted endowment funds of a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP 117 addresses the accounting issues resulting from new guidelines in UPMIFA relating to historic-dollar-value threshold of endowment funds and also requires improved disclosures for both donor-restricted and board-designated endowment funds, whether or not the organization is subject to UPMIFA. The University adopted the disclosure requirement of this standard during 2009 and has included the required disclosures in Note 14. UPMIFA was enacted in Washington State in May 2009 and is required to be implemented in 2010. Management has not yet assessed the effect of the UPMIFA changes on its financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*. This statement establishes general standards of accounting for and disclosure of events that occur after the statement of position date but before financial statements are issued or available to be issued. This statement is effective for fiscal years ending after June 15, 2009. The adoption of this statement did not have a material impact on its financial statements.

**New Accounting Pronouncements**

In August 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - An Amendment of FASB Statement No. 133.* This statement requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The University has not completed its analysis of the effects of this statement and has not determined if it will have a material effect on its financial statements; however, the statement will include additional disclosures.

*(continued)*

Saint Martin's University
June 30, 2009 and 2008

**Note 1 - Nature of Business and Significant Accounting Policies** *(concluded)*

**New Accounting Pronouncements** *(concluded)*

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles-A Replacement of FASB SFAS No. 162*. The Statement establishes the Codification as the single source of authoritative U.S. generally accepted accounting principles (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities. This Statement is effective for financial statements for periods ending after September 15, 2009. The University does not expect the adoption of this Statement to have a material impact on its financial statements.

**Note 2 - Investments**

At June 30, 2009 and 2008, investments in equity securities that have readily determinable market values and all investments in debt securities are accounted for and reported at fair value. Investments received by gift are initially recorded at market value at the date the gift is received. Cash surrender value of life insurance is recorded at cost.

It is the University's policy to report gains and investment income that are limited to specific use by donor-imposed restrictions as increases in unrestricted net assets, if the restrictions are met in the same reporting period as the gains and investment income are recognized.

Dividends, interest and other investment income are reported in the period earned as increases in unrestricted net assets, unless donor-imposed restrictions limit the use of the assets, in which case they are reported as increases in temporarily or permanently restricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulation or law.

Investment return comprises the following for the years ended June 30:

| | 2009 | 2008 |
|---|---|---|
| Dividends and interest | $511,430 | $1,653,381 |
| Net realized losses on investments | (335,676) | (168,362) |
| **Investment income** | **175,754** | **1,485,019** |
| Net unrealized gains (losses) on investments | 302,574 | (691,949) |
| **Total investment income** | **$478,328** | **$ 793,070** |

*(continued)*

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**Note 2 - Investments** *(concluded)*

Investment income has been presented net of management fees. Management fees totaled $35,395 and $35,596 for the years ended June 30, 2009 and 2008, respectively.

Certain investments are pooled on a market value basis, with each individual fund subscribing to or disposing of units on the basis of value per unit at the beginning of the calendar quarter during which the transaction takes place.

The aggregate carrying amount of investments by major type at June 30 is as follows:

| | 2009 | 2008 |
|---|---|---|
| **Invested Cash** | | |
| Savings accounts | $ 5,798,746 | $ 5,213,610 |
| Money market funds | 2,056,375 | 4,490,712 |
| **Total invested cash** | **7,855,121** | **9,704,322** |
| **Invested Cash - Bond Proceeds Designated for Construction** | **652,003** | **7,523,185** |
| **Investments** | | |
| Common stocks | 4,508,916 | 914,622 |
| Mutual funds | 777,203 | 892,303 |
| Bonds | 3,127,614 | 3,234,122 |
| Cash surrender value of life insurance | 841,016 | 807,100 |
| Other | 506 | 500 |
| **Total investments** | **9,255,255** | **5,848,647** |
| **Total invested cash and investments** | **$17,762,379** | **$23,076,154** |

The University also maintains a bond reserve investment totaling $2,578,113 and $2,637,840 at June 30, 2009 and 2008, respectively. These funds are invested in an interest-bearing deposit account.

The University invests in various investment securities, which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially impact the value of the investment securities held.

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**Note 3 - Contributions Receivable**

Contributions receivable that were recognized during 2009 related to funds that were raised to support planned improvements to existing buildings owned by the University. The contributions receivable are expected to be collected at June 30, 2009, as follows:

| | 2009 | 2008 |
|---|---|---|
| Within one year | $1,240,426 | $1,158,263 |
| 1 to 5 years | 902,999 | 1,949,483 |
| **Total contributions receivable** | **2,143,425** | **3,107,746** |
| Less discount | 98,045 | 170,362 |
| Less allowance for uncollectible | - - | 257,000 |
| **Contributions receivable, net** | **$2,045,380** | **$2,680,384** |

**Note 4 - Fixed Assets and Construction in Progress**

Fixed assets are recorded at cost or, if donated, at fair market value at the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives of buildings and land improvements (15 to 50 years) and equipment (three to 15 years). Equipment retirements are removed from the records at the time of disposal.

Fixed assets comprise the following at June 30:

| | 2009 | 2008 |
|---|---|---|
| Land improvements *(Note 7)* | $ 2,008,743 | $ 2,008,743 |
| Buildings | 59,864,482 | 41,823,874 |
| Equipment | 12,601,464 | 12,234,634 |
| **Total fixed assets** | **74,474,689** | **56,067,251** |
| Less accumulated depreciation | 21,182,698 | 19,546,674 |
| **Fixed assets, net** | **$53,291,991** | **$36,520,577** |

Construction in progress at June 30 consists of the following:

| | 2009 | 2008 |
|---|---|---|
| Residence hall | $ - - | $11,255,766 |
| Academic building | - - | 3,498,361 |
| Recreation center | 1,964,195 | 113,353 |
| Soccer field | 1,412,195 | 736,842 |
| **Total construction in progress** | **$3,376,390** | **$15,604,322** |

*(continued)*

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**Note 4 - Fixed Assets and Construction in Progress** *(concluded)*

At June 30, 2009, the construction of the new recreation center was approximately 50 percent complete and the remaining contract commitment totaled approximately $2 million.

**Note 5 - Bonds and Other Payables**

Bonds and other payables consist of the following at June 30:

| | 2009 | 2008 |
|---|---|---|
| Saint Martin's University 2007 Washington Higher Education Facilities Authority Variable Rate Demand Revenue and Refunding Revenue bonds payable to Wells Fargo Bank, as trustee, issued June 28, 2007. The bonds will initially bear interest at the weekly interest rate. The interest rate is convertible from a weekly rate to a daily or fixed rate at the election of the University upon satisfaction of certain stated conditions. Interest shall be paid monthly on the first business day of each month as long as the bonds bear interest at the weekly or daily rate. Variable annual principal payments ($525,000 in 2009) commenced February 1, 2008, and extend through final maturity of the bonds February 1, 2037. The bonds are secured by an irrevocable direct pay letter of credit issued by KeyBank in favor of the trustee totaling $35,490,000, which shall be equal to the principal amount of the bonds outstanding plus an amount equal to 37 days of accrued interest. Unless extended the letter of credit is set to expire June 22, 2010. Additionally, the University has pledged a security interest in the unrestricted revenues, gains and other support for collateral for the bonds. | $34,965,000 | $35,490,000 |
| Payables to St. Martin's Abbey *(Note 7)* | 700,096 | 723,481 |
| **Total bonds and other payables** | **$35,665,096** | **$36,213,481** |

The payables mature as follows for future years ending June 30:

| | |
|---|---|
| 2010 | $ 585,000 |
| 2011 | 622,000 |
| 2012 | 654,000 |
| 2013 | 697,000 |
| 2014 | 739,000 |
| Thereafter | 32,368,096 |
| **Total** | **$35,665,096** |

*(continued)*

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**Note 5 - Bonds and Other Payables** *(concluded)*

On June 28, 2007, Washington Higher Education Facilities Authority, pursuant to an Indenture of Trust, dated June 1, 2007, between the Authority and Wells Fargo Bank, National Association, as trustee, issued $36,000,000 of tax-exempt variable rate demand bonds to provide funds to the University for purposes of: 1) refund the following bonds: a) Revenue Bonds (Saint Martin's College) Series 1995C (the Series 1995 Bonds), b) Variable Rate Demand Revenue Bonds (Saint Martin's College Project), Series 2002 (the Series 2002 Bonds), and c) Revenue Bond (Streamlined Tax-Exempt Placement Program: Saint Martin's College Project), Series 2005 (the Series 2005 Bonds); 2) finance the construction and equipping of facilities on the University's campus in Lacey, Washington (the Nonprofit Facilities); 3) reimburse the University for predevelopment and capital costs expended for the Nonprofit Facilities; 4) fund a debt service reserve fund; and 5) pay the costs of issuing the Bonds (collectively, the Project).

The interest rate was 2.2 percent at June 30, 2009. Issuance costs, aggregating $464,338 have been capitalized and are being amortized over the 30-year life of the bonds at $15,477 per year. Accumulated amortization totaled $30,955 and $15,478 at June 30, 2009 and 2008, respectively.

The University's credit agreement associated with the issuance of the bonds contains several ratio and covenant requirements. Requirement includes maintenance of a minimum amount of liquid assets, minimum debt service ratio and a debt service reserve fund.

The University entered into an interest rate swap agreement, effective August 1, 2007, with KeyBank (the Bank) effectively changing the University's interest rate exposure on its floating rate note (5.32 percent at the date of the agreement) to a fixed interest rate of 4.3 percent per annum. The interest rate swap agreement matures February 2037. The fair value of the swap agreement was a liability of $6,453,776 and $3,870,214 at June 30, 2009 and 2008, respectively. The change in fair market value of the swap agreement is reflected on the statements of activities.

**Note 6 - Pension Plan**

The University has a defined contribution money purchase pension plan under Internal Revenue Code Section 403(b). The plan covers all regular employees, working at least 1,000 hours per year, who have completed one year of service with the University and reached 21 years of age. The University makes quarterly contributions to various mutual fund investments selected by its employees from specific funds approved by the University. The contribution rate was 8 percent of compensation for the years ended June 30, 2009 and 2008, for total contributions of $463,026 and $566,003, respectively.

## Note 7 - Related-Party Transactions

### Related-Party Leases

St. Martin's Abbey (the Abbey) holds title to and is landlord for all real estate associated with the University's campus. It has been the policy and practice of the Abbey to allow the University to utilize the real estate for purposes of operating an institution of higher education.

At various times, the Abbey has entered into lease agreements with the University for the use of the premises under and surrounding certain buildings located on the University's campus. The lease agreements are generally long term in nature and provide for renewal options at the conclusion of the original lease term. Additionally, by specific provision of the lease documents, an annual rent for the lease period is not required to be paid by the University. Management has determined that the fair value of the contribution of such land to the University, at the date of the underlying lease, was not material to the financial statements and, as such, has not recorded the land as a donation.

During the years 1993 through 1996, the Abbey, as owner of the property known as Saint Martin's Campus, developed and constructed new potable and storm water, and sanitary and irrigation systems necessary to meet current and anticipated future needs of both the Abbey and the University. This construction was done in three phases: Phase I - domestic water; Phase II - sanitary sewer and wastewater; and Phase III - irrigation.

### Payables to St. Martin's Abbey

The University's allocated share of costs under the three phases represents the purchase of leasehold improvements from the Abbey.

Notes payable due to the Abbey for the University's share of infrastructure costs at June 30 are as follows:

| | 2009 | 2008 |
|---|---|---|
| Note payable, dated October 19, 1994, for Phase I and Phase II costs, with monthly payments of $5,220, including interest at 7.5 percent per annum; due June 1, 2024; unsecured. | $563,182 | $582,787 |
| Note payable, dated October 22, 1996, for Phase III costs, with monthly payments of $1,184, including interest at 7.5 percent per annum; due September 1, 2026; unsecured. | 136,914 | 140,694 |
| **Total related-party notes payable** | **$700,096** | **$723,481** |

*(continued)*

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## Note 7 - Related-Party Transactions *(concluded)*

### Related-Party Other

For the years ended June 30, 2009 and 2008, the University received various gifts from the Abbey totaling $242,763 and $358,975, respectively. As of June 30, 2009 and 2008, the University had accounts receivable from the Abbey of $21,676 and $12,377 and accounts payable to the Abbey of $552 and $33,393, respectively.

## Note 8 - U.S. Government Grants Refundable

U.S. government grants refundable represent refundable advances made by the federal government under the University's Perkins Federal Direct Loan Program. There were no advances under the program during 2009 or 2008.

## Note 9 - Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

| | 2009 | 2008 |
|---|---|---|
| Scholarships and fellowships | $2,083,819 | $2,182,126 |
| Plant | 1,277,658 | 3,407,887 |
| Other | 445,157 | 659,517 |
| **Total** | **$3,806,634** | **$6,249,530** |

Permanently restricted net assets as of June 30, 2009 and 2008, represent the original corpus of the endowment gifts. The income available from these investments in perpetuity is restricted for the following purposes:

| | 2009 | 2008 |
|---|---|---|
| Endowment scholarships | $6,916,956 | $6,362,436 |
| Other | 470,626 | 470,626 |
| **Total** | **$7,387,582** | **$6,833,062** |

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## Note 10 - Board-Designated Unrestricted Net Assets

During the year ended June 30, 2004, the board committed to using designated unrestricted net assets to fund construction of the new dormitory, Spangler Hall. This required a reclassification of $4,500,000 board-designated funds from "Endowment/Scholarships" to "Maintenance of Plant." The board intends to restore the amount reclassified from Endowment/Scholarships in full over 20 years.

## Note 11 - Split-Interest Agreements

Some donors enter into trusts or other arrangements, under which the University receives benefits that are shared with other beneficiaries. The University either receives distributions during the agreement's term, or it receives all or a portion of the assets remaining at the end of the term. Assets received under trusts are recorded at fair value in the investment account and totaled $1,225,786 and $1,407,525 at June 30, 2009 and 2008, respectively. Of this amount, $381,045 and $361,874 relate to charitable gift annuities at June 30, 2009 and 2008, respectively. The related receivable or liability is calculated based on the life expectancy of the beneficiary or the term of the agreement, discounted at the applicable federal rate per the IRS tables. At June 30, 2009 and 2008, liabilities under the charitable trusts are reported as annuities payable, totaling $754,461 and $785,834, respectively. Of this amount, $308,709 and $231,897 relate to charitable gift annuities at June 30, 2009 and 2008, respectively.

## Note 12 - Contingency

During the prior year, there were allegations of inappropriate behavior by a monastery community member against former students of the former St. Martin's High School. Two separate lawsuits have been filed where the University has been specifically named along with other parties. The cases are in the preliminary stage as of year-end. The court dates have been set for January 2010 and June 2010. However, there is no certainty of any outcome of these suits.

## Note 13 - Fair Value Measurements

The estimated carrying and fair values of the University's financial instruments at June 30 are as follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Carrying Value** | **Estimated Fair Value** | **Carrying Value** | **Estimated Fair Value** |
| **Financial Assets** | | | | |
| Cash and cash equivalents | $7,910,670 | $7,910,670 | $10,846,580 | $10,846,580 |
| Investments - all | 9,255,255 | 9,255,255 | 5,848,647 | 5,848,647 |
| Receivables excluding student loans | 3,501,905 | 3,501,905 | 4,439,188 | 4,439,188 |
| Invested cash-bond proceeds | 652,003 | 652,003 | 7,523,185 | 7,523,185 |
| Bond reserve | 2,578,113 | 2,578,113 | 2,637,840 | 2,637,840 |

*(continued)*

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**Note 13 - Fair Value Measurements** *(continued)*

| | 2009 Carrying Value | Estimated Fair Value | 2008 Carrying Value | Estimated Fair Value |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Accounts payable and other accrued expenses | $ 5,862,123 | $ 5,862,123 | $ 7,613,292 | $ 7,613,292 |
| Related-party notes payable | 700,096 | 700,096 | 723,481 | 723,481 |
| Interest rate swap | 6,453,776 | 6,453,776 | 3,870,214 | 3,870,214 |
| Bonds payable | 34,965,000 | 34,965,000 | 35,490,000 | 35,490,000 |

The University has a swap outstanding so that it may mitigate interest rate risk. The swap synthetically fix or "lock-in" interest rates on variable revenue bond debt by providing cash flows that are intended to offset the variable rate bond payments and leaving the University with the fixed payment identified in the swap agreement. The fair value of the interest rate swap agreement (used for purposes other than trading) is the estimated amounts the University would pay to terminate the swap agreement at the reporting date, taking into account current interest rates for the swap agreement and the creditworthiness of the swap counterparty and the third-party bond insurer.

The University adopted Statement No. 157 at the beginning of the fiscal year, July 1, 2008. Statement No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. Statement No. 157 requires new disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the University performs a detailed analysis of the assets and liabilities that are subject to Statement No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following presents the balances of assets and liabilities measured at fair value by level within the hierarchy at June 30, 2009.

| | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Common stocks | $4,652,580 | $ - - | $- - |
| Mutual funds | 777,203 | - - | - - |
| Bonds | 3,127,614 | - - | - - |
| Cash surrender value of life insurance | - - | 841,016 | - - |
| Other | 506 | - - | - - |
| Interest rate swap | - - | 6,453,776 | - - |

*(continued)*

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**Note 13 - Fair Value Measurements** *(concluded)*

The University's interest rate swap is a pay-fixed, receive variable based on 71 percent LIBOR from its counterparty. The LIBOR rate is observable at commonly quoted intervals for the full term of the swaps and therefore is considered a Level 2 item. For an interest rate swap in an asset position, the credit standing of the counterparty is analyzed and factored into the fair value measurement of the asset. Statement No. 157 states that the fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of the University's creditworthiness has been factored into the fair value measurement of the interest rate swap in a liability position.

**Note 14 - Endowment Fund and Net Asset Classification**

The University's endowments consist of various donor restricted endowment funds and funds designated as quasi endowments, by the board of trustees.

The University's endowment consists of approximately 92 individual funds established for a variety of purposes. Its 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.

Endowment net asset composition by type of fund as of June 30:

| | Unrestricted | Temporarily Restricted* | Permanently Restricted | Total |
|---|---|---|---|---|
| **2009** | | | | |
| Donor-restricted endowment funds | $ - - | $2,083,819 | $7,387,582 | $9,471,401 |
| Board-designated endowment funds | 1,145,834 | - - | - - | 1,145,834 |
| **Total funds** | **$1,145,834** | **$2,083,819** | **$7,387,582** | **$10,617,235** |
| **2008** | | | | |
| Donor-restricted endowment funds | $ - - | $2,182,126 | $6,833,062 | $9,015,188 |
| Board-designated endowment funds | 600,173 | - - | - - | 600,173 |
| **Total** | **$600,173** | **$2,182,126** | **$6,833,062** | **$9,615,361** |

* These funds consist of accumulated earnings available to fund future scholarships.

*(continued)*

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**Note 14 - Endowment Fund and Net Asset Classification** *(continued)*

Changes in endowment net assets for the fiscal year ended June 30:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **2009** | | | | |
| Endowment net assets, beginning of year | $ 600,173 | $2,182,126 | $6,833,062 | $ 9,615,361 |
| Net asset classification based on change in accounting principle | (416,887) | (15,459) | 432,346 | - - |
| **Endowment net assets after reclassification** | **183,286** | **2,166,667** | **7,265,408** | **9,615,361** |
| Investment return: | | | | |
| Investment income | 239,848 | 195,369 | - - | 435,217 |
| Net appreciation (realized and unrealized) | 128,313 | 136,770 | - - | 265,083 |
| **Total investment return** | **368,161** | **332,139** | **- -** | **700,300** |
| Contributions | 767,660 | - - | 122,174 | 889,834 |
| Expenditures appropriated | (173,273) | (414,987) | - - | (588,260) |
| **Endowment net assets, end of year** | **$1,145,834** | **$2,083,819** | **$7,387,582** | **$10,617,235** |
| **2008** | | | | |
| Endowment net assets, beginning of year | $715,765 | $2,468,540 | $6,657,381 | $9,841,686 |
| Investment return: | | | | |
| Investment income | 276,420 | - - | - - | 276,420 |
| Net appreciation (realized and unrealized) | (299,153) | (181,606) | - - | (480,759) |
| **Total investment return** | **(22,733)** | **(181,606)** | **- -** | **(204,339)** |
| Contributions | 91,430 | - - | 175,681 | 267,111 |
| Expenditures appropriated | (541,547) | - - | - - | (541,547) |
| Internal transfers | 252,450 | - - | - - | 252,450 |
| Other | 104,808 | (104,808) | - - | - - |
| **Total other** | **357,258** | **(104,808)** | **- -** | **252,450** |
| **Endowment net assets, end of year** | **$600,173** | **$2,182,126** | **$6,833,062** | **$9,615,361** |

*(continued)*

## Note 14 - Endowment Fund and Net Asset Classification *(concluded)*

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Deficiencies, should they occur, would be the result of unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees. At June 30, 2009, the University had no such deficiencies to be reported in unrestricted net assets.

### Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce appropriate results while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University 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 University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 16 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## Note 15 - Subsequent Event

In preparing the financial statement, the University has evaluated events and transactions for potential recognition of disclosure through October 12, 2009, the date the financial statements were available to be issued. In September 2009, the University was notified that certain stocks held and an outstanding pledge, to be repaid in stock, were considered uncollectible due to the closing of the Bank that issued the stock. The University has recognized a loss at June 30, 2009, due to this event totaling approximately, $387,000.